

# Covid-19 Update - Business Interruption Loans - CBILS

Information correct as at 12:00pm on 09.04.2020

- Consider applying if there is a clear interruption to your business, e.g. loss of diversification income or a significant change or delay regarding milk income
- Loans, overdraft, invoice or asset finance of up to £5m may be available for businesses with up to £45m turnover (or more above £45m turnover) for up to six years
- Loans are 80% guaranteed by the government, with the government paying the set-up fees and first 12 months interest for qualifying businesses
- Find out what information the bank needs in your scenario to meet its criteria to prove business viability and affordability

## Eligibility

There must be a valid Covid-19 related reason what the loan is for and those applying will be required to certify this is the case. Eligibility is no guarantee finance will be offered.

Examples of reasons to apply include lowered farm diversification income, such as an open farm, holiday let or B&B. Milk producers who have been notified of milk price cuts due to Covid-19 should be eligible to apply. More milk producers may become eligible in the coming weeks if their milk income is limited by reduced price or quotas on sales introduced by milk buyers or if livestock sales are impacted.

The scheme is initially scheduled to run for six months and there is no guarantee it will continue beyond this. Businesses with holiday lets or similar who are deferring bookings into 2021 may not be impacted much in the short term, but cashflow and profit will be hit over the next 18 months, so consider the longer term need for finance while the scheme is available.

The business must be UK based and meet the lending criteria of the lender – see below.

## How to access finance

All major banks, which should be your first option, but also other accredited lenders are registered on a government list. You should apply via your lender's website or bank manager in person (an agent is not required). It is the lender's decision on whether to offer you additional finance. They should not ask you for a personal guarantee for loans of up to £250,000, but may do so above this. If you are turned down by one lender you can approach another.

Last week (April 3rd) the scheme was revised, so being refused for a normal loan is no longer a condition to access this scheme. If you were refused access because of this before, you should contact the lender again.

Some banks may allow existing loans to be refinanced under the scheme where the need is Covid-19 related and there is a clear interruption to working capital. This may be a way to reduce monthly repayments by spreading the loan over a longer term. The same lending criteria and application process will apply.

## Lending Criteria

The lender's affordability criteria still apply, so you need to prove you can afford the repayments in the long term and the business would be viable without the Covid-19 business interruption. The bank may require a business plan/budget and/or cashflow forecast and/or management accounts and/or a farmers' balance sheet which shows all your assets and all liabilities - including HPs, family

loans, etc, which they will want to reconcile with historic accounts, as well as what is coming into or out of your bank. What the bank requires is likely to depend on the amount and your financial position and history, so talk to your bank manager to find out. They may already have enough information if the amount requested is relatively low or the bank may have a level which can simply be applied for and agreed online.

Farms using Xero or other making tax digital cloud software set up fully could be able to produce management accounts for the year end to March 2020 within a few weeks, once creditors and debtors and the bank reconciliation is complete. This may be particularly useful where there have been changes to the business that the 2019 tax accounts do not reflect. Kite consultants are able to help with this, as well as producing budgets, cashflows and balance sheets, while working safely from home.

## **Interest Rates**

There is no set interest rate for finance provided under this scheme. It may be possible to negotiate interest rates. The government will pay the initial set up fees and the first 12 months of interest in most circumstances, although agricultural business may not qualify for this in full – you should contact the lender to check for your circumstances. The government will not pay any capital repayments, so ensure you can afford these in the first year within your business plan.

## **For more information:**

Check your bank's website, ask your bank manager or see the official advice on the gov.uk and British Business Bank websites.

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For further discussion or to help with any questions that you may have, please contact Consultant Support on [consultantsupport@kiteconsulting.com](mailto:consultantsupport@kiteconsulting.com) or 01902 851007 / 07542 403225