

Chancellor eases burden on more than a million businesses through Pay as You Grow flexible repayment options

- Bounce Back Loan borrowers will now have the option to tailor payments according to their individual circumstances
- Chancellor makes support even more generous with the option to delay all repayments for a further six months
- Pay as You Grow will be available to over 1.4 million businesses, which collectively took out nearly £45 billion through the Bounce Back Loan Scheme

The Treasury's Pay as You Grow repayment flexibilities enable borrowers to tailor their repayment schedule, with the option to extend the length of their loans from six to ten years (reducing monthly repayments by almost half), make interest-only payments for six months or pause repayments for up to six months.

The Chancellor has now extended the flexibility of the third option, which will now be available to all from their first repayment, rather than after six repayments have been made. This will mean that businesses can choose to make no payments on their loans until 18 months after they originally took them out.

These Pay as You Grow options will be available to more than 1.4 million businesses which took out a total of nearly £45 billion through the Bounce Back Loan Scheme.

This is in addition to the government covering the costs of interest for the first year of the loan.

Pay as You Grow's additional support, first announced by the Chancellor in September, will give borrowers the option to tailor repayments to their individual circumstances.

This will provide more time and greater flexibility to repay the loans.

From today, lenders will begin reaching out to borrowers to provide information on repayment schedules and how to access flexible repayment options.

The Chancellor of the Exchequer, Rishi Sunak, said:

Businesses are continuing to feel the impact of extended disruption from Covid-19, and we're determined to give them the backing and confidence they need to get through the pandemic.

That's why we're giving Bounce Back Loan borrowers breathing space

to get back on their feet, through greater flexibility and time to repay their loans on their terms.

Lenders will proactively and directly inform their customers of Pay as You Grow, and borrowers should only expect correspondence three months before their first repayments are due.

It will provide businesses with the following options:

1. Extend the length of the loan from six years to ten
2. Make interest-only payments for six months, with the option to use this up to three times throughout the loan
3. Pause repayments entirely for up to six months

Business Secretary, Kwasi Kwarteng, added:

The comprehensive and generous financial support package we have delivered across the UK has protected jobs, saved businesses and kept local economies on the move.

While our vaccine rollout is moving at an incredible pace and the end is in sight, we know times are still tough for many companies and extra support is needed.

These flexible repayment options will give businesses the time they need to recover from the pandemic before paying back loans, giving them the breathing space and confidence to build back better.

Further Information

The British Business Bank run the Bounce Back Loan Scheme.

The government has made clear that lenders are expected to offer PAYG options to all borrowers under the Bounce Back Loan Scheme.

Following discussions with lenders, all borrowers should receive identical information on PAYG being offered.

The Financial Conduct Authority's conduct rules require lenders to show due consideration and appropriate forbearance to borrowers in difficulty.

Under the Bounce Back Loan Scheme, no repayments or interest are due from the borrower during the first 12 months of the loan term.

Please see a [summary of existing support](#).