

Covid-19: business interruption loan scheme amended

The government has been forced to amend the coronavirus business interruption loan scheme (CBILS) for firms affected by the pandemic, following claims banks were forcing companies to provide personal guarantees, and is adding an option for larger companies, reports Pat Sweet

Official figures from UK Finance show while there have been over 130,000 enquiries from businesses across the country for business interruption loans, just 983 businesses have had finance approved with £90m paid out.

Chancellor Rishi Sunak announced the [CBILS](#) programme is being extended 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.

For loans over £250,000, personal guarantees will be limited to just 20% of any amount outstanding on the CBILS lending after any other recoveries from business assets. Lenders were already prohibited from asking business owners to put their house on the line, but the changes are design to allay concerns regarding personal assets.

The new rule will apply to finance already offered under the scheme, to ensure that all business owners receive the same level of government protection.

In addition, there is a new Coronavirus Large Business Interruption Loan Scheme (CLBILS) which will provide a government guarantee of 80% to enable banks to make loans of up to £25m to firms with an annual turnover of between £45m and £500m. Loans backed by a guarantee under CLBILS will be offered at commercial rates of interest and further details of the scheme will be announced later this month.

Rishi Sunak, Chancellor of the Exchequer, said: ‘We are making great progress on getting much-needed support out to businesses to help manage their cashflows during this difficult time – with millions of pounds of loans and finance being provided to hundreds of firms across the country.

‘And now I am taking further action by extending our generous loan scheme so even more businesses can benefit. We have also listened to the concerns of some larger businesses affected by Covid-19 and are announcing new support so they can benefit too.’

Sunak said he will be speaking to bank chief executives next week to discuss how the schemes are working.

The government-backed scheme to provide financing to larger companies, being operated by the Bank of England, has also provided almost £1.9bn of support to firms and a further £1.6bn has been committed.

Adam Marshall, director-general, BCC (British Chambers of Commerce) said: ‘Improvements to the CBILS will help firms get access to cash more quickly, and the announcement of a new loan scheme for mid-sized companies closes a significant gap in existing support.’

Mike Cherry, National Chair, FSB (Federation of Small Businesses) said: ‘Time is of the essence and therefore we welcome government action in ensuring that any viable small business that has been negatively impacted by the Coronavirus can now directly access CBILS rather than first being offered a bank’s own standard commercial lending product.’

‘Removing personal guarantees for all commercial loans below £250,000 is also very welcome. Taking on debt at the current time is a daunting prospect for many small businesses and the self-employed.’

By Pat Sweet