



Berns Brett Insurance

How to apply for a Coronavirus Business Interruption Loan Scheme (CBILS)

We've all heard lots about the scheme, but how do you actually get your hands on the cash? Is it free cash? Who is providing the loan?

First, please note that the CBILS scheme is NOT a grant scheme. This is money you are borrowing that will need to be paid back and anyone lending you the money will need to be sure you are going to be able to repay the money in the future.

Second, let's start with the information from the British Bank's page regarding the CBILs scheme and further down we will comment on some of the individual banks and their current view on how to apply:

CBILS: Key features

- **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.
- **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 fees, so smaller businesses will benefit from no upfront costs and lower initial repayments.
- **Finance terms:** Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.
- **Security:** At the discretion of the lender, the scheme 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 CBILS. If the lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.
- The borrower always remains 100% liable for the debt.

Eligibility Criteria

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

- Be UK-based in its business activity, with annual turnover of no more than £45m
- 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.

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.

Source - [British Business Bank](#) Refer here for further information on excluded sectors.

So, what exactly does this mean, as the original announcements sounded like these loans would easily be available for everyone?

Please do note the line at the bottom of the above guidance, if the lender can offer finance on normal commercial terms without using the scheme, they will do so. However, the explanation below on what information the bank will require will still apply, even if you find you don't qualify for a CBILS loan.

Let's start with the final point under eligibility criteria:

- 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.

This means that you will need to prove that your business has been operating in a viable fashion and will do again post the Coronavirus situation. If you applied for credit recently and were turned down for any reason other than a lack of security, you are likely to get turned down for one of these facilities.

Assuming you are going to apply for a facility, you need to look at supplying the following information to your bank:

- > Last 2/3 years accounts
- > Up to date management information
- > A forecast to show that post the corona situation you will be able to trade as you have been
- > A simple forecast of cash in and out to cover the next 3-6 months demonstrating how you are going to get through the period while we may still have corona related restrictions in place. For example, all ongoing costs versus all ongoing income (cash not profit and loss). By virtue of asking for a loan, you would assume there is a shortfall between the two and that is what you should be basing the amount of facility you are requesting on. So, if there is a shortfall of £30,000, you will probably be asking for a facility of £35-40k from the bank - allowing for some contingency.
- > A short and simple business plan plus an addendum explaining exactly what you're doing and why during the Coronavirus situation

- > You are likely to be asked for a statement of assets, liabilities, income and expenditure detailing your personal financial situation
- > Latest debtor and creditor aged reports

So, you will have to put some work in to pull all of this information together as your bank manager will not be able to get you a decision without it.

Assuming you do qualify for the scheme, you should ask your bank manager to clarify the security and pricing arrangements. Although the scheme is currently looking to offer a period of twelve months where the government cover the interest costs and a capital repayment holiday for a year, after that you will need to repay the money or normal interest rates will kick in, and they are likely to be higher than the interest rates you would incur through a normal commercial facility.

The security arrangement may not have been a consideration till now as the point of the scheme is that government are providing the lender with an 80% guarantee. However, the terms of the facilities are for the facilities to be covered fully by personal guarantees. Should you default on the loan, the lender will first look to recover funds from your business, then from you personally, finally from the government guarantee. If the bank doesn't think you can personally cover the loan, that is going to prohibit them lending to you.

There are 40 odd lenders who have partnered with the British Bank to offer the CBILS scheme and more are being vetted as we speak to hopefully add to that number. Most people will inevitably be speaking to one of the main banks, so below I touch on some of those banks and first-hand feedback from them about the scheme and what they will be looking for from people applying to them.

One key point to note is that the main banks are looking to prioritise their own customers first and they are increasingly inundated with requests for help. Some are admitting they are not open for any new business applications, ie switchers, some are saying they are open, but new to bank cases will sit behind existing customer cases. The credit underwriters at each bank are limited in number and applications for assistance are sky high, so realistically, don't think you're going to move from one main bank to another right now.

Expect to be asked what other actions you have taken, including time to pay arrangements with HMRC, personal cash injections, other sources of borrowing.

Nat West:

- > Via your existing manager or via online submission of application form available online - No arrangement fees
- > 12 months capital repayment holiday
- > Cannot be used to refinance existing debt
- > No personal guarantee required - other security may be required from the business

[Nat West CBILS](#)

Barclays:

- > Via your existing manager/call centre
- > Security: £25k to £100k = Short form guarantee (SFG) from directors (for limited companies). £100k to £250k = SFG and Debenture. £250k+ = Full personal guarantee, debenture and tangible security where available.
- > 6 Months capital repayment holiday

Barclays CBILS

HSBC:

- > Via your existing manager
- > No arrangement fees
- > 12 months capital repayment holiday
- > Cannot be used to refinance existing debt
- > No personal guarantee required for loans under £100,000

HSBC CBILS

Lloyds:

- > Via your existing manager or your normal contact telephone number
- > A capital repayment holiday may be offered
- > Personal guarantees are likely to be required, additional security may be taken but they will not take a charge over your home
- > For facilities with a proposed maturity after 31 December 2020, the facility amount should not exceed:
 - Twice the annual wage bill of the beneficiary (including social charges as well as the cost of personnel working on the undertakings site but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation;
- or
- 25% of total turnover of the beneficiary in 2019;
- or
- With appropriate justification and based on a self-certification by the Applicants of its liquidity needs, the liquidity needs of the Applicant from the moment of granting for the coming 18 months. The Applicant's liquidity plan may include both working capital and investment costs.

Lloyds CBILS

The information in this document was correct at the time of writing, some sources are managers and staff within the banks, and some is direct from their publicly available information. The BBi Group are not authorised to source finance or restructure or adjust debt. The above advice is aimed at helping our clients understand the rules relating to the emergency government backed finance available. If you think you qualify for finance please get financial advice from FCA regulated financial provider, advisor or bank. The above is for information only and should not be considered a recommendation to act. Lenders conditions will also change and the above links will be updated by the banks concerned.



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