

More businesses set to benefit from government loan scheme

- government expects lenders to make changes in approvals processes
- over 57,000 businesses have benefitted from £12.6 billion of support through CBILS to date

Changes to state aid rules as a result of UK Government and industry lobbying mean that more small businesses can now benefit from loans of up to £5 million under the Coronavirus Business Interruption Loan Scheme (CBILS), it was announced today (30th July 2020).

Previously businesses which were classed as 'undertakings in difficulty' were unable to access CBILS because of EU rules. From today, businesses in this category and which have fewer than 50 employees and a turnover of less than £9 million can apply to CBILS.

The Economic Secretary to the Treasury and the Small Business Minister have written to accredited lenders setting out their expectation that these changes will be implemented to ensure more businesses are receiving support.

Undertakings in difficulty are usually businesses with high levels of debt and accumulated losses.

The UK Government and industry groups have lobbied to relax the restrictive rules in the European Temporary State Aid Framework to make sure that small businesses who are not insolvent or receiving rescue aid can benefit, enabling them to bounce back and kickstart our economy.

Economic Secretary to the Treasury, John Glen, said: > Our loan schemes have been a key part in supporting businesses enabling them to bounce back as we kick start the economy. > > I'm delighted that our work with the Commission has paid off so we can further support the smallest businesses.

Small Business Minister, Paul Scully, said:

We have stood by business throughout this crisis, and today's announcement will mean that even more small firms will be able to access much-needed financial support.

Small businesses will play a vital role as we seek to recover our way of life and get the economy moving again, and it is essential we continue to support them through this difficult period.

Businesses have benefitted from £50 billion of government-backed support with over 57,000 firms drawing from CBILS to date. This is alongside other measures in the government's comprehensive package of support including the furlough scheme, over £10 billion of grants and generous tax deferrals.

Throughout the pandemic, the UK Government has acted with speed and at scale to protect lives and safeguard jobs.

In the first phase of this crisis the government aimed to protect lives and safeguard jobs. The second phase will see the Chancellor's Plan for Jobs set in motion, which will see jobs created, supported and protected as the economy begins to reopen.

Chris Wilford, Head of Financial Services Policy, CBI said:

This is an important step that will help more businesses get the critical support they need. These eligibility hurdles have been a real stumbling block for many firms across the UK throughout the crisis. These were put in place to avoid governments bailing out failing companies, but those rules were established in normal times.

They have had a real impact on the ability of some high-growth firms and those with more complex structures being able to access the loan schemes. More jobs and livelihoods will be now be saved. The CBI will continue to work with government on further measures for firms of all sizes.

Michael Moore, Director General, BVCA, said:

The BVCA welcomes the changes announced today as these will benefit many small businesses nationwide backed by private equity and venture capital. These businesses have strong growth prospects and it is right that the undertaking in difficulty definition was amended to take account of their value to the economy.

Notes

- lenders will also shortly be receiving guidance providing clarity on how to identify undertakings in difficulty, which will help viable larger businesses access support too.
- undertakings in difficulty are already eligible for Bounce Back Loans subject to de minimis State Aid limits