

# BBB / United Kingdom

**British Business Bank (BBB)** is the public UK development bank that, beside its standard programmes that aim to make finance markets work better for small businesses in the UK at all stages of their development, is implementing the crisis support programmes of Her Majesty's Treasury. This role allowed **BBB** to become within one semester the **AECM** member with the second largest outstanding guarantee volume.

On 23<sup>rd</sup> March 2020, **BBB** launched its **Coronavirus Business Interruption Loan Scheme (CBILS)**, a demand-led scheme offering lending for smaller businesses with a turnover of less than mGBP 45 (mEUR 49.6). To access the scheme, only lenders needed to pay a fee. For SMEs, access was free. Lender-levied interest and fees were paid by the UK government during the first 12 months. A lender could provide up to mGBP 5 (mEUR 5.5) in the form of term loans, overdrafts, invoice finance and asset finance, which were then covered by an 80% guarantee with an overall cap per lender. Durations are up to 6 years for term loans as well as asset finance facilities and up to 3 years for overdrafts and invoice finance facilities. Under the scheme, personal guarantees were not taken for facilities below kGBP 250 (kEUR 275). Above this threshold, recoveries are capped at a maximum of 20% of the outstanding balance and a principal private residence could not be taken as security to support a personal guarantee. Nonetheless, the borrower remains fully liable for the debt. On 2<sup>nd</sup> April 2020, **CBILS** was significantly expanded along with changes to the scheme's features and eligibility criteria. Importantly, insufficient security was no longer a condition to access the scheme.

On 20<sup>th</sup> April 2020, **British Business Bank** started its **Coronavirus Large Business Interruption Loan Scheme (CLBILS)**, another demand led scheme that targeted mid-size and larger businesses with a turnover of more than mGBP 45. On 15 May, the Government changed the scheme to increase the maximum amount available through **CLBILS** to a borrower and its group from mGBP 50 to 200. Term loans and revolving credit facilities over mGBP 50 were offered by **CLBILS** lenders which secured additional accreditation. The maximum size for invoice finance and asset finance facilities remained at mGBP 50. Companies borrowing more than mGBP 50 through **CLBILS** are subject to further restrictions on dividend payments, senior pay and share buy-backs during the period of the loan. Facilities backed by **CBILS** include term loans and asset finance, which have a maximum term of 6 years and invoice finance and revolving credit which have a maximum term of 3 years. They are covered by an 80% guarantee and for the liability and the personal guarantee, the same applies as under **CBILS**.

From 20th April 2020, **BBB** also delivered the **Future Fund** that supported the UK's innovative businesses that were unable to access other government business support programmes such as **CBILS**, because they were either pre-revenue or pre-profit and typically relied on equity investment. The **Future Fund** supported those innovative businesses affected by Covid-19 through the issuing of convertible loans. The initial budget of the fund was mGBP 250 with the UK Government making clear the amount could be increased if needed. Investments by the fund had to be at least 100% matched by private investors. The fund's loan amount ranged from kGBP 125 (kEUR 137.9) up to a maximum amount of mGBP 5. The loans have a minimum of 8% p.a. interest charge. The interest is not payable on a monthly basis but will accrue until the loan converts to equity. On conversion, the interest will either be repaid or convert in equity. The loan matures after 36 months and will convert into shares in the company under certain circumstances.

On 4<sup>th</sup> May 2020, **BBB** launched the **Bounce Back Loan Scheme (BBLs)**, another demand-led scheme offering lending targeted at small and microbusinesses requiring facilities between kGBP 2 and 50 (kEUR 2.2 and 55) - up to 25% of businesses' turnover with a maximum loan of kGBP 50. These were granted for a duration of up to 6 years and benefit from a 100% government-backed guarantee. The government furthermore covered the first 12 months of interest payments via the so-called Business Interruption Payment. After that, the interest rate is set at 2.5% p.a. There are no fees to be paid by lenders or by businesses. Repayments start only after the first 12 months. Lenders were not permitted to take personal guarantees or take recovery action over a borrower's personal assets (such as their main home or personal vehicle). From November 2020, smaller businesses were allowed to apply for a top-up to their existing **Bounce Back Loan** if they originally borrowed less than the maximum amount.

In December 2020, the end dates of **CBILS**, **CLBILS** and **BBLs** were extended to 31<sup>st</sup> March 2021. The Future Fund closed on 31<sup>st</sup> January 2021.

The **Recovery Loan Scheme** opened on 6<sup>th</sup> April 2021 and aims to facilitate access to loans for companies recovering from the pandemic. It initially allowed for a maximum borrowing per business of mGBP 10. Loans under this scheme have a duration of three months to six years and benefitted from an 80% coverage. If the loan amount is below kGBP 250, no personal guarantees are permitted. From 1st January 2022, the maximum loan amount per business was lowered to mGBP 2 and the coverage rate reduced to 70%. The scheme is scheduled to close on 30 June 2022. More information on **BBB** measures can be found under the following link: <https://www.british-business-bank.co.uk/finance-hub/find-a-way/>

Latest Update: 1<sup>st</sup> February 2022