

COVID-19

How we can support
businesses to obtain
funding

Now, for tomorrow



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How we can support businesses to obtain funding from one of the Government's COVID-19 loan options:



Background

We have been involved in extensive discussions with all stakeholders who are being asked to administer the Government's crisis business loan funding and from this we have a clear understanding of each lender's expectations and requirements, plus supporting information which will help all businesses to obtain business interruption funding.

The challenges for many businesses in obtaining the CBILS loans have been significant and these challenges we expect to continue. But our specialised team of funding experts can help you overcome this. For this reason we recommend that companies who may have a need for such funding, including the CLBILS, CBILS & BBL, start to prepare the background information which the bank will require.

Approach to Funding Request

The approach which will give businesses the highest likelihood of obtaining the loans will involve preparation of the following:

- A copy of the 2019 Year End Accounts with short overview of the financial performance, including any "exceptional items" and also YTD Management Information. This is essential to ensure that the funder is able to conclude that the existing business was viable prior to the impact of the crisis
- A revised detailed 12-month cash flow forecast
- The actions already taken to protect cash flow as a result of the disruption and the financial impact (our Coronavirus Business Continuity Planning guides and checklists can be used to confirm all appropriate actions have been taken and the financial impact recorded or forecast)
- The key assumptions made in relation to the impact of the disruption across all areas of the business and including sensitivities for factors such as the potential period impacted by the lockdown and the estimated business growth rates following the removal of the lockdown.

- Preparation of a "bank funding presentation package" which records and captures the above information into a "bank friendly format and template" as outlined in the Business Case section at the end of this document. This format and the content within it has been prepared based on the guidance which we have received from the banks currently for the CBILS loan applications
- Consideration of the support needed to have the highest chance of success in the bank negotiation process, including a potential "remote rehearsal".

Having Trouble Securing Funding?

MHA Financial Solutions (MHAFS) is a whole of market commercial finance specialist here to help businesses find the right finance for their situation. Whether you are looking for a commercial property mortgage, asset finance or an unsecured business loan, we can find a funding solution for every credit type.

We are unique in the market place, in that we can access funding from over 150 banks and lenders across the whole commercial finance spectrum. Unlike our competitors, we are not tied to a specific funder, so you will always be offered a range of bespoke funding solutions. This gives you the option to choose the best deal for your circumstances.

In addition to crafting a bespoke deal for all of our clients, we abide by the NACFB & FIBA code of conduct & have FCA Approvals.

Contact our team for help

Our team would be happy to talk to you on each of these points and discuss how we can provide you with the support to give you the best chance of success in obtaining the funding.

The Governments 3 Loan Schemes - an Update

Coronavirus Business Interruption Loan Scheme (CBILS)

The Coronavirus Business Interruption Loan Scheme (CBILS) is designed to assist qualifying businesses with a turnover of up to £45M during these unprecedented times.

The Scheme aims to support long-term viable businesses who may need to respond to cash-flow pressures by seeking additional finance, because of the COVID-19 outbreak.

The loan will be provided by the British Business Bank through participating providers and they will be able to offer the scheme until 30th November 2020.

The types of finance available will include:

- Term facilities
- Overdraft's
- Invoice finance facilities
- Asset finance facilities

CBILS: Key features

- Up to £5m facility: The maximum value of a facility provided under the scheme will be £5m, available on repayment terms of up to six years extended terms of up to 10 years may be available
- 80% guarantee: The scheme provides the lender with a government-backed, partial guarantee (80%) against the outstanding facility balance, subject to an overall cap per lender
- No guarantee fee for SMEs to access the scheme: No fee for smaller businesses. Lenders will pay a fee to access the scheme
- Interest and fees paid by Government for 12 months: The Government will make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, so smaller businesses will benefit from no upfront costs and lower initial repayments
- Finance terms: Finance terms are up to six years for term loans and asset finance facilities, with the flexibility to extend the term to a maximum of 10 years providing it's within the lenders credit policy. For overdrafts and invoice finance facilities, terms will be up to three years
- Security: At the discretion of the lender, the scheme requires no personal guarantee security on lending for facilities of £250,000 and under. For facilities above £250,000 lenders can require personal guarantees and business security may be requested

- Loans in the scheme are limited to a maximum of 25% of 2019 turnover or double the annual wage bill, whichever is greater.
- Smaller businesses with fewer than 50 employees and less than £9,000,000 in annual turnover will not be considered undertakings in difficulty unless they are (a) subject to collective insolvency procedure under national law, or (b) in receipt of rescue aid (which has not been repaid) or restructuring aid (and are still subject to a restructuring plan)
- The date for assessing whether a business is 'in difficulty' has been changed from 31/12/2019 or a company's 2019 Year End, to the date the application is made to the CBILS Scheme. This provides some flexibility for a company to restructure their finances before applying.

