

Update: Guidance on UK Government Support for Business during COVID-19 (No. 3) – Bounce Back Loan Scheme

The latest announcement by the UK government in its support for businesses affected by COVID-19 is the "Bounce Back Loan Scheme" (BBLS), which aims to help thousands of small firms and sole traders gain quick access to finance. The BBLS launched yesterday and is open until 4 November 2020.

What is the BBLS? Under the BBLS, accredited lenders will make term loans available to small businesses that were trading on 1 March 2020 and which have been adversely affected by COVID-19.

How much can be borrowed? A business can borrow between £2,000 and the lower of: (i) 50,000 and (ii) 25 per cent of its annual turnover.

What are the loan terms? The main terms are:

- **Term length:** the loan is repayable over six years, but it can be repaid earlier without penalty.
- **Interest rate:** fixed at 2.5% per annum by the UK Government.
- **Repayments:** The UK Government will pay the first 12 months' interest on behalf of the borrower. After that, the borrower will need to make full repayments (principal and interest) up to the end of the six-year term as per the arrangement with its lender. Borrowers remain fully liable for the loan, but each loan is 100% guaranteed by the UK Government.
- **Use:** the loan can be used for any purpose that provides "economic benefit" to the borrower – essentially, any working capital purposes.
- **Fees:** no fees are charged for arranging the loan.

How are applications made? Businesses can apply online through any accredited lender of the British Business Bank. Borrowers will be required to self-certify that they meet the eligibility criteria. We understand that applications should be assessed within a matter of days.

Any restrictions? A borrower that was a "business in difficulty" on 31 December 2019 might not satisfy the eligibility criteria, and, even if it does, restrictions might be placed on the amount of the loan and what the borrower can do with it. There are different tests for determining whether a borrower is a "business in difficulty" depending upon the nature of the borrower entity – for example, a limited company will be a "business in difficulty" if it accumulated losses greater than half of the value of its share capital in its last financial year. However, we understand that this criterion will not apply to limited companies (or any other SMEs) less than three years old and, therefore, these entities should be eligible for the scheme even if they are loss making. Businesses that have entered into insolvency proceedings/arrangements however will not be eligible.

Anything else? Businesses that have been approved for a loan under the Coronavirus Business Interruption Loan Scheme (CBILS) cannot take out a separate loan under BBLS; however, a business that has an existing CBILS facility can apply to refinance that facility under BBLS provided such CBILS facility will be refinanced in full. Borrowers may wish to take advantage of more preferential loan terms under BBLS as compared to CBILS.

This note has been prepared on 7 May 2020. Given the live and rapidly evolving nature of events, we will provide further updates in due course.

For information on government support available to businesses more generally and separately with specific reference to the sport's sector, please refer to our earlier guidance [here](#) and [here](#).

Onside Law



Simon Thorp

Partner

simon.thorp@onsidelaw.co.uk



Harriet Leach

Senior Associate

harriet.leach@onsidelaw.co.uk



Alex Evans

Associate

alex.evans@onsidelaw.co.uk