

Coronavirus Advice for Business – 5 November 2020

BOUNCE BACK LOAN SCHEME

The government has announced that small firms are to get access to a scheme offering 100% taxpayer-backed loans – the Bounce Back Loan scheme. This scheme is open to businesses based in the UK which have been negatively affected by coronavirus and were not an 'undertaking in difficulty' on 31 December 2019.

The Bounce Back Loan (BBL) scheme will help small and medium-sized businesses to borrow between £2,000 and £50,000 for a period of up to 6 years. The loan amount cannot, however, exceed, 25% of their annual turnover. The government will guarantee 100% of the loan, so no personal guarantees will be required. There won't be any fees or interest to pay for the first 12 months and interest rates for the remaining period of the loan will be "standardised". No capital repayments will be due during the first 12 months.

Applications for a Bounce Back Loan have been extended to 31 January 2021 and anyone who has previously taken out a small BBL can 'top up' this loan, subject to the maximum lending limits above.

The loans will be available for any business structure (sole trader, partnership, LLP and Limited Company) but there are a few businesses which are excluded:

- banks, insurers and reinsurers (but not insurance brokers)
- public-sector bodies
- further-education establishments, if they are grant-funded
- state-funded primary and secondary schools

The government will work with approved lenders on a similar basis to the Coronavirus Business Interruption Loan Scheme (CBILS). The list of approved lenders corresponds with the CBILS list which includes the high street banks.

Application process

The application process is mostly automated and can be done online. For a successful application, funds will be in the bank account within 5 working days, the majority of loans in the bank accounts with 2 working days.

A few common problems which slow the process down can be names not corresponding between business accounts and tax returns, small companies not having a business account with the lender and credit check cross checking issues. If a problem arises, get in touch with your bank manager quickly to keep on top of the issue and expedite the application.

How does it work with CBILS?

You cannot apply if you have already received a CBILS loan. If you do have a CBILS loan which is under £50,000 you can arrange with your lender to swap this to the Bounce Back Loan scheme up to 04/11/2020.