

UK Corona Business Interruption Loan Scheme (CBILS)

March 2020

The UK government has announced comprehensive support for businesses affected by COVID-19 in the last two weeks. The CBILS is one of those schemes and is aimed at UK trading businesses with annual turnover of up to £45 million. It is this scheme that is most likely to be of relevance to the SME sector.

The types of facilities being made available are

(NB: not every accredited lender can provide all the facilities):

- **Term loans**
- **Overdrafts**
- **Asset finance**
- **Invoice finance**

This note provides some guidance on who is eligible, the key features and how to apply for support via the **CBILS**. This scheme is a crucial part of the government's initiative to get credit flowing to firms who urgently need it during this difficult period, especially those facing significant and immediate loss of cash flow. More information about the scheme (and other finance schemes for businesses in general) can be found on the [British Business Bank website](#)

Are you eligible?

Smaller businesses from all sectors¹ can apply for the full amount of the facility. To be eligible for a facility under CBILS, an SME must:

- make an application that is for business purposes;
- be UK-based in its business activity, with annual turnover of no more than £45 million;
- generate more than 50% of its turnover from trading activity;
- use the CBILS-backed facility to support primarily trading in the UK;
- wish to borrow up to a maximum of £5 million (finance terms are up to six years for term loans and asset finance. For overdrafts and invoice finance facilities, terms will be up to three years); and

¹ 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 organisations or trade unions.

- have a borrowing proposal which, were it not for the current 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.

Businesses should be able to answer yes to all of the above before contacting any of the accredited CBILS lenders. Note that, so long as the business activity is operated through a business account, the CBILS is not just for companies. It can be accessed by sole traders, freelancers, limited partnerships, LLPs or other legal entities.

The above points are also just a quick guide as to eligibility. Lenders will ask for further information to confirm eligibility and lending decisions are fully delegated to the accredited lenders.

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

How do you apply?

The CBILS is available through 40 participating lenders (including Bank of Scotland, Lloyds, RBS and Clydesdale Bank). [Check this page](#) for details – it is updated regularly as new lenders are accredited.

Potential borrowers are encouraged to apply via the lender’s website. Phoning the lender or calling into a branch is not advisable due to 1) inevitably high call volumes given the anticipated level of demand and 2) limited capacity in branches due to social distancing.

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

CBILS: Key features

- **Facility amount:** The maximum value of a facility provided under the scheme will be £5 million.
- **Term:** Up to six years for term loans and asset finance, and three years for overdraft and invoice discounting.

- **80% government guarantee:** The CBILS provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender. **The borrower will always be liable for the full amount of the loan.**
- **No guarantee fee for SMEs to access the scheme:** No fee for smaller businesses. Lenders will pay a fee to access the scheme.
- **Interest and fees paid by government for 12 months:** The government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees², so smaller businesses will benefit from no upfront costs and lower initial repayments³.
- **Security:** At the discretion of the lender, the CBILS may be used for unsecured lending for facilities of £250,000 and under. For facilities above £250,000, the lender must establish a lack or absence of security prior to businesses using the CBILS. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.



² 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.

³ Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

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