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Frequently Asked Questions

What is the Coronavirus Business Interruption Loan Scheme (CBILS)?

CBILS is a government backed scheme that can provide facilities of up to £5m for smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cash flow. CBILS supports a wide range of finance products, including term loans, overdrafts, invoice finance and asset finance facilities. What are the key features of the scheme?

- Max repayment term is six years (term loans and asset finance)
- Range from £50,000 - £5m (Bounce Back Loan loans are available from £2,000 - £50,000 and separately featured below)
- Lender is government backed up to 80% of the amount lent
- There is no interest in the first 12 months or fees
- Some funders are agreeing capital holidays at their own discretion
- This is a loan and the borrower is fully liable for the capital and interest
- Initially it will run for six months

How do I know if I am eligible to apply?

To be eligible, you must:

- Be UK based in business activity
- Have an annual turnover of less than £45 million
- Have a borrowing proposal that the lender would consider viable were it not for the pandemic
- Self-certify that it has been adversely impacted by COVID-19

How can I access the scheme?

CBILS is available through the British Business Bank's 40+ accredited lenders, which is listed on their website. There are more lenders pending CBILS accreditation and they should be announced shortly.

In the first instance businesses should approach their incumbent bank. If they are unsuccessful in this application, they should consider approaching other lenders and brokers who can introduce them to lenders. Some lenders do not tend to work directly and have brokers to introduce business to them. They should also make sure the broker is both NACFB and CBILS accredited.



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What supporting documents might I need to apply?

You will need to evidence that you can afford to repay the loan. This is likely to include:

- Management accounts
- Cash flow forecast – funders are looking to evidence debt serviceability
- Full set of last year end accounts
- Evidence that all other grants and cash deferment schemes have been exhausted e.g. furloughing staff, VAT deferment etc.
- Information and evidence on how the crisis has adversely affected their business and how they can exit the crisis successfully
- Six months' worth of bank statements (if the application is not with their incumbent bank)
- Business Asset breakdown with details of corresponding debt

The information required will vary from lender to lender. Smaller loans may be automated and therefore may not require the same level of documentation.

Do I have to provide personal guarantees?

Under £250,000 there is no security required, including personal guarantees. It is completely unsecured. If over £250,001, each lender has its own security conditions, but personal guarantees are capped at 20% of the facility. The borrower's principal private residence cannot be used as security.

Are sole traders and freelancers eligible?

Yes, so long as their business is operated through a business bank account. CBILS is open to:

- Sole trader
- Bodies corporate
- Limited partnerships
- Limited liability partnerships
- Any other legal entity carrying out business activity in the UK

The business must generate more than 50% of its turnover from trading activity.



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What is the latest position with CBILS approvals?

There is a substantial backlog with CBILS loan enquiries through incumbent banks caused by insufficient staff resource. This is due to bank rationalisation over the past 10 years, COVID-19 illness/isolation and child cover.

Businesses with a regular bank manager stand a much better chance of achieving a CBILS loan approval than those clients, normally under £5m turnover, who do not have a designated contact manager. Those in the lower turnover bracket are having to work through call centres who have little knowledge of them, which creates obstacles and delays.

More alternative funders have applied for CBILS accreditation and gradually they are being approved and entering the market. Most of these alternative funders work through brokers/intermediaries. Ensure that you only work with brokers who are NACFB and CBILS accredited. These options should be quicker to access, and products include loans, asset refinance and invoice finance with top up loans.

What about lenders who are not CBILS accredited?

If a client needs a faster solution to bolster cash flow they could consider the diverse panel of funders who are not accredited but still offer fast, flexible and competitive solutions. Your accredited broker can introduce you to them.

Do not dismiss these funders. Some have decided not to become CBILS accredited due to the onerous credit application process they have to adopt, and some consider the 80% government guarantee insufficient, bearing in mind their lending criteria. This fear was heightened when the government said it would only cover 60% of any lender's total portfolio.

If you have been declined or you are stuck in a queue and need quicker support, please consider these options.



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How long is it taking to gain approvals?

From client feedback we believe the application process is taking 2-3 weeks. If the application requires further information, then it could double that timeframe. That is why it is crucial to put together a thorough pack of information.

With the alternative funders entering the CBILS arena, timescales should be shorter but the same level of information will be required to gain approval. Your broker can help you with your application.

Is a CBILS facility only available to a lender's existing customer?

CBILS is open to all eligible borrowers. A business does not need to be an existing customer of the lender. However, most banks and some other lenders are only currently considering applications for their own clients. The newly appointed CBILS lenders will consider applications for any SME through their approved broker network.

What are Coronavirus Bounce Back Loans?

The scheme will help small and medium sized businesses affected by COVID-19 to apply for loans up to £50,000. It is available from Monday 4th May 2020 and the features known so far include:

- Loans from £2,000 - £50,000
- Government will guarantee 100% of the loan
- No fees, interest or capital repayments in the first 12 months
- Loan terms up to six years
- Government to work with lenders to set a competitive rate of interest for the remaining term of the loan
- Scheme will be delivered through a network of accredited lenders

You can apply for a loan if you are:

- Based in the UK
- Negatively affected by COVID-10
- Were not 'undertaking in difficulty' on 31st December 2019



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More information about the scheme will be published shortly (updated on 29th April 2020, further updates to follow).

*PMD Business Finance is a qualified CBILS introducer. Get in touch if you are looking for advice for your business on **0161 633 2548** or via email at info@pmdbusinessfinance.co.uk.*