

UK Corona Business Interruption Loan Scheme (CBILS)

April 2020

In March 2020 the UK Government announced comprehensive support for businesses affected by the COVID-19 pandemic. The CBILS is one of the funding schemes and is aimed at UK trading businesses with an annual turnover of up to £45 million.

On 3rd April 2020 the UK Government announced significant changes to CBILS features and eligibility criteria.

This note updates our March 2020 CBILS Bulletin and reflects the position following the UK Government's announcements on 3rd April 2020. The changes to CBILS are to be applied retrospectively to any facilities offered since 23 March 2020.

CBILS is a crucial part of the UK 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. The changes increase the range of businesses that will be able to access the funding they need and help keep the UK open for business.

Key changes

- Access to CBILS has been opened up to those businesses who would have previously met the requirements for a commercial facility but would not have been eligible for CBILS. Insufficient security is no longer a condition to access the Scheme.
- Personal Guarantees cannot be required for facilities less than £250,000 but can be required for larger facilities, subject to a cap of 20%.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

A second scheme has been announced for larger businesses with an **annual turnover of between £45 million and £500 million**. The new CLBILS will provide a government guarantee of 80% to enable banks to make loans of **up to £25 million** to these larger businesses. Loans under CLBILS will be offered at commercial rates of interest and further details of the CLBILS will be announced later in April 2020.

For more information on CLBILS, see [The Coronavirus Large Business Interruption Loan Scheme](#).



Are you eligible for CBILS?

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);
- 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 the business to trade out of any short to medium-term difficulty; and
- you have to self-certify that you have been adversely impacted by COVID-19.

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. We are now beginning to see how the different lenders are approaching the eligibility criteria and their credit processes and our banking team can provide guidance and support as required.

Types of facilities being made available are²:

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

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

For term loans and asset finance facilities: up to six years:

- Insufficient security is no longer a condition to access CBILS.
- For all facilities, including those over £250,000, CBILS can now support lending to smaller businesses even where a lender considers there to be sufficient security, making more smaller

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.

² High-street banks, challenger banks, asset-based lenders, smaller specialist local lenders.



businesses eligible to receive the Business Interruption Payment.

- There are no guarantee fees for SMEs. Lenders pay a fee to access CBILS.

Personal Guarantees:

- No personal guarantees of any form for facilities under £250,000.
- Personal guarantees may still be required, at a lender's discretion, for facilities above £250,000, but they exclude the Principal Private Residence (PPR) and recoveries under these are capped at a maximum of 20% of the outstanding balance of the CBILS facility after the proceeds of business assets have been applied.

How do you apply?

The CBILS is available through over 40 participating lenders (including Bank of Scotland, Lloyds, RBS and Clydesdale Bank). Check on the [British Business Bank website](#) for details as it is updated regularly as new lenders are accredited.

Potential borrowers are encouraged to apply via the lender's website. It's advisable to contact your current financial providers with whom you already have a relationship to access the Scheme through them. This will reduce the amount of time and effort spent in providing a potential lender with

your business's key information. Check the lender's preferred method of contact for the application process and avoid calling into a branch due to social distancing measures.

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 fees³, so smaller businesses will benefit from no upfront costs and lower initial repayments⁴.

³ 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.

⁴ Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.

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