

What is the Coronavirus Business Interruption Loan Scheme?

The Coronavirus Business Interruption Loan Scheme (CBILS) was announced by the UK Chancellor, Rishi Sunak, on 11 March and has since been developed and extended to businesses with a turnover of up to £45 million.

The scheme has been designed to help businesses manage their finances given the unprecedented situation many are currently facing. It aims to support:

- Those SME businesses that were trading successfully before COVID-19, but which may now experience lost or deferred revenues, or disruptions to their cashflow.
- Businesses whose growth requirements cannot be supported under normal bank lending criteria.

The CBILS scheme provides lenders with a government-backed guarantee of 80 per cent on facilities of up to £5 million in cases where a lender would not otherwise be able to provide finance to a business.

How do I access the Coronavirus Business Interruption Loan Scheme?

The CBILS is currently available at the 41 accredited institutions who distribute the existing Enterprise Finance Guarantee (EFG) scheme.

The lenders, listed on the British Business Bank website*, include the main High Street banks and other national financial institutions, but also a number of lenders who have limited scope in terms of funding. Also, those who lend only in a specified region, or only provide a limited range of financing options (e.g. only asset finance or only invoice discounting).

With this in mind, if you are looking at options other than your existing lender, including lenders not on the EFG list, selecting the right alternative requires careful consideration and expert assistance.

*The Coronavirus Business Interruption Loan Scheme (CBILS) details are set out on British Business Bank website: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/for-businesses-and-advisors/>



What are the key points about the Scheme which I should know?

- 1) The CBILS is a loan. The company remains 100 per cent liable to repay the loan – the Government guarantee of 80 per cent is to protect the lender when all other recovery options have been exhausted
- 2) The details for CBILS have not, at time of writing, been released and there may be some limitations or qualifying criteria to take into consideration
- 3) The application should be treated as any request for finance; evidence based, with consistent and comprehensive supporting documentation, highlighting the historical basis for assumptions on future trading. No one knows how the current situation will affect future business, but sensible assumptions, based on previous experience (2001 or 2008 saw similar short term drops in demand) or based on observations of the very recent effect – the impact in the last two to three weeks will not be reflected in management accounts but could be based on turnover, orders or enquires.
- 4) Other options might be worth exploring with your own Bank – there may be other facilities you have not used (such as credit cards or trade finance) which could be suitable in the short term. Also, it may be better to ask for existing facilities to be extended or covenants relaxed to avoid default, rather than to enter into a new facility
- 5) Consider the longer term. If you believe that your business will flourish in the two to three years after the crisis has passed, be aware of the disadvantages of signing up to a deal which may offer short term breathing space but will constrain medium term opportunities to grow; or which may be expensive to exit. That cost needs to be considered when evaluating the options
- 6) Be prepared for your submission to be thoroughly reviewed. CBILS is not likely to be a rubber-stamping exercise and there may be some difficult conversations about the long-term viability of the business, including a review by the Bank's credit support team. This should be dealt with in a calm and professional manner, as the ability of management to cope under pressure will be a significant element of any lending decision
- 7) Lenders outside the scheme may well be prepared to be more competitive or commercially minded if they run the risk of losing good business to CBILS. It is impossible to predict the credit appetite of lenders and great care should be taken not to be over-eager to take offers at face value. Make sure you thoroughly interrogate appetite, credit policy, resources and all costs across the life of the facility

Conclusion

The situation UK businesses face right now is immensely challenging. But, while time is of the essence, a rushed decision that is not right for your business in the aftermath, may well be as damaging in the long run as taking the time for considered action now. It is likely that creditors will be less accommodating in the months ahead so, if possible communicate, consult and ask for support from creditors and advisers to equip yourself to decide on the right plan to suit your individual circumstances.

By making good decisions now, you can materially improve the chances of your business surviving the crisis, returning to normal quickly once the tide has turned, and thriving in the future.

How BM Structured Finance can help?

BM Structured Finance is an independent finance brokerage with many years' experience of working with clients to consider the wider aspects of what the business needs from its facilities, then matching those to the best providers in the market.

Since the financial crash, the fragmentation of the market has led to a great number of new lenders on many different platforms. Identifying the lenders who are best placed to meet the wish-list of facilities, limits and pricing, and then negotiating the best terms, is no easy task.

BM Structured Finance knows the SME and lower mid-market lenders well and can provide guidance and insight on modelling the cashflow to reflect the practical effect of the operating and financial covenants to ensure the facility is fit for purpose throughout the duration.

In addition, BM Structured Finance will:

- Review the legal documents to ensure they match the agreed term
- Outline all the costs
- Highlight any potential pitfalls and penalties
- Ensure you are fully briefed on the small print of the facility.

For more information about the Coronavirus Business Interruption Loan Scheme and how we can help you and your business, contact your usual Beavis Morgan group Partner or email info@beavismorgan.com