



CORONAVIRUS COVID-19 – RECOVERY LOAN SCHEME (RLS)

BACKGROUND

The Government has announced a new Coronavirus (COVID-19) support scheme as the economy, and country, looks forward to exiting towards a post pandemic business environment.

Launched on 6th April 2021, the **Recovery Loan Scheme (RLS)** is a £75bn Government support programme the aim of which is to provide financial support to businesses across the UK as they recover following the coronavirus pandemic.

The RLS is a 'follow up' scheme to the **Coronavirus Business Interruption Loans Scheme (CBILS)** and **Bounce Back Loans scheme (BBL)** for businesses, and provides funding to assist with managing cashflow, make relevant investments and generally for the purposes of business growth.

The main criteria for use of the RLS scheme is that the business must have been affected by COVID-19, and businesses can borrow anything from **£1,000 all the way through to £10m – which depends on the type of the borrowing being used under the scheme.**

If a business has already borrowed from any of the other coronavirus loan schemes, the Recovery Loan Scheme is still available, although the amount borrowed under an existing scheme may in certain circumstances limit the amount available to borrow under RLS.

There is no turnover restriction within the key criteria for businesses accessing the scheme. However, each Lender can apply their own rules about turnover and businesses and therefore these can vary from lender to lender.

The **Recovery Loan Scheme (RLS)** scheme will operate until **31st December 2021.**

KEY ISSUES

- The **Recovery Loan Scheme (RLS)**, in a similar way to the CBILS scheme, is available through a variety of UK lenders who will be accredited by the **British Business Bank.**
- Currently accredited lenders include Bank of Scotland, Barclays, HSBC, NatWest, Lloyds Bank, Paragon, RBS, Santander, Skipton Business Finance, Yorkshire Bank and Clydesdale Bank, while others may be accredited by the British Business Bank over time.
- The **RLS** is also focused on being able to provide cost effective finance for businesses post pandemic, however if a lender can offer a commercial loan on better terms than that under the RLS scheme, then they are able to do so.
- The finance under the scheme that can be provided to businesses is across a number of formats, including term loans, overdrafts, invoice finance, asset finance and loan guarantees.
- Interest rates for the **Recovery Loans Scheme (RLS)** will vary depending on the lender and the circumstances of the business applying for finance, however the Government has capped a maximum interest rate cap of 14.99%.
- There are no personal guarantees required on amounts up to £250,000, and a borrower's principal private residence cannot be taken as security.



ELIGIBILITY

The conditions for businesses that are considering finance via the **Recovery Loan Scheme (RLS)** are as follows:

- the business is trading in the UK
- it would be viable were it not for the COVID-19 pandemic
- it has been adversely impacted by the pandemic
- it is not in collective insolvency proceedings

The RLS scheme is capped at a total loan facility of £10m per business with amounts being provided under the scheme from £1,000 / £25,001 depending on the type of finance being provided e.g. term loans, overdrafts etc.

Applicants for finance will need to provide evidence to confirm that the business can afford to repay the RLS backed funding i.e. this may include providing the following:

- management accounts;
- a business plan;
- historic accounts
- details of assets

See more information on the above at the British Business Bank i.e. <https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/for-businesses/>

Lenders under the RLS scheme will also be required to undertake standard credit, fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks for all applicants. Lenders have been advised to overlook concerns over short to medium term business performance and financial results as a result of the pandemic, however this will vary from lender.

OTHER

- Although the CBILS scheme offered businesses a 12-month interest free and payment free period, this is not applicable under the RLS scheme.
- The maximum length of the funding under the RLS scheme will be **up to 3 years** (overdrafts and invoice finance) and **up to 6 years** (loans etc.)
- The RLS scheme offers a Government guarantee of 80% of bad debts for lenders i.e. as per the CBILS and BBL, to encourage the lenders to '**loosen**' their normal lending criteria
- The annual effective rate of interest, upfront fee and other fees cannot be more than 14.99%
- Under the scheme, for loans of £250,000 or less there is no requirement for '**personal guarantees**' however for amounts above £250,000 the lender can request a 'personal guarantee' – **for the 20% that is NOT covered by the Government guarantee !**
- It is important to note that no **personal guarantees** can be held over principal private residences.