

Coronavirus Advice for Business – 5 November 2020

BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

The CBILS measures have been available since 23rd March 2020 and on 3rd April new guidance and clarity was issued to the banks by the British Business Bank. CBILS will remain in place until the end of January 2021.

The facility can be accessed by any business if:

- Turnover less than £45m and be a sole trader, partnership, LLP or a Limited Company
- Business activity must be UK-based
- It was viable before the pandemic (how this is determined seems to be different for each lender)
- Will be able to return to viability within 12-18 months
- Can self-certify that it has been adversely impacted by the coronavirus (COVID-19)
- Not be in a disallowed sector - banking, insurance and reinsurers (but not insurance brokers); Public-sector bodies; Further-education establishments, if they are grant-funded; State-funded primary and secondary schools
- Not have received de minimis state aid beyond €200,000 in the current or previous two fiscal years

Security and other terms

- The Government will cover all interest and lender's fees for the first 12 months;
- The Government will not charge the lender a fee and will provide the lender with an 80% guarantee on the outstanding facility. The borrower still remains 100% liable for the borrowing.
- For facilities under £250k, there will be no Personal Guarantee; from £250,001-£5m, it is likely that a Personal Guarantee will be required from directors or owners holding more than 10% of the business. For facilities over £250k, the PG will be limited to 20% of the outstanding balance.
- The lender cannot take a charge over directors' or owners' personal private residences
- Lenders may take any or all other security available, including debentures over limited companies
- All rates are by negotiation but the firms of The Corporate Finance Network are starting to see that interest rates (after the 12 months holiday) are ranging from 3% to 12% and that six or twelve month capital repayment holidays are also being offered in several cases

Valuers are not doing site visits, so there could be a delay if a professional valuation is required to assess the ability of the lender to take security over a particular asset.

The mainstream banks are presently only accepting applications from existing customers or those from a smaller, challenger bank. There are other lenders accredited to the scheme, including those offering invoice finance and asset finance facilities, so speak to your accountant about which lenders to approach. We are also encouraging clients to focus on a range of other potential solutions.

The application process

Although each bank appears to be requesting slightly different information, most banks will need to see:

- Last 3 months bank statements (not in excel, scanned copies or clearly showing as being from the bank's own feed)
- Last 2 years financial statements
- Latest management accounts if available

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- Details of any security being offered (e.g. aged debtors or valuations of property), and for facilities greater than £250k, a personal net assets and liabilities statement
- A few paragraphs explaining how the pandemic has affected your business
- Some basic cash flows showing what size facility you will require over the next six months, and what grants or support are due to be paid over by Government
- Any HMRC “Time to Pay” arrangements already agreed

Other things to consider

Don't lose focus on managing cash flow in other ways whilst making the application. In our cash flow summary we outline other practical steps that you could take to help you manage cash:

- Agree rent free periods with your landlords. The Government has included a three month commercial rent moratorium in their measures, which prevents eviction.
- Agreeing payment holidays on business loans and other credit payments, such as hire purchase and asset finance.
- Explore whether “spot invoice” financing could help top up cash whilst debtors are being a little slower at paying.
- Looking at assets that the bank won't be too interested in losing from their debenture and see if you could raise finance on them, for example stock.
- Defer any VAT payments and request with HMRC to defer any payroll taxes or any other taxes which are to come due in the next few months

It is important to remember that this is just a loan (and one guaranteed by the government rather than provided by it). It will therefore have to be paid back at some point. Businesses will need to be realistic in terms of how much they borrow and how they can repay it.

Look towards other funders

There is no doubt that other funders, alternative and second tier, will be looking to fill the gaps left by the banks. We understand that many alternative and peer-to-peer lenders have also applied to be accredited. All accredited lenders can be found here: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/> and your accountant can advise on which lender would be most appropriate for your needs, whether under the CBILS or not.

And finally

Don't be afraid to ask for advice and support. There is a lot of information out there, some of it confusing and some contradictory, so if you are unsure about anything or just want to sense check your plans please don't hesitate to call us – 01273 480480. You can speak to your usual contact at Knill James or to any of our Corporate Finance team.