Department for Business, Energy & Industrial Strategy

The Rt Hon Alok Sharma MP
Secretary of State
Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

Darren Jones MP
House of Commons
London
SW1A 0AA

10 October 2020

Dear Darren,

Thank you for your letter of 30 September, regarding the ability of private equity-backed businesses to access Government guarantee schemes such as the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruptions Loan Scheme (CLBILS).

The British Business Bank's revised guidance reflects a change to EU rules allowing for an 'undertaking in difficulty' assessment to be determined at the date of application for the schemes. Businesses that were 'undertakings in difficulty' on 31 December 2019 but are no longer 'undertakings in difficulty' will now be (in principle) eligible for the schemes.

Private equity-backed businesses have been in principle eligible for support under CBILS and CLBILS since these schemes launched, in line with the Government's objective to support as many jobs as possible. The revised guidance may enable some private equity-backed businesses who could not previously access CBILS and CLBILS to do so, for example where their backers opt to provide support for the business' finances by converting loan notes into equity. This is a technical change intended to ensure we maximise our utilisation of the flexibilities available under the State aid rules, and in doing so protect as many jobs as possible. Now that we are no longer compelled to do so by the State aid rules, we do not find it reasonable to exclude from the schemes applicants that are not in fact 'undertakings in difficulty' at the point of application.

All businesses applying for support under CLBILS are subject to restrictions regarding dividends and other shareholder and management payments. For facilities of up to £50m dividend payments can continue but cannot be increased for as long as any facility under CLBILS remains outstanding. For groups seeking loans greater than £50m in aggregate there are different eligibility criteria in place regarding dividends and other shareholder and management payments, for example restricting cash bonuses. These conditions are designed to ensure that Government-backed support is deployed to meet genuine business need during the pandemic. The Government does not propose to introduce further conditionalities following the recent guidance changes.

Yours sincerely,

THE RT HON ALOK SHARMA MP
Secretary of State for Business, Energy & Industrial Strategy