

INTRODUCTION TO CBILS

CBILS is a new scheme, announced by The Chancellor at Budget 2020, that 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 cashflow.

CBILS supports a wide range of business finance products, including term loans, overdrafts, invoice finance and asset finance. The scheme provides the lender with a government-backed guarantee potentially enabling a 'no' credit decision from a lender to become a 'yes'. The borrower always remains 100% liable for the debt.

Overview of the scheme: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>

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 [1], so smaller businesses will benefit from no upfront costs and lower initial repayments.[2]

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 [3] 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.

NOTES:

1. Some lenders indicated that they would not charge arrangement fees or early repayment charges to SMEs borrowing under the scheme.
2. Fishery, aquaculture and agriculture businesses may not qualify for the full interest and fee payment.
3. 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 organisation or trade unions.

ACCESS TO THE SCHEME

Full details: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/for-businesses-and-advisors/>

CBILS is available through the British Business Bank’s 40+ accredited lenders, which are listed on the British Business Bank website: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>



Businesses should approach their own provider – typically via the lender’s website. We can help you with alternative lending if your own provider cannot.

Decision-making on whether you are eligible for CBILS is fully delegated to the 40+ accredited CBILS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

Note: if the accredited lender can offer finance on normal commercial terms without the need to make use of the scheme, they will do so.

WHAT TYPES OF FINANCE ARE AVAILABLE AND WHO OFFERS WHICH TYPE?

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

- Term loans
- Overdrafts
- Asset finance
- Invoice finance

Additional application notes:

Given there is likely to be a big demand for facilities once the scheme goes live, The British Business Bank asks you to please:

Consider applying via the lender's website in the first instance. Telephone lines are likely to be busy and branches may have limited capacity to handle enquires due to social distancing. Consider the urgency of your need – it is possible that some businesses may be looking for regular longer-term finance rather than 'emergency' finance, and there may other businesses with a more urgent need to speak with a lender.

FAQ Briefing sheet: <https://www.british-business-bank.co.uk/wp-content/uploads/2020/03/British-Business-Bank-CBILS-FAQs-for-SMEs-FINAL.pdf>

NEXT STEPS

Applications should be made to your usual bank or finance company.

We can advise you on making the loan application. There will be administration and information to collect before you make the application. Typically, banks will require three years trading results and a Statement of "Support and Resilience".

The loan process typically involves:

- Step 1: You submit an application (typically online);
- Step 2: An account manager contacts you to learn more about your business, collect documentation and find terms that suit your need.
- Step 3: Underwriters review your application and make a decision. They may contact you or your accountant if they have additional questions.
- Step 4: You accept a loan offer and you'll be fully funded.

Note: As of 24 March 2020, some banks have not updated their web sites or provided details of the Coronavirus Business Interruption Loan Scheme. Please keep your eye out for updates.