Department for Business, Energy & Industrial Strategy

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Chair of the BEIS Select Committee
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Dear Chair

British Business Bank (BBB): Coronavirus Business Interruption Loan Scheme

I wrote to the Chair of the BEIS Select Committee on 23 March regarding the new Coronavirus Business Interruption Loan Scheme (CBILS). I am writing today to inform you of some changes we are making to the scheme to help more businesses get the finance they need.

<u>Personal Guarantees</u>

Since the launch of CBILS lenders have been permitted, but not obliged, to require a personal guarantee from businesses for loans of any size provided through CBILS. Lenders are not and will not be permitted under any circumstances to use business directors' or their families' principal residence as security. We are now making changes to the use of personal guarantees through the scheme to provide further reassurance regarding personal assets during this difficult time.

The largest CBILS lenders had already confirmed, on a voluntary basis, that they would <u>not</u> require personal guarantees for CBILS loans under £250,000. I welcome this responsible approach from lenders, particularly given that they benefit from the generous government guarantee. We are now making changes to the scheme so that **no lender will be permitted** to require a personal guarantee for loans or other CBILS facilities under £250,000.

For CBILS loans over £250,000, lenders will still be permitted to require a personal guarantee. Currently in the event of a default, lenders must first seek recover the loss from business assets and then using any personal guarantees. Only when these have been exhausted are they permitted to claim the residual loss under the guarantee agreement. We are today changing these terms so that lenders **may only look to the personal guarantee for a maximum of 20 per cent of the remaining debt** before claiming 80 per cent of the residual loss under the guarantee agreement.

<u>Expansion of CBILS to cover more SMEs</u>

CBILS is currently designed to support SMEs unable to secure finance on commercial terms, broadly following the principles of the Enterprise Finance Guarantee. Because CBILS is currently only available to companies which could not otherwise secure a debt facility, it means that preferable terms, such as the government’s coverage of initial interest payments, are unavailable to businesses which are able to secure facilities on commercial terms.

We are therefore removing this requirement, meaning CBILS can now support lending to smaller businesses even where they could have secured a loan on commercial terms. This means that in addition to meeting company size and sectoral restrictions, the only other requirement for businesses is to be able to demonstrate they have been adversely affected by Covid-19 and for lenders to judge that the businesses are capable of trading out of difficulty. This means that more businesses affected by the outbreak will be able to benefit from a CBILS facility and the government’s 12-month Business Interruption Payment and resulting lower initial repayments.

The Chancellor has also announced that we will launch a new Coronavirus Large Business Interruption Loan Scheme (CLBILS) to ensure more firms can benefit from government-backed support. I will write again with more details in due course.

I will lay a written statement notifying Parliament of these changes to the terms of the CBILS scheme, as laid out in the Departmental Minute of 24 March, when it returns from recess.

Should you have any questions, please do not hesitate to contact me.

Best wishes,

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