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COVID-19 BRIEFING FOR SME'S ISSUED AT 1200 hrs on 3rd APRIL 2020

OVERVIEW

Following extensive criticism from small businesses and representative groups about the difficulty in accessing the Government's Coronavirus Business Interruption Loan Scheme the Chancellor of the Exchequer has announced new measures to make it easier.

We are also expecting further announcements about existing loans and credit cards next week.

THE CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME (CBILS)

This scheme, introduced on 17th March, sought to make loans available quickly to keep viable small businesses afloat. The problem arose in that the scheme suggested that businesses should first apply to a bank for a loan, which would then fall under the bank's normal lending criteria, including asking for personal guarantees. This resulted in about 130,000 businesses applying, thus swamping the banks, and resulting in only around 1250 loans being arranged by 9.00 am this morning.

The Chancellor of the Exchequer is today (Friday 3rd April) taking further action to support firms affected by the Coronavirus crisis by bolstering business interruption loans for small businesses. To maximise the support available, the Chancellor is extending the CBILS so that all viable small businesses affected by COVID-19, and not just those unable to secure regular commercial financing, will now be eligible should they need finance to keep operating during this difficult time. The Government is also stopping lenders from requesting personal guarantees for loans under £250,000 and making operational changes to speed up lending approvals. The Government will continue to cover the first twelve months of interest and fees. The Chancellor says he will be "speaking to bank Chief Executives next week to discuss how the schemes are working and ensure everybody is playing their part".

The Chancellor and the Governor of the Bank of England, Andrew Bailey, have written to banks asking them to support small and medium-sized enterprises in any way they can. This included ensuring interest rates offered to struggling businesses are reasonable and to pass on the benefit of the Government guarantee to those borrowing under the CBILS.

Business owners should be aware that different banks on the Government approved list (40 accredited lenders) will continue to have differing loan criteria and they may well also differ in the information that they require from potential borrowers; however, the intent of the Chancellor is definitely to speed up the process and get more loans approved. Whilst the Bank of England base rate is just 0.25%, lenders are likely to offer a higher range of interest rates. Our view is that potential applicants for the CBILS should seek a lender that offers a rate below 5%. Remember, under the scheme you are not obliged to deal only with your current bank; it may save you money if you check a number of different lenders via the blue '40 accredited lenders' link above.

What if I've already made an application?

If you have already made a loan application – and had a response with a reference number, possibly with an outline offer too – it would be wise to contact that lender and ask them to send a revised offer in light of the Chancellor's and the Bank of England Governor's instructions and guidance as listed above. If you have not yet had a response and/or have not yet received an offer you do not need to do anything at this stage. When you do receive it, be sure to check that no personal guarantees are required (if they are, go back to the lender and quote the Chancellor's updated directive) and that the interest rate is reasonable and affordable in your opinion and circumstances.

What if I have not yet made an application?
Firstly, check that your business plan will hold up to scrutiny. Be sure to make credible forecasts, not 'hopecasts'. Secondly, make sure that the amount you are seeking to borrow is justifiable and will allow a little leeway for market fluctuations; lenders get very jittery if they get repeated requests for 'top-up' loans. Thirdly, decide what range of loan rates and repayment periods would be acceptable and that you have a reasonable expectation of being able to service a loan within these parameters. Fourthly, check the CBILS lenders list 40 accredited lenders and find one that suits your needs. Finally, be prepared to negotiate on any terms offered rather than starting anew with a different lender.

What if I still can't get any help?
If, after following our suggested actions, you still cannot access a loan – and you feel that the grounds for refusal are either not made clear or are inaccurate/unfair – you may wish to inform your professional association (such as the Federation of Small Businesses) and ask for help, and/or contact your Member of Parliament and seek their assistance. You can identify and contact your MP by following this link:
https://members.parliament.uk/constituencies

ADDITIONAL INFORMATION

We are expecting the Treasury to make further announcements next week concerning help for medium sized businesses that require loans in excess of £250,000. We also expect announcements on help for people with existing loans and/or credit cards and who are experiencing difficulty in making scheduled repayments. As soon as the details are confirmed we will issue a further bulletin.

We will issue further advice and guidance Bulletins as the Covid-19 situation develops.

Henry Boyle
1200 hrs 3rd April 2020