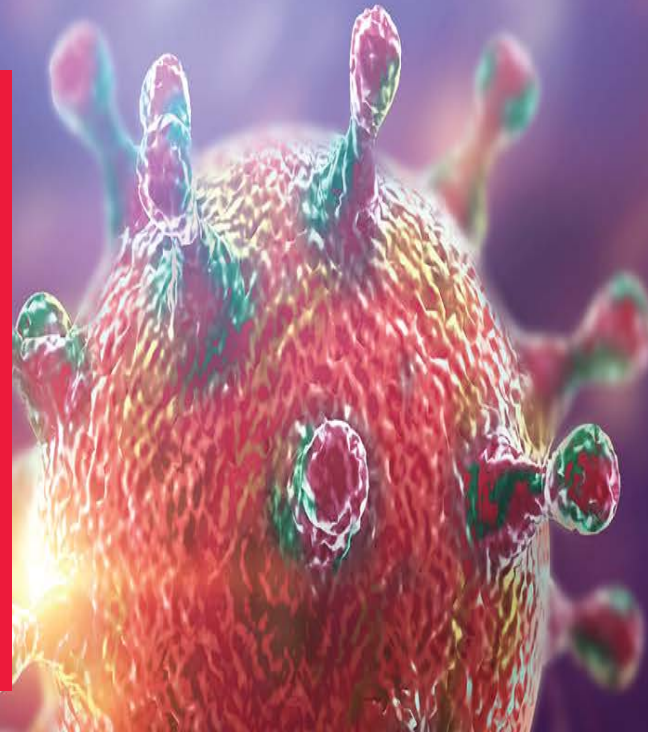


# COVID-19

## NEW GOVERNMENT BACKED SUPPORT SCHEMES

- RECOVERY LOAN SCHEME
- PAY AS YOU GROW SCHEME
- FUTURE FUND - BREAKTHROUGH

7 APRIL 2021



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## Government Support

- As outlined within the below summary, the level of Government support over the last year has been unprecedented, with over £75 billion worth of loans approved, which along with the Job Retention Scheme (Furlough scheme) has protected millions of jobs and businesses across the UK.

	Cumulative number of approved facilities	Cumulative value of approved facilities	Cumulative number of applications
Bounce Back Loan Scheme (BBL)	1,531,095	£46.53bn	2,056,587
Coronavirus Business Interruption Loan Scheme (CBILS)	98,344	£23.28bn	233,247
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	716	£5.30bn	1,130
<b>Total</b>	<b>1,630,155</b>	<b>£75.11bn</b>	<b>2,290,964</b>

Source: Gov.uk - Loan Schemes - Cumulative Applications and Approvals to close of business on 21 March 2021

- The above government backed loans ended on 31<sup>st</sup> March 2021, however the Government has implemented new support schemes to assist businesses with their recovery.

## New Schemes

- The new **Recovery Loan Scheme (RLS)** launched on 6th April 2021 and replaces the previous 3 loan schemes. Businesses that availed of BBLS, CBILS or CLBILS can apply via an accredited lender to the new RLS. Details of the scheme and the eligibility criteria are outlined on Page 1 below.
- In conjunction with the British Business Bank, and accredited lenders, the Government has also implemented the **Pay As You Grow Scheme (PAYG)** which is specific only to Bounce Back Loans and offers additional support for businesses struggling to repay their Bounce Back loan. Details of this additional support is outlined on page 2.
- A new future fund is also being launched in Summer 2021 and will be focussed on R&D businesses with support through private equity. This scheme has been further outlined on page 3.
- Events are moving rapidly, with new information and changes being brought in on a regular basis. However, until such times as businesses can start trading again, Government support will continue to be necessary.
- This document has been written in general terms and we recommend that you review the various links provided or refer to our Covid hub for ongoing updates. [COVID - 19 Hub](#)



## 2. NEW GOVERNMENT BACKED SUPPORT SCHEMES

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## 2. NEW GOVERNMENT BACKED SUPPORT SCHEMES

Funding	Key Points	Eligibility	What You Need to Apply
<b>Recovery Loan Scheme (RLS)</b>	<ul style="list-style-type: none"> <li>The scheme launched on 6 April 2021 and is scheduled to run until 31 December 2021 (subject to review).</li> <li>Loans from £25,001 up to £10 million in value, including Term Facilities and Overdrafts.</li> <li>Loans from £1,000 up to £10 million in value, including invoice finance and asset finance.</li> <li>Businesses are required to meet the costs of interest payments and other fees associated with the facility from the outset of the loan.</li> <li>Finance terms are up to six years for Term Loans and Asset Finance. For Overdrafts and Invoice Finance facilities, terms will be up to three years.</li> <li>The Government will provide Lenders with a guarantee of 80% on each loan.</li> <li><b>Businesses are fully responsible for the repayment of the facility.</b></li> <li>For facilities up to £250,000, personal guarantees will not be required and a principal home cannot be taken as security.</li> <li>Above £250,000, the maximum amount that can be covered under RLS is capped at a maximum of 20% of the outstanding balance of the RLS facility, after the proceeds of business assets have been applied.</li> <li>Interest rates likely to be higher than previous support schemes but overall rate of interest, upfront fee and other fees cannot be more than 14.99%.</li> </ul>	<ul style="list-style-type: none"> <li>In order to meet the criteria for a businesses ability to apply for the loan, the business is required to be: <ul style="list-style-type: none"> <li>Trading in the UK;</li> <li>A viable business proposition, would it not be for the pandemic;</li> <li>Impacted by the pandemic; and</li> <li>Not in collective insolvency proceedings.</li> </ul> </li> <li>There is no turnover restriction for businesses accessing the scheme.</li> <li>Business that received previous support under the Coronavirus Business Interruption Loan Scheme (CBILS) Coronavirus Large Business Interruption Loan Scheme (CLBILS) or Bounce Back Loans (BBL), will still be eligible to access finance under this scheme, on the basis that they meet the above criteria.</li> <li>Any application must be for business purposes, including growth and investment.</li> <li>On applying for the scheme, applicants will be subject to credit and fraud checks by the lenders. Upon these checks, lenders are recommended to overlook any concerns on the applicants short to medium term performance under the assumption that these concerns are a result of the pandemic.</li> <li>Certain businesses and organisations will not be eligible such as banks, building societies, insurers, public sector bodies and state funded schools.</li> </ul>	<ul style="list-style-type: none"> <li>Provide evidence to show that you can afford to repay the RLS-backed facility. This is likely to include the following: <ul style="list-style-type: none"> <li>Management accounts</li> <li>Business plan</li> <li>Historic accounts</li> <li>Details of assets</li> </ul> </li> <li>The lender will make the decision on whether a loan will be provided.</li> <li>A list of accredited lenders with those specific to NI is contained here: <p><a href="https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/current-accredited-lenders/">https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/current-accredited-lenders/</a></p> </li> </ul>

