



Recovery Loan Scheme

In 2020, the government introduced a number of government-guaranteed coronavirus loan schemes. In December 2020 the Chancellor extended, until the end of March 2021, access to the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and the Coronavirus Large Business Interruption Loan Scheme.

In the Budget 2021 a new loan scheme was announced to replace those coming to an end. This replacement facility will provide support for businesses which were forced to close or reduce activity due to the disruption of the pandemic. The aim of the new scheme is to aid recovery and growth of these businesses post-lockdown.

From 6 April 2021 the Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25,000 and £10 million to give them confidence in continuing to provide finance to UK businesses. The scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes. Once launched, the scheme will remain open until 31 December (subject to review). Loans will be available through a network of accredited lenders, whose names will be made public in due course. Full details will become available in the coming weeks.

What type of finance is available?

According to GOV.UK, term loans and overdrafts will be available between £25,001 and £10 million per business. Invoice finance and asset finance will be available between £1,000 and £10 million per business. Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.

No personal guarantees will be taken on facilities up to £250,000, and a borrower's principal private residence cannot be taken as security.

Eligibility criteria

You will be able to apply for a loan if your business is trading in the UK. You will need to show that your business is viable (or would be viable were it not for the pandemic); has been impacted by the coronavirus pandemic; and is not in collective insolvency proceedings. Business that have received support under the existing COVID-19 guaranteed loan schemes will still be eligible to access finance under this scheme, if they meet all other eligibility criteria.

It is important to note that interest and fees associated with the finance will have to be paid from the beginning; this differs from the CBILS, where the Government covered 12 months of interest payments and lender-levied charges. If you require any further advice or information please speak to your accountant.

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