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Coronavirus Business Interruption Loan Scheme (CBILS)

CBILS is one of a number of measures announced by the Government to support businesses disrupted by Covid-19. The scheme went live on Monday 23rd March and will initially run for six months with a more targeted version, a Bounce Back Loan Scheme (See page 3) due to go live on 4th May. **Chancellor Rishi Sunak announced that firms will be able to apply for CBILS until 31st January 2021.** The CBILS scheme is targeted at small and medium sized enterprises (SMEs) who have an annual turnover of no more than £45m. It 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 cash flow. **The loan scheme is only available to businesses that would otherwise be viable but for the Covid-19 outbreak.** Further details are available from the [British Business Bank](#).

The CBILS scheme is now live with the agriculture sector eligible, but with reduced limits on the amount agricultural businesses can borrow due to state aid rules. Please get in touch with your lender in the first instance to establish eligibility and discuss your business proposal to avoid further delay.

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

- Term loans
- Overdrafts
- Invoice finance
- Asset finance

CBILS has provided over 66,000 loan facilities worth £15.5 billion to eligible UK-based businesses with turnover under £45 million.

Key features of the loan

Agriculture businesses may not qualify for the full £5m value of the facility offered by Government due to state aid rules. The NFU is currently working with the banks and government to gain further clarity on the offer for agriculture.

- **Up to £5m facility:** The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years for term loans and asset finance. For overdrafts and invoice finance facilities, terms will be up to three years. In the Chancellor's announcement for the Winter Economy Plan **the government intends to allow CBILS lenders to extend the term of a loan up to ten years, providing additional flexibility for UK-based SMEs who may otherwise be unable to repay their loans.**
- **80% guarantee:** The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender.

- **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 fees¹, so smaller businesses will benefit from no upfront costs and lower initial repayments.
- **Security:** Lenders are no longer able to request personal guarantees for loans under £250,000. For loans over £250,000, personal guarantees will be limited to just 20% of any amount outstanding on the CBILS lending after any other recoveries from business assets. Primary Residential Property cannot be taken as security under the scheme.
- **The borrower remains 100% liable** for the entire debt and repayments. The CBILS guarantee is to the lender, not the SME.

Eligibility criteria

The scheme is designed to support smaller businesses (SMEs) who are considered viable in the longer-term.

To be eligible to apply for the scheme, you must:

- Operate in the UK
- Have an annual turnover of no more than £45m
- Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
- Self-certify that the business has been adversely impacted by the coronavirus (COVID-19)
- Not have been classed as a “business in difficulty” on 31 December 2019, if applying to borrow £30,000 or more.
 - From 30th July criteria around the classifications of businesses in difficulty has changed. This is following the recent changes in State Aid Law relating to the ‘undertaking in difficulty’ test for businesses. The amendment means that smaller businesses with fewer than 50 employees and less than £9,000,000 in annual turnover and/or annual balance sheet will not be considered undertakings in difficulty unless they are (a) subject to collective insolvency procedure under national law, or (b) in receipt of rescue aid (which has not been repaid) or restructuring aid (and are still subject to a restructuring plan).
 - Smaller businesses with more than 50 employees or more than £9,000,000 in annual turnover and/or annual balance sheet will still be subject to the ‘Undertaking in Difficulty’ test as defined by the European Union.
 - Applicants will need to determine their turnover and number of employees in line with Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises.
- Smaller businesses (SMEs) from most sectors can apply for the full amount of the facility.²
- Generate more than 50% of business turnover from trading activity, i.e. from selling goods or providing services
- CBILS is open to all eligible borrowers – your business does not need to be an existing customer of the lender you are approaching.

¹ Some lenders have indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme.

² The following sectors and organisations are excluded from the scheme: banks, building societies, insurers and reinsurers (but not insurance brokers); the public sector including state funded primary and secondary schools.

How to access the scheme

The scheme is being managed by the Government-owned British Business Bank, but the lending including the processing of applications and issuing of funds is available through 40+ accredited lenders including high street banks like Barclays, HSBC, Lloyds and NatWest, as well as challenger banks, asset-based lenders and smaller specialist local lenders. The full list can be accessed [here](#). At this link you can filter through to see which lenders are providing the type of finance you are looking for in your region. Please note: not every accredited lender can provide every type of finance listed.

The demand for these loans is likely to be high so in the first instance, businesses are advised to approach their own provider, ideally via the lender's website. Telephone lines are likely to be busy and branches may have limited capacity to handle enquiries due to social distancing. Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders.

