

## Coronavirus Business Interruption Loan Scheme (CBILS) FAQs for SMEs

### What is the Coronavirus Business Interruption Loan Scheme (CBILS)?

CBILS is a new scheme that can provide facilities of up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cashflow. CBILS supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance facilities.

The scheme provides the **lender** with a government-backed guarantee potentially enabling a 'no' credit decision from a lender to become a 'yes'.

**Please note:** This scheme is just one of a number of measures announced by Government and you can find full details of the temporary, timely and targeted measures to support public services, people and businesses through this period of disruption caused by COVID-19 [here](#).

### When can I access the scheme?

The scheme went live on Monday 23 March and will initially run for six months.

### What are the key features of CBILS?

CBILS guarantees facilities up to a maximum of £5m available on repayment terms up to six years for term loans and asset finance. For overdrafts and invoice finance facilities, terms will be up to three years. The scheme provides the lender with a government-backed partial (80%) guarantee against the outstanding facility balance.

There is no guarantee fee for SMEs to access the scheme. Lenders will pay a fee to access the scheme. The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees.<sup>1</sup> You (the SME) will therefore benefit from no upfront costs and lower initial repayments.<sup>2</sup>

At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the scheme requires the lender to establish a lack or absence of security prior to businesses using CBILS. Primary Residential Property (PPR) cannot be taken as security under the scheme. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

**Please note:** It's important that you are aware that you, the borrower will always remain 100% liable for the debt. The CBILS guarantee is to the lender, not you, the SME.

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<sup>1</sup> Following earlier discussions with the banking industry, some lenders indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme. HM Government greatly appreciates this approach by lenders.

<sup>2</sup> Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

### **How do I know if I'm eligible to apply?**

Smaller businesses (SMEs) from all sectors<sup>3</sup> can apply for the full amount of the facility, up to a maximum of £5m.

To be eligible for a facility under CBILS, your business must:

- Be UK based in its business activity with annual turnover of no more than £45m
- Have a borrowing proposal which, were it not for the COVID-19 pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable your business to trade out of any short-to-medium term difficulty
- If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

### **How can I access the scheme?**

CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website [here](#).

In the first instance, businesses should approach their own provider – ideally via the lender's website. They may also consider approaching other lenders if they are unable to access the finance they need.

Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

**Note:** if the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

### **Additional application notes:**

Given there is likely to be a big demand for facilities once the scheme goes live, we ask you to please:

- Consider applying via the lender's website in the first instance. Telephone lines are likely to be busy and branches may have limited capacity to handle enquiries due to social distancing
- Consider the urgency of your need – it is possible that some businesses may be looking for regular longer-term finance rather than 'emergency' finance, and there may other businesses with a more urgent need to speak with a lender

### **What are the fees to borrow under CBILS?**

There is no guarantee fee for SMEs to use the CBILS scheme. Lenders will pay a fee to access the scheme.

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<sup>3</sup> The following trades and organisations are not eligible to apply: Banks, Building Societies, Insurers and Reinsurers (but not insurance brokers); The public sector including state funded primary and secondary schools; Employer, professional, religious or political membership organisation or trade unions.

### **What types of finance are available and who offers which type?**

CBILS supports a wide range of business finance facilities, including:

- Term loans
- Overdrafts
- Asset finance
- Invoice finance

**Note:** Not every lender can provide every type of finance listed.

CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website [here](#).

### **What types of businesses is CBILS for?**

The scheme is designed to support smaller businesses (SMEs) who don't meet a lender's normal lending requirements for a fully commercial loan or other facility, but who are considered viable in the longer-term.

### **Is the scheme appropriate for Start-ups?**

Potentially, if your business activity is primarily UK-based. For early stage businesses in their first two years of trading, the British Business Bank's Start Up Loans programme (loans £500 to £25,000 at 6% p.a. interest) may be more suitable.

Visit [www.startuploans.co.uk](http://www.startuploans.co.uk) for more information.

### **Will I need security to get a CBILS-backed loan?**

At the discretion of the lender, the scheme may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, it requires the lender to establish a lack or absence of security prior to businesses using CBILS. Primary Residential Property (PPR) cannot be taken as security under the scheme.

**Note:** If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

### **Do I need to evidence that I have a viable business?**

Yes. You must show in your borrowing proposal that were it not for the COVID-19 pandemic, your business would be considered viable by the lender, and for which the lender believes the provision of finance will enable your business to trade out of any short-to-medium term difficulty.

### **I have an existing EFG Facility with my lender that I need to discuss. What do I do?**

If you have a query about an active EFG facility, you should approach your current provider – ideally via their website, and not the British Business Bank.