The borrower always remains 100% liable for the debt.

Eligibility Criteria

- Your application must be for business purposes
- You must be a UK-based SME with annual turnover of up to £45m
- Your business must generate more than 50% of its turnover from trading activity
- Your CBILS-backed facility will be used to support primarily trading in the UK
- You wish to borrow up to a maximum of £5m. (Finance terms are to six years for term loans and asset finance, extended terms of up to 10 years maybe available at the lenders discretion. For overdrafts and invoice finance facilities, terms will be up to three years)

How can I access the scheme?

CBILS is available through the British Business Bank's 40+ accredited lenders, which are listed on the British Business Bank website here; <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>

Decision-making on whether you are eligible for CBILS is fully delegated to the 90+ accredited CBILS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist local lenders.

Information required to assess an application will again vary between lenders.

The Governments 3 Loan Schemes - an Update

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

This provides a Government guarantee of 80% to banks making loans between £25M and £200M, conditions apply.

A Government statement said the move will offer banks “the confidence to lend to more businesses which are impacted by coronavirus but which they would not lend to without CLBILS”. Loans backed by the guarantee will be offered at commercial rates of interest, but the government will not cover interest or fees in the same way as the small business scheme.

The Coronavirus Large Business Interruption Loan Scheme (CLBILS) is there to facilitate access to finance for medium-sized and larger businesses affected by the coronavirus outbreak.

Specifically, it facilitates access to finance for businesses with a turnover above £45 million across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak.

The loan will be provided by the British Business Bank through participating providers and they will be able to offer the scheme until 30th November 2020.

The types of finance available will include:

- Term facilities
- Revolving Credit Facilities – RCF’s (Incl. Overdraft’s)
- Invoice finance facilities
- Asset finance facilities

CLBILS: Key features

- A lender can provide up to £50 million to businesses with turnover from £45 million up to £250 million OR up to £200 million to businesses for those with a turnover of over £250 million
- Available on repayment terms from three months to three years
- CLBILS gives the lender a government-backed partial guarantee (80%) against the outstanding balance of the facility
- The Scheme will be available through a series of accredited lenders, mostly High Street Banks, which are listed on the British Business Bank website

- This scheme is to support businesses that were viable before the coronavirus outbreak but now face significant cash flow difficulties that would otherwise make their business unviable in the short term.

The borrower remains 100% liable for the debt.

Eligibility Criteria

- The company must UK-based in its business activity
- The business has an annual turnover of over more than £45 million
- You can self-certify that your business has been adversely impacted by coronavirus
- The business has not received a facility under the Bank of England’s COVID-19 Corporate Financing Facility (CCFF)
- You must also have a borrowing proposal which the lender would consider viable, if not for the coronavirus pandemic & the lender believes will enable you to trade out of any short-term to medium-term difficulty
- The lender has the authority to decide whether to offer a company finance.

How can I access the scheme?

CLBILS is available through the British Business Bank’s 40+ accredited lenders, which are listed on the British Business Bank website.

When you apply for a business loan, most lenders will ask you for the following:

- The amount you would like to borrow
- What the money is for – the lender will check that it’s for a suitable business purpose and the right type of finance for your needs
- The period over which you will make the repayments – the lender will assess whether the loan is affordable for you

You will need to provide certain evidence to show that you can afford to repay the loan. This is likely to include:

- Management accounts
- Cash flow forecast
- Business plan
- Historic accounts
- Details of assets

The above requirements will vary from lender to lender.

The Governments 3 Loan Schemes - an Update



Bounce Back Loan Scheme (BBL)

The Bounce Back Loan Scheme (BBL) has been designed to ensure that small & medium sized firms affected by the coronavirus & who need vital cash injections to keep operating can get finance in a matter of days.

Small businesses will benefit from a new fast-track finance scheme providing loans with a 100% government-backed guarantee for lenders.

The types of finance available will include:

- Term facilities

BBL: Key features

- Businesses can borrow between £2,000 and £50,000 and access the cash within days, but the loan amount must be within 25% of turnover
- The interest rate for the facility is set at 2.5% per annum
- The loans will be easy to apply for through a short, standardised online application process
- BBL gives the lender a new government-backed 100% guarantee against the outstanding balance of the facility
- 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)
- The Scheme will be available through a series of accredited lenders, incl. High Street Banks
- There won't be any fees or interest to pay for the first 12 months as these are covered by the government
- No repayments will be due during the first 12 months.
- Loan terms will be up to 6 years, some lenders can offer repayment over 10yrs, without early repayment fees:
 - Businesses can now request to make interest only repayments "pay as you grow" and can also suspend repayments for 6 months, if the business is "in difficulty."
 - If companies take up the option above, the Chancellor has said it they will not be penalised and their credit ratings will remain unchanged.
- The borrower always remains 100% liable for the debt.

