

Coronavirus (COVID-19) Support

BOUNCE BACK LOANS FOR SMALL BUSINESSES

The Bounce Back Loan Scheme is a new Government backed scheme introduced to help smaller businesses impacted by coronavirus (COVID-19). It aims to assist borrowing for small businesses with low interest, fast tracked loans of up to £50,000.

How much can I borrow?

Loans will be capped at a maximum of:

- £50,000, or
- 25% of Annual Turnover

How long is the loan for?

The length of the loan is for 6 years, but it can be repaid early with no additional charge. No repayments will be due during the first 12 months.

What fees and interest will I be required to pay?

The government has set the interest rate for this facility at 2.5% per annum. Lenders are not permitted to charge any fees.

Who is eligible?

Any UK based small businesses (sole traders/partnerships) and small/micro companies, who:

- Were actively trading and carrying on business on 1st March 2020
- Have been adversely affected by Coronavirus (COVID-19)
- Were not an 'undertaking in difficulty' at 31 December 2019.
- At the time of submitting their loan application, the business is neither in bankruptcy, liquidation or similar.

What is meant by a 'business in difficulty'?

A business is considered in difficulty if it met any one of the following criteria on 31 December 2019:

- Individuals or companies that have entered collective insolvency proceedings.
- Limited companies which have accumulated losses greater than half of their share capital in their last annual accounts.
- Partnerships, limited partnerships or unlimited liability companies which have accumulated losses greater than half of their capital in their latest annual accounts.

Is the loan from the Government?

No. The Bounce Back loan scheme is delivered through a network of accredited lenders, namely banks.

Accredited lenders: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/current-accredited-lenders-and-partners/>

What is the 100% Government guarantee then?

The government-backed guarantee on the loan is a guarantee to lenders, should a business default on the loan. Applicants and their businesses remain 100% liable to repay the full loan amount, as well as interest, after the first year.

Will a Bounce Back loan affect my credit rating?

Yes. A bounce back loan is borrowing from an accredited lender, so will appear on your business credit report. This can therefore affect any borrowing or re-finance requests in the future.

It will not appear on any personal credit checks.

Do I need to put up any security against the loan?

No, the loans are unsecured. Lenders are not permitted to take personal guarantees or take recovery action over a borrower's personal assets (such as their main home or personal vehicle).

What can I use the loan for?

The business must confirm to the lender that the loan will only be used to provide an economic benefit to the business, for example providing working capital, and not for personal purposes. Bounce back loans can be used to repay existing finance, there are no limits on the amount of the facility that can be used for refinancing.

I have a number of businesses; can I apply for a loan for each business?

Businesses are entitled to one Bounce Back Loan Scheme facility per separate business, unless the business is a part of a group.

How to apply?

Completion of a short, standardised online application form with bank. In the first instance, businesses, where possible, should approach their current bank to apply for a Bounce back loan.

How long will it take me to get the funds?

The Scheme has been designed to enable businesses to access finance quickly. It is expected from the point of application to receipt of funds, will only take a few days.

How long is the Scheme open?

The Scheme is intended to be a temporary response to the unprecedented challenges to businesses as a result of coronavirus (COVID-19). The Scheme will initially run until 4 November 2020.