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Coronavirus - COVID-19: U.K. Government Funding for Companies

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The U.K. government has introduced a series of financial measures in order to boost and support the economy during the period of uncertainty and difficulty caused by the spread of COVID-19.

Broadly, financial support has been split into two regimes:

- (i) Small and medium-sized enterprises ("**SMEs**") can receive government-backed loan guarantees; and
- (ii) significant businesses that make a material contribution to the U.K. economy can apply for a commercial paper programme backstopped by the Treasury.

This note summarises the eligibility requirements of the key financial measures so that business owners and management can make informed decisions in these unusual times.

SME Support – The Coronavirus Business Interruption Loan Scheme

1. Can I apply?

Aimed at SMEs and provided by British Business Bank ("**BBB**").

Applicants must be:

- U.K. based;
- have a turnover of no more than £41 million per annum;
- operate within an eligible industry (see Schedule 1); and
- have a comprehensive borrowing proposal (a suitable security package would be a challenge for the borrower).

Full eligibility criteria are due to be published by the BBB in due course.

2. What support can I get?

You can apply to an accredited lender (see below) for a facility up to a maximum of **£5m**.

Key terms:

- the government will guarantee 80% of the debt; and
- the first year is interest free (the government will pay the interest for that period);



The products offered are not narrow in scope, with term loans, overdrafts, invoice finance facilities, and asset finance facilities, amongst others, included. The term will vary, depending on the product, but broadly: (i) revolving/invoice facilities up to 3 years; and (ii) term loans and asset finance up to ten years (minimum term 3 months).

3. How do I apply?

Financing will be provided by at least 40 accredited third-party lenders (including many High Street lenders). See the full list here: <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils/accredited-lenders/>.

The application for financial support is made directly to the accredited lender (in the same manner as a borrower would apply for regular bank finance).

4. When will this be available?

The expectation is the scheme will be available the week of **23 March 2020**.

Significant Businesses – The Covid Corporate Financing Facility

1. What is the scheme?

Aimed at fundamentally strong, larger corporate institutions and is provided by the Bank of England (the “**Bank**”).

Eligible U.K. incorporated companies (and their foreign parents) will be able to sell commercial paper to the Bank. Companies can sell existing commercial paper or make a new issuance.

H.M. Treasury has fully underwritten the scheme and will operate for at least 12 months (and for as long as is needed to relieve pressures on firms who make a strategic contribution to the U.K. economy).

There is no cap, as this is a bespoke programme.

2. Can I apply?

Companies need to play a significant role in the U.K. economy. Guidance on this is vague, but key factors include:

- genuine business in the U.K.;
- the level of employment;
- headquarters in the U.K.;
- a large customer base in the U.K.;
- the number of operating sites in the U.K.; and
- the amount of revenue generated in the U.K.

Other conditions of the scheme are:

- not open to financial firms (i.e., banks);
- maturity of the commercial paper must be between one week to 12 months and issued directly into Euroclear and/or Clearstream;
- as of 1 March 2020, the business must have had a credit rating of A-3/P-3/F-3 from at least one of S&P or Moody's and Fitch; and



- the Bank has not yet confirmed whether companies will also need to offer collateral.

3. How do I apply?

Issuers will be able to apply to the Bank of England from 23 March 2020.

Application for the scheme is made via completion of an application form available at the following address: <https://www.bankofengland.co.uk/news/2020/march/the-covid-corporate-financing-facility>. A simple series of questions regarding the name, nature, and credit rating, among other requirements, of the company must be included.

However, banks looking to issue commercial paper on behalf on their clients should contact the Bank via CCFFeligibleissuers@bankofengland.gsi.gov.uk to discuss terms and eligibility of the commercial paper to comply with the scheme.

Following application by an Issuer, the Bank will review the application and revert as quickly as possible. If the Bank is able to confirm eligibility before 16:00 on a business day, the Issuer will be able to sell the commercial paper to the Bank on the following working day.



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings London lawyers:

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