

# COVID-19: Coronavirus Large Business Interruption Loan Scheme

April 27, 2020

On [April 3, 2020](#), the Chancellor of the Exchequer announced the Coronavirus Large Business Interruption Loan Scheme (“[CLBILS](#)”). The scheme, which offers government-backed loans to firms that have annual revenues greater than £45 million, is designed to provide liquidity support to larger non-financial firms facing cash-flow disruptions as a result of the coronavirus outbreak (“[COVID-19](#)”). This comes in response to criticisms that the existing Covid Corporate Financing Facility (“[CCFF](#)”) and the Coronavirus Business Interruption Loan Scheme (“[CBILS](#)”) have been insufficient in providing relief to larger firms in need of financial assistance who may be too large to rely on the CBILS, but fail to meet the eligibility criteria for the CCFF (for example, because they are non-investment grade).

This memorandum provides an overview of the CLBILS and summarizes the responses to key questions firms and banks seeking to participate in the CLBILS may have. Please refer to our earlier alert memoranda for a further discussion of the CCFF (available [here](#)) and other measures UK regulators have adopted to support UK business (available [here](#)).

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

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## Q&As

### **Question: What is the CLBILS?**

**Answer:** The CLBILS is a loan scheme which will provide a government-backed partial guarantee of 80% to lenders to enable them to make loans of up to £25 million to eligible firms with turnover up to £250 million (and above £45 million) and loans of up to £50 million to eligible firms with turnover over £250 million, which would be otherwise unable to access the finance they need. Facilities backed by a guarantee under the CLBILS will be offered at commercial rates of interest.

This scheme was first announced on April 3, 2020 and launched on April 20, 2020.

### **Question: Who can use the CLBILS?**

**Answer:** To be eligible for the CLBILS, a firm must meet the following criteria:

- be UK-based in its business activity;
- have an annual turnover over £45 million;
- self-certify that it has been adversely affected by COVID-19;
- be unable to secure regular commercial financing;
- not have received a facility under the Bank of England’s CCFE;
- have a borrowing proposal which the lender;
  - would have considered viable, were it not for the COVID-19 pandemic; and
  - believes will enable the firm to trade out of any short- to medium-term difficulty.

The CLBILS is open to firms from any sector, unless listed as an exception (see “*Who will not be eligible for the CLBILS?*” below).

The CLBILS is also open to companies that are backed by a private-equity sponsor. The British Business Bank (“**BBB**”) has confirmed that such private-equity backed companies will be treated as standalone applicants for the scheme, and their turnover will be assessed independently from the sponsor’s other investment portfolio companies.

### **Question: Who will not be eligible for the CLBILS?**

**Answer:** Other than firms not meeting the eligibility requirements above, the following will not be eligible:

- banks and building societies;
- insurers and reinsurers (but not insurance brokers);
- public-sector organisations, including state-funded primary and secondary schools; and
- grant-funded further-education establishments.

Businesses who qualify for and have opted instead to participate in the Bank of England’s CCFE scheme are not eligible for the CLBILS.

**Question: Through which lenders will the CLBILS be made available?**

**Answer:** The CLBILS will be available through a range of BBB accredited lenders and partners listed on the [BBB website](#).

**Question: How can I apply for a loan under the CLBILS?**

**Answer:** Firms should apply via a BBB accredited lender's website in the first instance or through their existing relationship manager, if applicable. Not every accredited lender can provide every type of finance available under CLBILS, and the amount of financing offered may vary. Information on the type and amount of financing available from a lender should be available on such lender's website.

The accredited lender has the authority to make the decision as to whether a firm will be offered financing or not. If one lender turns a firm down, the firm may still apply to other accredited lenders within the scheme.

**Question: Who will be responsible for the repayment of facilities taken out under the CLBILS?**

**Answer:** Notwithstanding the government-backed partial guarantee to lenders, borrowers will remain 100% liable for repaying any facility they take out under the CLBILS.