### **Are there any restrictions on a Borrower refinancing their EFG Facility to a CBILS Facility?**

If you have a query about an active EFG facility, you should approach your own provider – ideally via their website – and not the British Business Bank. Any request for re-financing an existing EFG facility will be at each individual Lender's discretion, be subject to certain limits, and you meeting the CBILS eligibility criteria.

### **What's happening to the old Enterprise Finance Guarantee Scheme (EFG)?**

The EFG scheme is temporarily suspended at this point in time. If you wish to apply for a financing facility, your lender will be able to assess if you are eligible under CBILS.

**How long will CBILS run for?**

CBILS will initially run for six months.

**Will the CBILS funds run out so I can't access the scheme?**

No. Government has confirmed that the amount of funding available under the scheme will be demand-led. Therefore there is no immediate need to approach a lender if you do not need finance in the short-term. The scheme will initially run for six months.

**Are sole traders / freelancers eligible?**

Yes, as long as the business activity is operated through a business account. The scheme is open to sole traders, freelancers, body corporates, limited partnerships, limited liability partnerships or other legal entity carry out a business activity in the United Kingdom, with annual turnover of up to £45m, operating in all sectors<sup>4</sup>.

The business must generate more than 50% of its turnover from trading activity.

**Can Lenders take a Personal Guarantee to cover the 20% loss that the Bank will make?**

No, if a lender makes a claim on the CBILS guarantee it will be after the lender has completed its normal recovery procedures (including realisation of any Personal Guarantees). The CBILS guarantee covers 80% of the lenders post recoveries claim. The lender will always suffer a 20% loss when claiming on the CBILS guarantee.

**I have had *de minimis* aid in the past, can I still get a loan?**

Yes, as long as you meet the scheme's eligibility criteria. Any previous *de minimis* state aid does not impact your eligibility for CBILS and does not need to be taken into account by the Lender. CBILS operates as a notified scheme rather than under *de minimis* as EFG did. There is no interaction between any *de minimis* state aid previously received by a business and the size of the CBILS facility they can access, should they be eligible.

**I am getting other kinds of aid to help respond to COVID-19 - can I still get a loan?**

Yes. The eligibility criteria for CBILS does not require Lenders to take into account the other forms of government support that SMEs may be benefiting from e.g. business rate reliefs or grants unrelated to the CBIL scheme.

**How is CBILS different from the EFG scheme?**

CBILS is a new scheme. It is different from EFG in a number of ways.

1. CBILS provides the lender with an 80% government backed partial guarantee against the outstanding facility balance, subject to an overall portfolio cap. Under EFG this was 75%.
2. There is no guarantee fee for SMEs to use CBILS.

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<sup>4</sup> The following trades and organisations are not eligible to apply: Banks, Building Societies, Insurers and Reinsurers (but not insurance brokers); The public sector including state funded primary and secondary schools; Employer, professional, religious or political membership organisation or trade unions.

3. The Government will make a Business Interruption Payment to cover the interest and any lender-levied fees in the first 12 months of any CBILS facility, so smaller businesses will benefit from no upfront costs and lower initial repayments (originally announced as 6 months). Following earlier discussions with the banking industry, some lenders indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme. HM Government greatly appreciates this approach by lenders.
4. The maximum facility provided under CBILS will be up to £5m. Under EFG, this was £1.2m
5. At the discretion of the lender the need for security may be waived for facilities below £250,000. For facilities above £250,000, requires the lender to establish a lack or absence of collateral prior to businesses using the CBIL Scheme. Primary Residential Property (PPR) cannot be taken as security under the scheme.
6. CBILS is for borrowing proposals which, were it not for the current COVID-19 pandemic, would be considered viable by the lender, and for which the lender believes the provision of finance will enable the business to trade out of any short-to-medium term difficulty. The EFG scheme was only for facilities considered viable under the lender's commercial terms.
7. CBILS is available to businesses with annual turnover of no more than £45m. EFG was available to businesses with annual turnover of no more than £41m.

**If you have any further questions please contact your current provider, not the British Business Bank.**

### **Legal Notices**

The Coronavirus Business Interruption Loan Scheme (CBILS) is managed by the British Business Bank on behalf of, and with the financial backing of the Secretary of State for Business, Energy and Industrial Strategy (BEIS).

British Business Bank plc is the holding company of the group operating under the trading name of British Business Bank. It is a development bank wholly owned by HM Government which is not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The British Business Bank operates under its own trading name through a number of subsidiaries, one of which is authorised and regulated by the FCA. British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such. Accordingly, none of the British Business Bank group of companies takes deposits or offers banking services. A complete legal structure chart for British Business Bank plc can be found at [www.british-business-bank.co.uk](http://www.british-business-bank.co.uk)