

# 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 need to pay a fee. For SMEs, access is for free. Lender-levied interest and fees are paid by the UK government during the first 12 months. A lender can provide up to mGBP 5 (mEUR 5.5) in the form of term loans, overdrafts, invoice finance and asset finance, which are 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 will not be 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 cannot be taken as security to support a personal guarantee. Nonetheless, the borrower remains fully liable for the debt. Already on 2<sup>nd</sup> April 2020, **CBILS** has been significantly expanded along with changes to the scheme's features and eligibility criteria. Importantly, insufficient security is 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 allow an increase of turnover of mGBP 50. The maximum amount available through **CLBILS** to a borrower and its group was increased from mGBP 50 to 200. Term loans and revolving credit facilities over mGBP 50 will be offered by **CLBILS** lenders which have secured additional accreditation. The maximum size for invoice finance and asset finance facilities remains 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 supports the UK's innovative businesses that have currently been unable to access other government business support programmes such as **CBILS**, because they are either pre-revenue or pre-profit and typically rely on equity investment. The **Future Fund** supports those innovative businesses currently 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 must be at least 100% matched by private investors. The fund's loan amount ranges from kGBP 125 (kEUR 137.9) up to a maximum amount of mGBP 5. The loans will 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. The scheme is set to end on 31<sup>st</sup> January 2021.

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 are granted for a duration of up to 6 years and benefit from a 100% government-backed guarantee. The government furthermore covers 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 neither fees to be paid by lenders nor by businesses. Repayments start only after the first 12 months. Lenders are not permitted to take personal guarantees or take recovery action over a borrower's personal assets (such as their main home or personal vehicle). Since November 2020, smaller businesses are 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.

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 2020