

Bounce Back Loans Scheme for Small Firms

The UK Governments have introduced a new relief scheme called the Bounce Back Loans Scheme in an effort to help businesses to survive during this extraordinary time.

The coronavirus (COVID-19) pandemic has placed huge pressure on businesses worldwide, with companies in certain sectors being forced to close and others facing a significant downturn in revenue. The UK Governments have introduced various relief schemes in an effort to help businesses survive through this extraordinary time. The most recent of these, announced by Chancellor of the Exchequer Rishi Sunak on 27th April 2020, is the offer of 100 % Government-backed loans for small firms.

The announcement was made in the House of Commons, which has reopened following the Easter recess. MPs have generally been advised to stay away in order to stop the spread of coronavirus, but a small number have been attending.

What is the scheme?

The scheme will be known as the Bounce Back Loans scheme. The Chancellor announced that small firms will be able to apply for loans of between £2,000 and £50,000 as of Monday 4th May 2020. The loan sums will be available within days of an application. Applications will be made online using a short and simple self-certification form. Firms will only require to prove that they were financially viable before the crisis.

The loans will be interest free for the first 12 months and no repayments will be due during that period. Lenders will take comfort from the 100 % Government-backed guarantee for the loans that has been announced, as well as the fact that the Government has agreed to pay fees and interest on loans taken out under the scheme for the first 12 months of any loan.

Who is eligible for the scheme?

To be eligible for the loan the business must be based in the UK and have been negatively affected by coronavirus. Further, the business must not have been an 'undertaking in difficulty' on 31st December 2019.

Businesses that will not be eligible to apply include:

- banks,
- insurers and reinsurers but not insurance brokers,
- public-sector bodies,
- further-education establishments if they are grant-funded,
- state-funded primary and secondary schools.

A business cannot apply if they are already claiming under the Coronavirus Business Interruption Loan Scheme. If the business has already received a loan of up to £50,000 under the Coronavirus Business Interruption Loan Scheme and would like to transfer it into the Bounce Back Loan scheme, this can be arranged with the lender until 4th November 2020.

This latest scheme comes in addition to a range of measures already in place to support small business such as the Coronavirus Job Retention Scheme, the Coronavirus Business Interruption Loan Scheme, tax deferrals and £6 billion awarded in business grants.



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