



# ASE Automotive Solutions

## Business Loan Schemes

April 3rd 2020

ASE Automotive Solutions- Driving profitability and mitigating risk for retail automotive brands in a changing global market.

## Business Loan Schemes

Overnight the Chancellor has revamped the Coronavirus Business Interruption Loan, in addition to introducing a new scheme for larger businesses. This is very welcome for the automotive retail industry, significantly increasing the number of businesses who will be able to access the funding, albeit there are still some hurdles to overcome.

In this note we set out the basics of the two schemes, alongside the changes to the original scheme, to help guide people through the complexities of accessing this support.

### The Coronavirus Business Interruption Loan Scheme (CBILS)

This was the original scheme and has the following features

- A facility of up to £5 million
- Repayment terms of up to six years
- 80% backed by a government guarantee for the lender
- The government will pay to cover the first 12 months interest and any lender-levied fees
- The business must be:
  - UK based
  - Have a turnover under £45 million
  - Have a borrowing proposal which the lender would consider viable, were it not for the current pandemic
  - Self-certify that it has been adversely impacted

What has changed?

- The previous requirement to explore other funding options first has been removed. As a result businesses who would have qualified for a bank's normal loans no longer have to explore this option first
- Insufficient security is no longer a condition to access the scheme
- Lenders will now take no personal guarantees for facilities below £250,000. Above that level, PGs are at the lenders discretion but must exclude principal private residences, albeit recoveries are now capped at 20% of the outstanding balance of the facility, rather than the previous 100%
- These changes should be retrospectively applied to loans taken out since the start of the scheme

These changes should hopefully see acceptances speed up, with the banks no longer having to try and put applicants into their standard products before applying for the CBILS. It should also reduce security requirements for directors. Both of these are clearly to be welcomed to assist smaller businesses get access to the much-needed funds faster.

### The new [Coronavirus Large Business Interruption Loan Scheme \(CLBILS\)](#)

The features of this new scheme are:

- Facilities of up to £25 million
- Available for companies with annual turnovers £45 million and £500 million
- The government will provide lenders with an 80% guarantee on individual loans
- CLBILS will be offered “at commercial rates of interest”
- Be supported by a borrowing proposal which the lender
  - Would consider viable, were it not for the pandemic
  - Believes will enable you to trader out of any short-term to medium-term difficulty

There are some potential issues mirroring problems with the early CBILS, which could see businesses struggle to access funds. Lenders are still expected to conduct their usual credit checks and the business must “be unable to secure regular commercial funding.” The scheme “will launch later this month” so we will have to wait to see whether there are any additional hurdles and whether the funds will arrive fast enough to support businesses.

In preparation for the scheme launch we would encourage businesses to prepare the full borrowing proposal so they are ready to go and at ASE we are standing by to help. We would always encourage businesses to cut costs and manage working capital prior to taking on additional debt, however these loans could well provide vital bridging support for retailers.

In case of any questions please contact our Chairman Mike Jones at [Mike.Jones@ase-global.com](mailto:Mike.Jones@ase-global.com)

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<https://www.linkedin.com/company/ase-plc>