

Government to support businesses through Trade Credit Insurance guarantee

Trade Credit Insurance provides cover to hundreds of thousands of business to business transactions, particularly in non-service sectors, such as manufacturing and construction. It insures suppliers selling goods against the company they are selling to defaulting on payment, giving businesses the confidence to trade with one another. But due to Coronavirus and businesses struggling to pay bills, they risk having credit insurance withdrawn, or premiums increasing to unaffordable levels.

To prevent this from happening, the government will temporarily guarantee business-to-business transactions currently supported by Trade Credit Insurance, ensuring the majority of insurance coverage will be maintained across the market. This will support supply chains and help businesses to trade with confidence as they can trust that they will be protected if a customer defaults on payment.

The Economic Secretary to the Treasury, John Glen said:

This country's businesses are crucial in helping us to kick start the economy as we get back to work, and I will do everything I can to help support them through this difficult time. By guaranteeing business-to-business transactions currently supported by Trade Credit Insurance, we will help to maintain a vital cog in our economy.

This is on top of an unprecedented package of support we have put in place to help protect individuals, businesses and the economy.

Business Minister, Paul Scully, said:

Giving businesses the confidence to continue trading is vital to seeing us through this crisis. This guarantee will be essential as we seek to reopen new sectors of the economy and get the UK back to work in a way that is safe for everyone.

The guarantee will be delivered through a temporary reinsurance agreement with insurers currently operating in the market.

The government will work with businesses and the industry on the full details of the scheme to ensure firms are supported and risk is appropriately shared between the government and insurers.

The guarantees will cover trading by domestic firms and exporting firms and the intent is for agreements to be in place with insurers by end of this month.

The guarantee will be temporary and targeted to cover CV-19 economic challenges, and will provisionally last until the end of the year. It will be followed by a review of the TCI market to ensure it can continue to support businesses in future. Further details will be announced in due course.

Further information

- in whole of 2018 £450 million was paid in TCI premiums to cover over £350 billion in business activity
- as of April 2020 there was over £171 billion business activity insured, covering transactions between around 13000 suppliers and 650,000 buyers