

# Covid-19 Update Bounce back and CBIL Loans Update

## 30/9/2020



Information correct as at 9:00am on 02.10.2020

- The term of these loans has been extended to a maximum of 10 years, up from six years previously, which will ease cashflow concerns over repayments
- Some payment holidays will be allowed, but it is not clear if these will allow any extension of credit beyond the maximum term
- The application window will now end on November 30<sup>th</sup> 2020 for both loans.

The option of extending the repayment term on these loans was announced in the Government's Winter Economy Plan in September. This will ease cashflow concerns, help make other finance more affordable in the eyes of banks and may save on interest compared with other loans.

However, if planning long term investments, such as buildings or land purchase, a longer-term loan may be a better option as the repayments may be more manageable, particularly in lower profit years and it may give more flexibility to make other investments.

### Impact of extending the Bounce Back repayment term

Repayment over 6 years	Repayments over 10 years
2.5% fixed interest after first year (i.e. this will not change)	
From 1 year after receipt <b>60 payments of £887/month*</b>	From 1 year after receipt <b>108 payments of £518/month*</b>

*\*approximately, as the method of calculation may vary by lender, and assumes payments are averaged, rather than interest charged separately to capital when the earlier payments may be higher.*

Payment holiday options were also announced in September. These allow the following:

- One payment holiday, capital and interest, of up to six months, after six payments have been made.
- Move to interest only for six months up to three times over the term of the loan

However, you will pay additional interest with these options.

### Bounce Back - Key points

The maximum loan is still £50,000, or 25% of annual revenue, if lower and only one loan is allowed per business. This is 100% guaranteed by the government in the case of business failure. Most banks are approved lenders and should be your first point of contact. There are no fees and no interest or capital repayments in the first year. Repayments start 12 months after the loan has been drawn down and interest will be charged at a fixed rate of 2.5%. Application is simple and done online. You need to self-declare that your business has been affected by Covid-19 to apply. Your lender can advise on any other eligibility criteria concerns. There is no early repayment penalty. It must be repaid within 10 years.

It is unlikely you will beat this interest rate or ease of application for finance. However, it will count as business debt and your bank will take the repayments into account in their affordability checks should you apply for other finance.

If not needed to pay urgent bills, for optimum benefit to your business, use the money to invest in generating more income & profit or to replace other borrowing with higher interest rates and/or to be repaid over a shorter term.

### **CBILS – Key Points**

Offered as an alternative to Bounce Back loans for sums of up to £5m. The application process is more complex. There are no interest or capital repayments in the first year, thereafter repayments are due over up to nine years, but can be less, depending on the type of finance. The lender sets the interest rates and fees. Government guarantees 80% of the loan, so some other security may be required. Refinancing may be up to 20% of the total borrowing.

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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

