

What is it?

1. CBILS – “Coronavirus Business Interruption Loan Scheme”
2. A variation of the existing Enterprise Finance Guarantee scheme (EFG) offering finance backed by a Government guarantee.
3. Available for UK businesses with up to £45m turnover, on borrowing between £26k to £5m, to replace lost or deferred revenues due to the pandemic.
4. Up to 6 years repayment for loans and asset finance, and up to 3 years for overdraft and invoice finance.
5. Interest free for the first 12 months (the Government will pay the interest to the bank).
6. 80% is guaranteed to the bank, the borrower remains 100% liable for the debt to the bank.
7. Free of all application fees. The lenders must pay the fees to enter the scheme.
8. For borrowing up to £250k the lender can choose to use the guarantee scheme. For borrowing over £250k the lender must establish the borrower has no other security available (primary residential property – your house – *cannot* be considered as other security).
9. If the lender can provide you with borrowing under its normal lending criteria, without making use of the scheme, it will do so.
10. You must demonstrate in your borrowing proposal that were it not for the Covid-19 pandemic, your business would be considered viable by the lender, and that the borrowing will enable you to trade out of short-to-medium cash shortfalls.

What are the individual bank’s decision making criteria? – *all banks have subtle differences-*

1. The offer of capital repayments holidays during the crisis?
2. The type of finance available (overdraft, loan, invoice finance or asset finance)?
3. The format of information applications must contain?
4. The calculated borrowing (e.g. the higher of 25% of turnover or 2x annual wages costs)?
5. Whether you can exchange an existing EFG loan for a CBILS loan?
6. The priority of normal bank lending over a CBILS loan?

Other points to note

1. Application information – most lenders will require a cash flow forecast covering the downturn period and subsequent return to normal trading. This should be a minimum of 12 months. This should be accompanied by your last filed annual financial statements, and year to date management accounts immediately before the pandemic (i.e. up to 29-02-2020). Some banks are now providing application forms, others are by email submission with a brief narrative business plan as to the effect of the pandemic on your cash flow, and your predicted recovery.

CBILS – A definitive Guide

2. Start-ups - If you are a new start up (less than two years trading) a British Business Bank's Start-up Loan may be more appropriate - <https://www.startuploans.co.uk/>
3. Availability - the scheme will be open for 6 months.
4. Types of business - available to all sole traders, partnerships, LLP's and other legal entities carrying out business activities as long as 50% of their income is generated from trading activity.
5. Other forms of Government aid - do not prevent you from applying for a loan, but must be taken into consideration in your cash flow forecasts (e.g. business rates relief)