

BHP COVID-19 Update

Coronavirus Business Interruption Loan Scheme (“CBILS”)

1 What is it?

A scheme whereby 40+ banks and financial institutions will lend money to SMEs which is partially guaranteed by the UK Government

SMEs can borrow up to £5m without traditional forms of security. This is for viable businesses who are experiencing increased costs or disruptions to cashflow as a result of COVID-19

You will be required to repay 100% of the amount borrowed.

The lending bank will receive an 80% guarantee from the Government for losses if you default

2 Is your business eligible?

To be eligible your business must:

Be a UK SME with turnover of less than £45m (50% of turnover must be derived from trading activities)

Have a borrowing proposal which would be viable, if the COVID-19 pandemic wasn't present, that enables your business to trade out of difficulty

Use the loan for a business purpose

Be a body corporate, sole trader, and/or partnership

Not be in agriculture, aquaculture, fisheries, banking/insurance institutions or otherwise state funded

3 What does it mean practically?

Your business remains 100% liable for the amount borrowed

You have up to 6 months to apply

UK Government will pay the interest for 12 months and cover any arrangement fees

For loans <£250K no PG will be requested. For loans >£250K a PG may still be requested but capped at 20% of the outstanding balance (after applying proceeds of business assets)

A Principal Private Residence cannot be taken as security

Lenders are **NOT** required to demonstrate a borrower's ability to access funding under normal commercial terms

4 What else should you be thinking about?

Consider which type of finance is most appropriate for your business (loan/overdraft/asset or invoice finance or a combination of these)

Can your business borrow money without accessing CBILS?

Facility term is a maximum of 6 years for loans and asset finance, and 3 years for overdrafts and invoice finance

Does your business have the ability to repay the finance/funding in the medium/long term?

Is taking on debt the right solution for your business?

Has your proposal been prepared/reviewed by a professional advisor?

5 Can your business still borrow under CBILS if it has taken advantage of other COVID-19 related government support?

Yes

BHP's recommendations before approaching your funder

- Identify the 'funding gap' COVID-19 has created
- Consider what other forms of support are available (for example the Coronavirus Job Retention Scheme, deferring VAT and payroll taxes). This may reduce your borrowing requirement.
- Consider how urgent your funding need is - lenders will be inundated with proposals during the early stages of the scheme
- Think through whether you have done everything reasonably possible to get through the short term disruption
- Compile a well thought through proposal which may evidence viability through:
 - A track record of profitable recent trading
 - Your business plan for this year before the disruption
 - What the disruption means for your business (based on realistic assumptions of the impact) and the steps you have taken to address the situation
 - Preparing a financial forecast which supports the above
- Take professional advice and ask them to review your funding proposal