

What is CBILS?

The Coronavirus Business Interruption Loan Scheme (CBILS) provides financial support to smaller businesses (SMEs) across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak. The scheme is a part of a wider package of government support for UK businesses and employees. CBILS is available through the British Business Bank's 40 accredited lenders (full details on <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders>).

The Government is encouraging banks to lend by underwriting 80% of the value of eligible finance facilities of up to **£5m** that have been provided to help otherwise viable businesses manage their cash flow through the Coronavirus downturn. This should reduce the level of risk for lenders to provide this support and therefore encourage them to provide credit for temporarily struggling businesses who would not be lent to without this scheme.

Why is it needed?

Many businesses will currently be facing short term trading and cash flow issues as a result of projects being postponed or cancelled or simply being unable to perform due to staff shortages and office closures. Additionally, as the crisis continues, debtors may take longer to be recovered. CBILS is designed to provide these businesses with the finance they need during the downturn and allow them to repay this debt once life has returned to normal and businesses have returned to profitability.

Key Features

- Eligible companies can borrow up to £5m.
- The Scheme provides lenders with a government-backed partial guarantee (80%), subject to an overall cap per lender.
- Interest and fees will be paid for by the Government for the first 12 months.
- Term debt and asset finance facilities can be taken over a period up to six years. Overdraft and invoice finance facilities will be for up to three years.
- The borrower remains **100%** liable for the outstanding facility.

Key Eligibility Criteria Includes

- Be a UK-based business with annual turnover of no more than £45m. For businesses with turnover in excess of £45m the Covid Corporate Financing Facility has been put in place. (More details on <https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility>).
- Be a viable business that would have been able to support a debt facility prior to the crisis and return to be a viable business in the future
- Generate 50% or more of income from selling goods or providing services
- Operate in an eligible sector (not: banks; building societies; insurers; reinsurers; public sector organisations; employer, professional, religious or political membership organisations or trade unions for more detail see British Business Bank website)

How much can I borrow?

The facility amount should not exceed:

- Twice the annual wage bill of the company (including social charges as well as the cost of personnel working on the undertakings site but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of undertakings created on or after 1 January 2019, the maximum loan must not exceed the estimated annual wage bill for the first two years in operation; or
- 25% of total turnover of the company in 2019; or
- The liquidity requirement of the company for 18 months

This is subject to a maximum facility amount of £5m.

What security is required?

The security required is at the lender's discretion. You may be able to borrow up to £250,000 on an unsecured basis however this does vary from bank to bank. For loans over £250,000 security will be required in the form of a combination of a charge over assets and a personal guarantee.

When will I need to start making repayments?

The government will cover upfront fees and the first 12 months of interest. The majority of the high street banks are offering a capital repayment holiday ranging from 6 to 12 months at the start of the loan.

Is CBILS right for my business?

The key point of the scheme is that the borrower is 100% liable for the debt. If you can't demonstrate that prior to the crisis your business had the cashflows available to support the repayment of debt to the level you are applying, then it is unlikely that your application will be successful. Additionally, if your business has no realistic prospect of being able to repay the loan in the future then you should not apply for this scheme as you will remain 100% liable for the debt, irrespective of the 80% government guarantee. CBILS should be considered alongside the other schemes announced to support businesses through the crisis.

How do I get a CBILS Facility?

In the first instance you speak to the relationship manager at your bank. All the banks that we have spoken to are prioritising their own customers so it is unlikely that you will be successful through another bank at this time. Your bank does need to be registered with the British Business Bank (and most are) to apply for a CBILS facility. Your relationship manager is likely to discuss other options as well as the CBILS facility that may be available to you when you speak to them. The majority of banks have given an increased mandate to their relationship managers so they can approve increased overdrafts and offer capital repayment holidays without requiring approval from the bank's credit committee allowing businesses to access funds more quickly.

What information is likely to be required?

A typical information request list is likely to include:

- Amount – how did you come to this amount?

- How long with this cover your business for?
- Term of the loan
- Purpose – details required (just support in the COVID- 19 crisis)
- Asset and Liabilities form for each Director required
- Business plan with viable support
- Cash flow forecast
- List of creditors and debtors showing amounts owed and owing
- Last 3 years accounts
- Management information since the last statutory accounts date

Can Moore NI help me?

At Moore NI we are here to support you through the crisis. We can help businesses analyse which schemes are most suitable for them including CBILS and the Coronavirus Job Retention Scheme. In the case of CBILS our specialist corporate finance team can also help you prepare information including financial models to support loan applications which analyse multiple scenarios and if you would like that assistance then please ask your Moore NI contact to make an introduction.

Contact Us

If you have any questions or queries, please contact your usual Moore NI contact by email or by telephone on:

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