



Improve your business finances with the UK Government's Recovery Loan Scheme for businesses

Overview

Launched on 6 April 2021, the Recovery Loan Scheme (RLS) provides financial support to businesses across the UK as they recover and grow following the coronavirus pandemic. If you are keen to get back on track and your initial expenses are likely to be higher than your earlier revenue then any working capital you require might be hard to come by. To help your cashflow situation and kickstart your recovery in a post-pandemic economy the RLS could be a helpful route to finance.

You can apply to the scheme if Covid-19 has affected your business. You can use the finance for any legitimate business purpose – including managing cashflow, investment and growth. However, you must be able to afford to take out additional debt finance for these purposes.

If your business has already borrowed from any of the other coronavirus loan schemes (BBLs, CBILs, or CLBILs) then the RLS is still open to you, although the amount you have borrowed under an existing scheme may in certain circumstances limit the amount you may borrow under RLS. The RLS will run until 31 December 2021, subject to review.

Who is eligible for the scheme?

To qualify for the RLS, your business must:

- be trading in the United Kingdom
- have been impacted by the Covid-19 pandemic – you will need to confirm to the lender that you have been impacted by the coronavirus pandemic
- have a viable business proposition had it not been for the pandemic.

Benefits of RLS: why should I apply?

Want to strengthen your balance sheet or raise extra funds on your journey to post-pandemic business recovery? Then the RLS may be an ideal way to achieve your business objectives.

Things to consider:

- Do you want to improve the long-term capital position of your business
- Are you looking to recruit staff or taking on premises to aid your business recovery
- Do you need to purchase new assets and equipment
- Do you want to find a short term solution to your cashflow gap
- Are you looking to reduce the pressure of your business overdraft.





Types of finance available

Unlike previous loan schemes, businesses will be required to meet the costs of interest payments and any fees associated with the facility from the outset. The RLS offers a range of flexible facilities listed on the table below:

Type of finance facility	Minimum facility size	Maximum amount of a facility
Term Loan	£25,001	£10m* (terms <6 years) Max £30m per group
Overdraft	£25,001	£10m* (terms <3 years)
Invoice finance	£1,000	£10m* (terms <3 years)
Asset finance	£1,000	£10m* (terms <6 years)

*Or (i) double the businesses wage bill for 2019 or last year available (could include 2020 accounts if available), (ii) 25% of the applicant's turnover in 2019, or (iii) the applicant's liquidity needs for the coming 12 months (for large enterprises) or 18 months (for SMEs). If a business, or any of its linked or partner enterprises (including private equity and venture capital linked enterprises), have borrowed under CBILS or CLBILS then this will count towards a business' maximum amount.

Guarantees

The Recovery Loan Scheme (RLS) gives the lender a government-backed 80% guarantee against the outstanding balance of the facility. Borrowers remain 100% liable for the debt repayment.

- If you're borrowing £250,000 or less the lender won't take any form of personal guarantee.
- If you're borrowing more than £250,000 the lender has the discretion to decide whether to take personal guarantees. However:

However, above £250,000, the maximum amount that can be covered under RLS is capped at a maximum of 20% of the outstanding balance of the RLS facility after the proceeds of business assets have been applied

- no personal guarantees can be held over Principal Private Residences.

Things to consider before you apply

- Can you afford to take on this debt?
- Do you have a clear picture of your cashflow situation?
- Is this the best solution for your business?
- Are you buying equipment?





What does the lender require for the loan?

Documentation may vary from Lender to Lender when you apply for an RLS backed loan. However, they are likely to include the minimum of:

- Management accounts
- Business plan
- Historic accounts
- Details of business assets and any existing loans, debt facilities.

Credit and fraud checks

Lenders will be required to undertake standard credit, fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks for all applicants. When making their assessment, lenders may overlook concerns over short-to-medium term performance owing to the pandemic. The checks and approach may vary between lenders. There is no turnover threshold for businesses accessing the scheme.

How can Specialist Accounting Solutions assist with your loan application?

We are specialists in helping businesses raise capital, including debt. We can therefore assist and guide you through the entire funding application process, from start to finish.

We can help you by preparing the necessary funding information, in particular:

- the management accounts
- forecasting the level of debt required and the serviceability thereof
- preparing business plans (if applicable)
- answering any finance related questions by the funders
- project managing the funding application process.

Please get in touch if you want an initial free no-obligation consultation to see how we can support your business.

Sean Hackemann (FCA)

Email sean@teamsas.co.uk or call 0118 911 3777, direct mobile 0797 108 5773.

For further details of the Recovery Loan Scheme for businesses visit the British Business Bank website <https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/>

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