

1st Sight.

Breaking news from Friend LLP

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New Loan Guarantee Scheme: a boost for UK SMEs

On 14 January the Government launched a business loan guarantee plan for small and medium-sized UK businesses. The plan aims to generate a £21bn increase in bank lending to “innovative, viable and growing” businesses with turnovers up to £500m.

Friend LLP expects this scheme to be welcomed by the many businesses that are struggling to access their usual working capital and credit facilities in the current climate.

In this issue of 1st Sight, we summarise the three tiers within the new scheme, to help you quickly assess your eligibility for this new source of finance:

Working Capital Scheme

- A part-guarantee given to £20bn of short term loans, the Government will guarantee 50% of the loan, amounting to a total commitment of £10bn.
- Open to companies with turnovers up to £500m.
- Can be used both to increase existing and establish new loan agreements.
- The first £1bn of guarantees should be available by 1 March 2009, with the remainder until 31 March 2011.
- Banks will submit loan details to the Department for Business, Enterprise and Regulatory Reform (BERR) on a “portfolio” basis. BERR will assess the risk of the portfolio and charge the bank a fee for the guarantee - the higher the risk, the higher the fee. This fee is likely to be passed onto the company borrowing the money.
- Declarations of interest have been received from Barclays, HSBC, Lloyds TSB and RBS.

Enterprise Finance Guarantee Scheme

- A part-guarantee over £1.3bn of new lending, the government will guarantee 75% of the loan.
- Companies with turnovers up to £25m can apply for loans between £1,000 and £1m to be repaid over a maximum of 10 years.
- Existing overdrafts can be converted to loans, which will allow businesses to use their overdraft facilities to fund working capital.
- The scheme will be open until March 2010.
- Businesses in the agriculture, fisheries, coal, synthetic fibres and yarns, motor vehicles, shipbuilding, steel and transport sectors are ineligible.
- The Enterprise Finance Guarantee Scheme will initially be available through Barclays, Clydesdale/Yorkshire Bank, HBOS, HSBC, Lloyds TSB, RBS/Natwest and Northern Bank.

Capital for Enterprise Fund

- £75m fund, with £50m from the Government and £25m from Barclays, HSBC, Lloyds TSB and RBS.
- This is designed as a long-term solution for businesses which have exhausted all other forms of funding.
- Businesses will be able to sell their debt for equity – effectively selling part of the business to relieve the debt burden.
- Companies with turnovers up to £11.2m and fewer than 250 employees will be able to exchange between £250,000 and £2m of debt for equity.
- Businesses in Northern Ireland, Scotland or Wales are not eligible.

Friend LLP can help you ensure you are first in line for this financing.

We can review your current business finances, help you with forecasting and support you with presentations to the bank. For a confidential conversation, contact one of our team on 0121 633 2000 or by email as below:

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