## 2. NEW GOVERNMENT BACKED SUPPORT SCHEMES

Funding	Key Points	Eligibility	Web Links
<p>Pay As You Grow Scheme (PAYG)</p>	<ul style="list-style-type: none"> <li>• Pay As You Grow (PAYG) will enable businesses who have started repaying their Bounce Back Loans to:               <ul style="list-style-type: none"> <li>○ request an extension of their loan term to 10 years from six years, at the same fixed interest rate of 2.5%;</li> <li>○ reduce their monthly repayments for six months by paying interest only. (Only available up to three times during the term of their Bounce Back Loan); and</li> <li>○ take a repayment holiday for up to six months. (Only available once during the term of their Bounce Back Loan).</li> </ul> </li> <li>• Borrowers can use these options individually or in combination with each other.</li> <li>• Borrowers should be aware that they will pay more interest overall if they use one or more of these options, and that the length of the loan will increase in line with any repayment holidays taken.</li> <li>• By availing of the scheme, it won't affect a businesses credit worthiness, but may impact on the consideration of any future bank lending.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses first began to receive BBLS loans in May 2020 and the first repayments will become due from May 2021 onwards.</li> <li>• Lenders should already have started to communicate PAYG options to BBLS borrowers.</li> <li>• Lenders will advise customers about how their repayment options may change according to their choices under the scheme. Borrowers remain responsible for repaying their Bounce Back Loan and fully liable for the debt.</li> <li>• Businesses who have concerns regarding repaying debt should seek advice and contact their lender.</li> </ul>	<p><a href="https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/pay-as-you-grow/">https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/pay-as-you-grow/</a></p>

## 2. NEW GOVERNMENT BACKED SUPPORT SCHEMES

Funding	Key Points	Eligibility	Web links
<b>Future Fund: Breakthrough</b>	<ul style="list-style-type: none"> <li>The launch date for the fund is expected early summer 2021.</li> <li>The scheme has an initial fund size of £375m for UK high growth, innovative Companies with large UK operations.</li> <li>The scheme has been designed for Company's who have significant investment in research and development.</li> <li>Businesses are fully responsible for the repayment of the facility.</li> </ul>	<ul style="list-style-type: none"> <li>A Company must be R&amp;D intensive with the vision of accelerating the deployment of breakthrough technologies which can either:               <ul style="list-style-type: none"> <li>Transform industries;</li> <li>Develop new medicines; or</li> <li>Support the UK transition to a net zero economy.</li> </ul> </li> <li>To apply for the scheme the Company must be seeking a minimum investment of £20m.</li> <li>The application process will be led by established venture capital investors.</li> </ul>	<p><a href="https://www.british-business-bank.co.uk/ourpartners/future-fund-breakthrough/">https://www.british-business-bank.co.uk/ourpartners/future-fund-breakthrough/</a></p> <ul style="list-style-type: none"> <li>The details on how to apply to this scheme will be made available closer to the launch date in early summer 2021 on the British Business Bank's website noted above.</li> </ul>

### 3. CONCLUDING POINTS

- Whilst the proposed new Recovery Loan scheme does not appear to be as generous as the previous loan schemes in terms of payment of fees and interest charges applied, it is certainly welcome that the Government continues to offer significant support to businesses via favourable terms administered by lenders.
- The stipulations for the Recovery Loan indicate that lenders should overlook concerns regarding short-to-medium term performance owing to the pandemic. It will however be interesting to see how supportive lenders can be in approving applications under these new schemes, noting the debt burden already facing many businesses and the c£75bn of additional debt exposure that lenders have accrued over the last 12 months.
- With many businesses in Northern Ireland still closed, with no firm date for reopening, the PAYG scheme will be vitally important to provide companies with additional breathing space to defer or reduce repayments of their Bounce Back loans.
- The Future Fund: Breakthrough will be a mechanism for growth and will help incentivise those looking at R&D projects to promote and encourage private investors to co-invest with government in high-growth, innovative firms.
- It is unlikely that the terms and level of matched funding will be as generous as the original Future Fund scheme.

**For further information on this area or wider funding support for your business as you look to recover from the pandemic, please feel free to get in touch with us.**



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