Introduction
As previously highlighted on 17 March 2020, HM Treasury moved decisively to provide support for UK businesses struggling because of the impact of COVID-19 through: (i) the Covid Corporate Financing Facility (the “CCFF”); and (ii) the Coronavirus Business Interruption Loan Scheme (the “CBILS”). However, until as recently as last week, companies too small to be eligible for support via the CCFF (available to investment grade corporates) but too large to apply for a loan under the CBILS (limited to SMEs with an annual turnover of up to £45 million) found themselves without liquidity support. On 3 April, the Government announced the Coronavirus Large Business Interruption Loan Scheme (the “CLBILS”) to close this lacuna. In this QuickStudy, the author considers the CLBILS and additional information provided by the Government in relation to the existing CBILS.

Coronavirus Large Business Interruption Loan Scheme
Details of the CLBILS remain subject to confirmation over the course of the next month, but indications are that it will be structurally similar to that of the existing CBILS. Under the new scheme, the Government will provide a guarantee of 80% to enable banks to make loans of up to £25 million to firms with an annual turnover of between £45 million and £500 million, allowing lenders to extend credit in circumstances where they might not have otherwise done so. The scheme will be delivered through commercial lenders and is likely to extend to a number of finance products including short-term loans, overdrafts, invoice finance and asset finance. Loans will be offered at commercial rates of interest and, as with the CBILS, businesses will remain responsible for repaying any indebtedness they incur.

Eligibility for the CLBILS
The Government has indicated that businesses hoping to take advantage of the CLBILS must:

- be UK-based in their business activity;
- have an annual turnover between £45 million and £500 million;
- be unable to secure regular commercial financing; and
- have a borrowing proposal which the lender would consider viable, were it not for the COVID-19 pandemic and which that lender believes will enable that business to trade out of any short-term to medium-term difficulty.

As with the CBILS, businesses from any sector can apply, except for banks and building societies, insurers and reinsurers (but not insurance brokers) and public-sector organisations, including state-funded primary and secondary schools.

Updates to the Coronavirus Business Interruption Loan Scheme
In the same statement announcing the introduction of the CLBILS, the Chancellor gave an update on the uptake of the CBILS since its introduction – more than £90 million of loans approved for approximately 1000 SMEs – and provided further clarity/changes in relation to elements of the existing scheme that had been perceived as barriers to its utilisation. These changes will apply retroactively to any CBILS facility already entered into.
The government has extended the availability of the CBILS, making it available to all SMEs affected by COVID 19 irrespective of whether they could secure commercial financing outside of the scheme. The CBILS had previously been limited to SMEs unable to secure regular commercial financing. This had the effect of excluding such loans from the benefits of CBILS (such as the government payment of the first year’s interest payments and lender fees).

For facilities below £250,000, lenders cannot now take a personal guarantee. Certain lenders had, prior to the Chancellor’s statement, requested such guarantees as a condition to extending financing. However, for larger facilities, personal guarantees may still be required, at a lender’s discretion, but recoveries are limited to 20% of the outstanding balance of the relevant facility after the proceeds of business assets have been applied. Furthermore, principal private residences cannot be taken as security under the CBILS.

Next steps
Companies interested in participating in the CLBILS will need to contact one of the participating commercial lenders. We understand that the details of these institutions will be published on the British Business Bank website once the scheme is finalised later this month. Locke Lord has considerable experience in advising borrowers and lenders on a wide variety of financing products. UK-based lenders and corporates requiring more information on the CLBILS are advised to contact Matthew Daffurn, Joanne Davis, Neale Downes, Rachael Browning or your regular Locke Lord attorney.

For more information on the matters discussed in this Locke Lord QuickStudy, please contact the author.

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Visit our COVID-19 Resource Center often for up-to-date information to help you stay informed of the legal issues related to COVID-19.