

# Coronavirus Business Interruption Loan Scheme

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

CBILS is a new scheme announced by the Chancellor, Rishi Sunak, that facilitates the provision of facilities of up to £5m for smaller businesses across the United Kingdom who are experiencing lost or deferred revenues, resulting in an adverse impact on cashflow.

It supports a number of business products, including term loans, overdrafts, invoice finance and asset finance.

## Will my business qualify?

To qualify for CBILS, your business must:

- a. Be UK based in your business activity and your application is for business purposes;
- b. Turnover (on an annual basis) no more than £45m;
- c. Generate more than 50% of its turnover from trading activity;
- d. Have a borrowing proposal which, if it wasn't for the current COVID-19 pandemic, would be considered to be a viable proposal by the Lender and would enable the business to trade out of its current short to medium term cashflow issues. We would expect the borrowing proposal to address the following matters:
  - i. A summary of the business' current trading position;
  - ii. A summary of the position of the business' supply chain;
  - iii. Other measures put in place by the business to mitigate cashflow risk in the short-term;
  - iv. Accounts information to demonstrate the business' trading history; and
  - v. Short-term financial forecast.

## What are the key terms of CBILS?

The maximum value of the CBILS facility is £5m, which can be repayable over terms of up to 6 years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, the terms are for up to 3 years.

The scheme provides the Lender with a government backed guarantee against up to 80% of the outstanding facility value (subject to an overall cap imposed by the Lender). Importantly, there is no guarantee fee payable by the business to access CBILS. In addition,

some lenders are waiving the imposition of any arrangement fees on the business.

The Government will make a business interruption payment to the Lender to cover the first 12 months' of interest on the loan. Businesses will therefore benefit from no up-front costs and lower repayment fees over the first 12 months of the loan.

Lenders have now been barred from taking personal guarantees in relation to facilities of up to £250,000. For loans in excess of £250,000, personal guarantees may still be required at the Lender's discretion, but they will exclude any principal private residence, and recovery will be capped at 20% of the outstanding balance of the facility after the proceeds of business assets have been applied.

Access to the scheme has now been opened up to smaller businesses facing cashflow difficulties who previously would not have been eligible for CBILS because they met the requirements for a standard commercial facility. In addition, some industries such as businesses operating within the insurance industry, will not qualify.

## What are the next steps?

In the first instance, you should contact your current finance provider via its website. If your current Lender does not participate within CBILS, or is unable to provide the financial support you require, you may consider approaching other Lenders. A full list of participating Lenders within the CBILS can be found at <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>

## How can we help you?

Herrington Carmichael has extensive experience in reviewing facility agreements on behalf of its borrowing clients. We also have experienced lawyers who are able to talk businesses through the consequences of what the facility arrangements will mean for their business.

In addition, we can assist clients with the on-boarding procedure to ensure our client's access the CBILS funding as soon as possible.

Please contact a member of our corporate team for further help:

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