**Article**

**CBILs – preparing an application**

The Coronavirus Business Interruption Loan Scheme (CBILS) has now been active for a number of weeks. Further information on eligibility criteria is outlined here [LINK].

While the specific detail requested will vary from funder to funder, we’re seeing common requests and themes from most lenders.

We’ve outlined below a number of practical points to assist in applying for these loans from our own experience of assisting clients with applying to the loan scheme thus far.

1. In general, the level of detail required is likely to be reflective of the complexity of the business, historical trading position and the size of the loan.
2. Most lenders are focusing entirely on cash and will require a breakdown of immediate cash flow requirement over the next 6 weeks. As well as this, you may be required to provide a 6 – 12 month cash flow forecast showing the business requirement over the effected period, as well as the working capital required to manage the transition phase post lockdown.
3. Integrated Profit and Loss and Balance Sheet projections are not needed in many cases.
4. In addition to the above, some of the information you may be requested to provide includes the following:
   1. Up-to-date financial information to show your business was viable prior to the impact of Covid-19.
   2. Explain how your business and cash flows have been impacted by the pandemic.
   3. Explain what Government support schemes (Time to Pay arrangements, VAT deferral, Coronavirus Job Retention Scheme, Business Grants) have been applied for and the cash flow impact of same.
   4. Explain what cost cutting exercises and liquidity preservation measures have taken place to assist cash flow.
   5. Detail around any payment holidays with other lenders or hire purchase companies (if applicable).
   6. Details around any time-to-pay arrangements with key trade suppliers.
   7. Have you entered into arrangements with other creditors e.g. landlord and utilities.
   8. Detail on owner remuneration during the period.
   9. Have you considered other methods of funding?
   10. Other proactive measures you’ve been implementing to mitigate risk
5. In terms of debt serviceability, funders appear to be taking a pragmatic approach based on historical trading position pre-Covid-19 i.e. they’re making reasonable assumptions about what debt the company can handle. If the projected debt looks too high then some other form of equity injection may be required.
6. Most funders expect to see Covid-19 impact through Q3 and Q4 and your cash flow projections need to consider this.
7. With the recent introduction of the Bounce Back Loan Scheme, CBILS is now only applicable to loans of over £50K. We’ve seen funders initially increase overdraft limits to deal with immediate cash flow need whilst applications are being processed. The overdraft facilities then revert to previous levels once funding from CBILS is received.
8. Most Banks have committed to basing pricing on existing loan facilities for clients. This is not a requirement of the scheme.
9. Personal guarantees are not required to secure lending below £250,000. For any
10. borrowing above £250,000, personal guarantees will be capped at 20% of the outstanding value of the loan.
11. Insufficient security is no longer a condition to access the scheme. However, this does not mean that funders won’t request additional security where it is available. A guarantor’s Principal Private Residence may not be taken as security in support of any personal guarantee. Our experience to-date is that additional security is not being requested in most cases.
12. Funders will not automatically rule out businesses that have had recent loss-making years, if it can be explained. They will review this on a case by case basis.
13. In many cases, funders are clear in their intention to focus on existing customers first and as a result, new to bank customers are not being welcomed.

At this time lenders will be working through a high volume of requests. Therefore, preparation is key to ensuring your relationship manager can process your application efficiently and that you receive the funding required.

If you require assistance in your application, please contact your usual CavanaghKelly contact or call our office on 028 8775 2990.

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- For CBILS – would only recommend it to anyone needing over £50k – anyone below then would go for bounce back loan.

- Banks are also not taking on any business which would have found it difficult for normal lending prior to this. If anyone is currently struggling with debt serviceability then would be unlikely to get this…and pushed towards the bounce back loan.