

## Government schemes to support UK businesses during the coronavirus pandemic

07 APRIL 2020

**CATEGORY:**  
ARTICLE



The Government has recently introduced a number of measures designed to respond to the economic shock arising from COVID-19 including loan schemes to support UK businesses.

There are two loan schemes under these measures:

- **Coronavirus Business Interruption Loan Scheme (CBILS)** – This will provide government-backed loans of up to £5 million to small and medium sized businesses.
- **Covid Corporate Financing Facility (CCFF)** – This facility will provide a quick and cost-effective way to raise working capital for those large businesses who need it.

### Coronavirus Business Interruption Loan Scheme (CBILS)

This is coordinated by the British Business Bank and at present there are more than 40 accredited lenders who are part of the scheme. The list of accredited lenders is available [here](#).

### Purpose

The CBILS loans will be used to support primarily trading of smaller businesses in the UK who are experiencing lost or deferred revenues and hence disruptions to their cash flow.

### Key Features

As outlined by the British Business Bank in their latest update on 2 April 2020, the key features of the CBILS scheme are listed below:

- Facility Amount: Up to £5 million
- Duration of Facility: For term loans and asset finance facilities: up to six years.
- For overdrafts and invoice finance facilities: up to three years.
- Guarantee: Government-backed, partial guarantee (80%) to the Lender against the outstanding facility balance.
- Please note: the Borrower remains 100% liable for the debt.
- Guarantee Fees: There are no guarantee fees for small and medium enterprise Borrowers. The Lenders pay a fee to access this Scheme.
- Personal Guarantee: For facilities below £250,000: Personal guarantees of any form cannot be taken under this Scheme.
- For facilities above £250,000: Personal guarantees may be required, at a lender's discretion, but recoveries under these of these guarantees are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied.
- Security: For all facilities, including those over £250,000, where there is sufficient security available, it is likely that the lender will take such security in support of a CBILS facility.

- Primary residential property cannot be taken as security under this Scheme.
- Interest and Fees: Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any Lender-levied charges

### **Eligibility criteria**

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

- Be UK-based in its business activity;
- Have an annual turnover of no more than £45 million
- Have a borrowing proposal which the lender would consider viable, were it not for the COVID-19 pandemic; and
- Self-certify that it has been adversely impacted by the coronavirus

The operative word in the eligibility criteria is viable. The SME Borrower must fundamentally have a business which but for the coronavirus would be trading profitably and would be extended debt facilities by commercial lenders. The SME Borrower must present a business plan to the lender which shows how the SME Borrower proposes to operate during the COVID-19 disruption period and how the SME Borrower will be able service and repay the loan facility after the COVID-19 disruption period has passed.

Please further note that if a Lender can offer a finance facility on normal commercial terms without making use of the scheme, it will do so.

The Eligibility Checklist prepared by the British Business Bank can be found [here](#). Further information on CBILS including the FAQs for SMEs prepared by the British Business Bank, is available [here](#).

There has been some recent criticism of certain lenders under the CBILS charging high interest rates of up to 15% per annum. When enquiring into one of these schemes, please ensure that you shop around the market to ensure that you receive a reasonable loan offer. The principal aim of the CBILS is to help UK businesses and not to take advantage during the COVID-19 disruption.

### **Covid Corporate Financing Facility ('CCFF')**

This is a joint initiative between the Bank of England and HM Treasury.

The list of participating banks can be found [here](#).

### **Purpose**

The CCFF facility is intended to support liquidity among larger businesses, helping them to bridge coronavirus disruption to their cash flows through the purchase of short-term debt in the form of commercial paper (an unsecured, short-term debt instrument issued by a company).

### **Eligible Securities**

The Covid Corporate Financing Facility Limited (the 'Fund') will purchase sterling-denominated commercial paper issued by eligible issuers (see below), with the following characteristics:

- Maturity of one week to twelve months
- Where available, a credit rating of A-3 / P-3 / F-3 / R3 from at least one of Standard & Poor's, Moody's, Fitch and DBRS Morningstar as at 1 March 2020.
- Issued directly into Euroclear and/or Clearstream

The Fund does not accept commercial paper with non-standard features such as extendibility or subordination, for example.

### **Eligible issuers**

The Fund will purchase commercial paper issued by UK companies (including their finance subsidiaries) that make a material contribution to economic activity in the UK which includes UK incorporated companies, with foreign-incorporated parent companies but with a genuine business in the UK.

In assessing the prospective issuer, the Fund's risk management staff will consider a number of different factors including, amongst others, whether the prospective issuer contributes to significant employment in the UK, has its headquarters in the UK, generates significant revenues in the UK, serves a large number of customers in the UK or has a number of operating sites in the UK.

Commercial paper issued by banks, building societies, insurance companies and other financial sector entities regulated by the Bank of England or the Financial Conduct Authority will not be eligible. Commercial paper will also not be eligible if issued by leveraged investment vehicles or from companies within groups which are predominantly active in businesses subject to financial sector regulation. Publicly owned entities and partially owned entities will not be eligible either.

Further information, including FAQs, on the CCFF can be found [here](#).

Please note that both the CBILS and CCFF scheme are intended to assist UK businesses through the short and medium term turbulence of the coronavirus pandemic. It would be prudent for those businesses considering obtaining funding under either CBILS or CCFF to consider their

longer term expected cash flow position and general financial position including their prospective financial covenant position as both schemes expect full repayment in due course.

As the coronavirus situation is rapidly evolving, please continue to monitor the Bank of England and British Business Banks' websites for updates.

We are here to help and if you have any questions or would like further advice on the above please contact a member of our [banking and finance team](#).

Our advice may change in light of government announcements and on-going developments, please click [here](#) to read more insights and our latest thinking on how we can weather the coronavirus outbreak with you.

# Authors

Xanthe Lok

PARTNER | LONDON

Banking and finance

 +44 20 7597 6155

 xanthe.lok@withersworldwide.com

Toby Joy

SENIOR ASSOCIATE | LONDON

Banking and finance

 +44 20 7597 6248

 toby.joy@withersworldwide.com

Mike Medici

ASSOCIATE | LONDON

Corporate

 +44 20 7597 6216

 mike.medici@withersworldwide.com