You may also consider approaching other lenders if you are unable to access the finance you need.

If you have an existing loan with monthly repayments, you may want to ask for a repayment holiday to help with cash flow.

Update: The deadline to apply for CBILS has been extended to 31st March 2021.

What lenders will need from you

When you apply for a business loan, most lenders will ask you for the following:

Details of the loan

- The amount you would like to borrow
- What the money is for — the lender will check that it's a suitable business purpose and the right type of finance for your needs
- The period over which you will make the repayments — the lender will assess whether the loan is affordable for you

Supporting documents

You will need to provide certain documents when you apply for a CBILS-backed facility. These requirements vary from lender to lender, but are likely to include:

- Management accounts
- Business plan
- Historic accounts
- Details of assets

If you do not have everything listed here, a CBILS loan could still be an option to provide finance to support your business.

Note: For many customers approaching their existing lenders for a smaller facility, the process may be automated and therefore may not require the same level of documentation.

Bounce Back Loan scheme

On 27th April, the Chancellor [announced](#) the following changes to CBILS under a new scheme called 'Bounce Back Loans'.

- The Bounce Back Loan scheme will help small and medium-sized businesses to borrow between £2,000 and £50,000.
- The government will guarantee 100% of the loan and there won't be any fees or interest to pay for the first 12 months. After 12 months the interest rate will be 2.5% a year.
- Loan terms will be up to 6 years, but you can repay early without paying a fee.
- You will be responsible for repaying 100% of the amount borrowed.
- The scheme requires filling in a short online application to self-declare that you are eligible.
- You can apply for a loan if your business:
 - is based in the UK
 - was established before 1 March 2020
 - has been adversely impacted by the coronavirus

If your business was classed as a business in difficulty on 31 December 2019, you'll need to confirm that you're complying with additional state aid restrictions.

- If you've already received a loan of up to £50,000 under CBILS and would like to transfer it into the Bounce Back Loan scheme, you can arrange this with your lender until 4th November 2020.

Further information

Start-ups

The scheme could potentially be appropriate for Start-ups, 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 for more information.

Sole traders/freelancers

Sole traders and freelancers are eligible for the scheme as long as the business activity is operated through a business account. The scheme is open to sole traders, freelancers, bodies corporate, limited partnerships, limited liability partnerships or other legal entity who carry out a business activity in the UK, with annual turnover of up to £45m, operating in any sector apart from the excluded sectors discussed listed earlier. And the business must generate more than 50% of its turnover from trading activity.

De-minimis aid

You can still get a loan even if you have had de minimis aid in the past, 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 the Enterprise Finance Guarantee (EFG) scheme did. There is no interaction between any de minimis state aid previously received by a business and the size of the CBILS facility it can access, should it be eligible.

Receiving other aid for Covid-19

Yes. You will still be eligible for a loan but certain payments you receive may count towards the amount of Business Interruption Payment (BIP) – the payments the UK Government will make to cover interest and fees on your loan – you will be entitled to. In this instance, these payments are made under the Temporary Framework for State Aid measures to support the economy in the current COVID-19 outbreak.

Enterprise Finance Guarantee Scheme (EFG)

For existing users of the EFG Scheme, nothing has changed. New applications to the EFG scheme are 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.

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) provides finance to mid-sized and larger UK businesses with a group turnover of more than £45m (the upper limit for the existing smaller-business focused CBILS) that are suffering disruption to their cashflow due to lost or deferred revenues during the COVID-19 outbreak.

Following HM Treasury's announcement on 19 May, several changes to the CLBILS scheme have taken effect from 26 May. The maximum amount available through CLBILS to a borrower and its group has now increased from £50m to £200m. Term loans and revolving credit facilities over £50m will be offered by CLBILS lenders which have secured additional accreditation. The maximum size for invoice finance and asset finance facilities remains at £50m³.

Companies borrowing more than £50m through CLBILS will be subject to further restrictions on dividend payments, senior pay and share buy-backs during the period of the loan. Further information on changes introduced on 26 May, including new provisions on seniority of CLBILS facilities, can be found in the [CLBILS FAQs for businesses](#).

³ Borrowers may be able to access additional facilities from separate accredited lenders provided they do not in aggregate exceed the maximum amount applicable to that borrower. Please note that the additional finance may mean the borrower must abide to the additional restrictions noted above.