

Bouncebackability – UK Government Unveils Latest Coronavirus Loan Scheme Variant For Smaller Businesses

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In a statement to the House of Commons on 27 April 2020, the UK Chancellor of the Exchequer announced another loan scheme designed to support business to 'bridge' the economic disruption caused by the Covid-19 pandemic.

Sitting alongside the CCFF, CLBILS and CBIL, the new scheme is targeted at the very smallest businesses that have otherwise been unable to access credit. The scheme, called the Coronavirus Bounce Back Loan Scheme (CBBS), will provide 'micro' loans to small, entrepreneurial, businesses that the government consider to be "the most exposed businesses to the impact of the coronavirus" but that will be crucially important during the UK's economic recovery as the crisis abates. It should reinforce the availability of cash grants, business rates cuts and the three-month deferral of VAT, also all previously announced.

CBBS will allow a business to borrow amounts equal to the greater of 25% of its turnover and £50,000. Interest on the loan will be paid by the government for the first 12 months. Importantly, unlike any other available scheme, lending under CBBS will be 100% guaranteed by the government. In addition, maybe because of the level of funding available but also, perhaps, recognising the teething problems encountered by the schemes that pre-date it, CBBS will not be subject to any eligibility criteria or pre-conditions relating to continuing viability. The Chancellor promised that the application would be made via "a simple, quick, standard form".

CBBS will launch at 9am on Monday, 4 May 2020. Cash should then be paid to applicants within 24 hours.

The availability of additional, fully-guaranteed government lending, for those business least able to access credit through 'normal' channels, will be widely welcomed. However, a couple of points to note. First, the government's previous schemes have all faced challenges in getting money out to those in need quickly and efficiently. It must be hoped that the removal of eligibility criteria will help smooth the operation of the new scheme. And second, CBBS is yet another loan scheme; although it is providing businesses with the immediate cash they need, it does so by those business taking on additional debt which will, in time, need to be repaid (or restructured). Accumulations of such levels of debt by small, possibly embryonic, business should not (irrespective of current circumstances) be taken without fully appreciating longer-term considerations.

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