Eligibility Criteria

- The company must be UK-based in its business activity

- You can self-certify that your business has been adversely impacted by coronavirus
- Your business must be able to self-declare to the lender that it was not a business in difficulty at 31 December 2019 (if it was, you must confirm your business complies with additional state aid restrictions under de minimis state aid rules)
- Your business is not in bankruptcy or liquidation or undergoing debt restructuring at the time it submits its application for finance
- The business must derive more than 50% of its income from its trading activity (this requirement does not apply to charities or further-education colleges)
- The lender has the authority to decide whether to offer a company finance.
- You cannot apply if you're already claiming under the Coronavirus Business Interruption Loan Scheme (CBILS). If you've already received a loan of up to £50,000 under CBILS and would like to transfer it into the Bounce Back Loan scheme, you can arrange this with your lender until 30 November 2020.

How can I access the scheme?

Find a lender - <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/current-accredited-lenders-and-partners/>

Approach a lender

- You should approach ideally via its website.
- In the first instance, you should approach your own provider. You may also consider approaching other lenders if you are unable to access the finance you require.
- You will need to fill in a short application form online, which self-certifies that your business is eligible for a loan under BBL.
- If your business is eligible, it will be subject to appropriate customer fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks. Some state aid restrictions may apply to your application.

The lender makes a decision

- The lender has the authority to decide whether to offer you finance.
- If one lender turns you down, you can still approach other lenders within the scheme.

Template Business Case for Presentation to Funder



1. Overview: showing dating of incorporation, registration number, trading address, group structure, shareholding structure, year end date, number of employees, SIC Code, Directors, active security pledged (ie look at Mortgages section on Market IQ and list mortgage description, lender name, date of registration [ignore that which is satisfied]). All of this can be taken from MarketIQ. Include length of banking relationship.
2. Background to the business
3. Run through of sales channels : what is sold, how is it invoiced, when do customers pay, run through of customers, who contributes over 10% of total sales (ie where does the concentration sit), are sales subject to any contracts or underlying framework agreements
4. key costs and suppliers : how many staff, can we see an employee chart showing salary details, start date and position, who are key suppliers and what do they provide (and where from), are supply contracts in place, what concentration exists, can suppliers be changed easily in normal circumstances
5. overview of balance sheet as per latest accounts date (management accounts) detailing what assets the business trades with and what debt is in place (detailed schedule will be needed showing debt provider, amount, term, pricing, security pledged).
6. Finance Request: amount requested and term requested, detail behind method of calculation (ie assessed using analysis of actual and projected financial performance prior to COVID19 and post COVID19 under a range of scenarios which include varying lengths of lockdown which disrupt customer demand and the business supply chain (including labour and materials). Add high level financials on annual basis for both pre and post COVID19 (with commentary to denote trends and assumptions used in forecasts) and the next 12 months under COVID19 scenario. Include a section which denotes other sources of finance used, eg VAT deferral include across x period, HMRC time to pay arrangements, any current and expected employee furlough plans which map out number of employees to be furloughed and cost saving. Also worth listing critical expenditure which cannot be negotiated (eg IT infrastructure costs). At the bottom of the section on the funding request include annual sales (up to 25%) for 2019 (or last stat accounts) and annual wage bill (up to 2 times) for same period (used to check CBILS request versus defined thresholds).
7. Management action plan: summary of action taken already and to be taken to trade through current lock down and longer term implications.
8. Disclaimer and management sign off (ie confirmation of accuracy of information shared and forecast assumptions from management including a signature, with the usual TW disclaimer used on FDD assignments).

Contact us



Greg Taylor
Head of MHA Financial Solutions, Partner
M: +44(0)7736 297 072
E: greg.taylor@mhllp.co.uk



Ian Jackson
Commercial Broking Director
M:+44 (0)7736 359 766
E: Ian.Jackson@mhllp.co.uk



James Lawson
Corporate Finance Partner
T: +44 (0)20 7429 0556
E: James.Lawson@mhllp.co.uk



Laurence Whitehead
Corporate Finance Partner
T: +44 (0)1908 662255
E: Laurence.Whitehead@mhllp.co.uk

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