

COVID-19

Bounce Back Loan and reduced information requirements from lenders

The UK Government's Coronavirus Business Interruption Loan Scheme (CBILS) has been amended to include loosened criteria for applications as well as a new, expedited 'Bounce Back' loan programme for smaller businesses. CBILS applications should still be made to your existing bank first (if it is an approved lender on the CBILS panel), but the information a bank will require to approve a loan has been reduced. Banks will no longer be asking for forward-looking projections and will instead base their credit decision on historical financial metrics.

This change will apply to all new and current CBILS applications, with immediate effect. Banks are no longer required, for regulatory purposes, to evidence they have sought to carry out a reasonable assessment of the creditworthiness of a business when considering a CBILS application. We understand it has been this continuing requirement that has caused significant conflict between the aims of the CBILS loans – to provide finance to businesses in a time of need – and the banks' own regulatory or compliance requirements. This issue should henceforth be resolved, resulting in hopefully more successful credit applications under CBILS.

Bounce Back Loan - The Details

- The BBL Scheme will help small and medium-sized businesses to borrow between £2,000 and £50,000.
- The Government will guarantee 100% of the loan and there won't be any fees or interest to pay for the first 12 months.
- Loan terms will be for up to 6 years. No repayments will be due during the first 12 months. The Government will work with lenders to agree a low rate of interest for the remaining period of the loan.
- The new Bounce Back Loan scheme is stated to go live on 4th May, but there are some understandable concerns that banks might not be ready by then.
- This new scheme is relevant to all businesses who have applied and failed, or not applied. Furthermore, any business that has been offered (or taken) a CBILS loan on the 'old' basis for £50,000 or less can elect to move its loan to the Bounce Back Loan Scheme.
- We do not believe there will be any difference in approach in Scotland versus the rest of the UK; this is a central UK Government-backed scheme and does not relate to devolved powers.

Recommended Action

- Clients should approach their bank directly if they wish to apply for a CBILS loan, even if they have previously been refused. For many smaller business customers, their bank's website may have an online form or portal. We would encourage approaching your bank in the first instance, as this new assessment will be based on historical information and your existing bank will benefit from having your account history on file.
- For companies that have a nominated Relationship Manager/Director within the bank, we would recommend contacting them by email, noting they may redirect you to the bank's website if that is the most efficient route.
- CBILS loans can be made immediately on the revised basis, but applications for BBLs will need to wait until Monday 4th May or when your bank is ready to accept applications, if later.

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