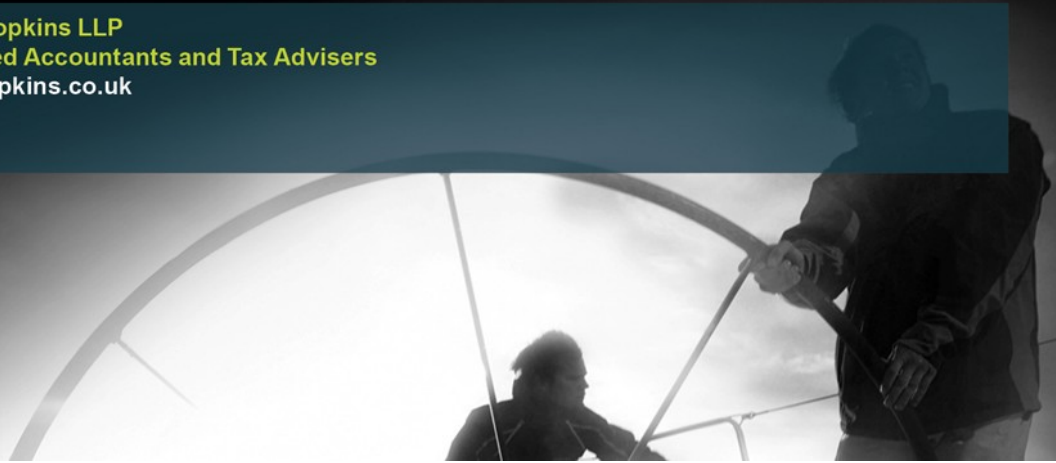




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Coronavirus Business Interruption Loan Scheme (CBILS)

Last updated Thursday 17 December 2020

The scheme is targeted specifically at companies which can demonstrate their viability on normal lending grounds for banks, except that they cannot provide the security needed by the bank. It will only be such companies that can truly benefit.

Loans of up to £5m made by most of the well-known banks. The loans include term loans, overdrafts, invoice finance and asset finance. CBILS is available only to businesses with up to £45m turnover. Government will provide lenders with a guarantee of 80% of the lending for up to 10 years, and will pay the lender the interest for the first 12 months and the lending fees.

However, if the lender can offer finance on normal commercial terms without using CBILS, it will do so. It appears that, in other words, if you can offer enough security, you will also not benefit from fee-free and interest-free lending. For lending over £250,000, the bank must first establish that there is insufficient security and use all that is available, before it can use CBILS.

On the other hand, lenders can use the scheme to provide up to £250,000 of unsecured lending if they so choose, even if security is available, and can use CBILS for this, so that the business benefits from fee-free and interest free lending on that sum. Another benefit is that banks cannot take security over your private home under CBILS.

The application deadline for all Coronavirus loan schemes - including the future fund - has been extended to 31 March 2021.

Our Comments

This is a much improved re-hash of the rather ridiculed government backed loan guarantee scheme of the past, which turned out to be very difficult to access and of little value. The value of CBILS looks much better, especially for facilities up to £250,000. Above that threshold, it will still be very useful to those companies which have limited assets to offer as security either because they are fully encumbered or because they don't exist. However, in both cases, banks will consider the viability of the lending on a strict commercial basis which, while it is obviously appropriate, will mean that it will be harder to access higher lending under CBILS.

We think this scheme will be of most benefit to help businesses cash flow through the coronavirus crisis with up to £250,000 of new facility unsecured by them but with 80% guaranteed by government, making it much easier to access short term liquidity funding.

For all CBILS applications, you will now only need to demonstrate that your business was viable before March 2020, but you do not have to demonstrate that it will be viable in the future. This is remarkable, since banks are bound to want to know how you will repay them. Another scheme is a 100% guarantee for small firms borrowing up to £50,000. This is called the Bounce-back Loan Scheme and we have a separate help sheet for this.

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We will keep clients up to date at hillierhopkins.co.uk

Information about CBILS

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/>

Information about government help and advice is at

<https://www.gov.uk/government/news/coronavirus-covid-19-guidance-for-employees-employers-and-businesses>



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What you should do

Applications will be standard borrowing applications. Businesses should look at their short-term cash flow requirements and discuss them with the bank. We generally recommend this is best done using professional advice (see below).

The application will require you to review and set out the trading position and activities before the coronavirus outbreak and to explain how the business has been affected by it. Audited or management accounts running as near as possible to the outbreak will provide support for this assessment.

You will be asked to set out what actions you have taken so far to safeguard your company's future, and other mitigating actions you are considering or planning.

Bankers are likely to want details of your existing financing commitments such as leases, finance leases, other loans, and the like.

You will have needed to prepare forecasts or projections based on current circumstances. The bank will need to see them, and if you have the equivalent that showed what would have happened without coronavirus, these would be very helpful.

Your bank will assess your future performance (in 2021 and 2022) according to the business performance prior to the outbreak, but you will need – both for your own benefit and for the bank's – to consider and assess whether the outbreak may have any long lasting impacts, both positive and negative. Although this is no longer mandatory in the government scheme, we are not expecting banks to ignore your ability to repay them.

It is important that you have considered all other government packages before borrowing.

Please note that having a CBIL could impact on any R&D claim which your company makes, please contact us to discuss this further.

How we can help you

We can assist you by:

- Bringing historical accounts up to date where you have fallen behind;
- Helping you analyse your income, and likely changes to it;
- Helping you analyse your overhead, and likely changes to it;
- Assisting in preparing projections and forecasts;
- Helping you establish what level of borrowing you require;
- Discussing your application with the bank and ensuring that your bank's proposal to you is suitable for your needs.

The team you usually work with are the best place to start and they can refer you to our team of specialists who will be able to help you prepare your application in the most suitable form.

This is a fast-changing situation and we will keep you informed as and when we know more. If you have any concerns or queries, please speak to your usual adviser or contact us on 0330 024 3200.

Offices

London
Milton Keynes
Watford

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