**Question: Are there any restrictions on the finance terms for facilities taken out under the CLBILS?**

**Answer:** Facilities taken out under the CLBILS can operate with repayment terms from three months to three years.

Finance is available in the form of:

- term loans
- revolving credit facilities (including overdrafts)
- invoice finance; and
- asset finance.

In respect of each borrower, the amount borrowed should not be greater than (i) double the borrower's annual wage bill for the most recent calendar year available, or (ii) 25% of the borrower's total turnover for the most recent calendar year available. With appropriate justification and based on self-certification of the borrower, the amount may be increased to cover their liquidity needs for the next 12 months.

**Question: Are there restrictions on the security that can be offered for a facility taken out under the CLBILS?**

**Answer:** No personal guarantees are permitted for facilities under £250,000. For facilities of £250,000 and over, claims on personal guarantees cannot exceed 20% of losses after all other recoveries have been applied.

**Question: Will information about the issuer’s existing credit rating need to be provided to the lenders?**

**Answer:** Lenders will still be expected to conduct their usual credit risk checks. This scheme merely allows lenders to specifically support businesses that were viable before the COVID-19 outbreak, but are now facing cash-flow difficulties, that would otherwise make their business unviable in the short-term.

**Question: How quickly can applicants expect to receive the funds?**

**Answer:** This will vary from lender to lender and whether additional security is taken. Lending to mid-sized and larger businesses is typically more bespoke than under the CBILS and lenders can take longer to negotiate. However, the BBB expects the lenders to respond appropriately to their customers’ needs. Lenders who are already accredited to the CBILS may be exempt from some or all of the accreditation processes to expedite delivery if they can demonstrate the ability to deliver the CLBILS.

**Question: If a business is receiving other kinds of aid to help respond to COVID-19 can they still use the scheme?**

**Answer:** Other than the CCFF, yes. The eligibility criteria for CLBILS does not require lenders to take into account the other forms of government support that businesses may be benefiting from e.g. the Coronavirus Job Retention Scheme, business rate reliefs or grants unrelated to the CBILS. The only exception to this is that companies may not utilise both CLBILS and the CCFF for large investment grade companies.

**Question: What other options are available for firms that are not eligible to use the CLBILS?**

**Answer:** By way of a reminder:

***CBILS***

Small and medium-sized businesses (“SMEs”) that do not generate sufficient revenue may consider the [CBILS](#), which is broadly similar.

The CBILS provides government-backed finance of up to £5 million through a wide range of business finance facilities (including term loans, overdrafts, asset finance and invoice finance). The CBILS is intended for use by smaller businesses across the UK who are experiencing lost or deferred revenues, leading to disruptions to their cash-flow. Under the scheme, lenders will be provided with a government-backed, partial guarantee of 80% of the outstanding facility balance and is made available through the BBB’s [40+ accredited lenders](#).

To be eligible for a facility under the CBILS, an SME must:

- be UK-based in its business activity with annual turnover of no more than £45 million;
- were it not for the COVID-19 pandemic, be considered viable by the lender; and
- with the provision of financing, be considered by the lender to be able to trade out of any short-to-medium difficulty.

CBILS is sector agnostic.

***CCFF***

Firms, and their finance subsidiaries, that make a material contribution to the UK and are privately owned may consider the [CCFF](#).

The CCFF is a lending facility under which eligible firms may sell their commercial paper of up to one-year maturity to the Covid Corporate Financing Facility Limited (“CCFFL”). The CCFF is intended to help non-financial firms that make material contributions to the UK economy bridge disruptions to their cash-flows resulting from the COVID-19 outbreak by issuing short-term debt.

To be eligible to use the CCFF, a firm will normally be:

- a UK incorporated company (this includes companies with foreign-incorporated parents) with a genuine business in the UK;
- a company with significant employment in the UK; or
- headquartered in the UK.

The CCFF is only open to privately owned entities that had a short- or long-term rating of investment grade, or equivalent, as at March 1, 2020.

More information on the CCFF can be found in our previous alert memorandum (available [here](#)).

More information on other relief measures that have been announced can be found in our previous alert memorandum (attached [here](#)).

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