



SNOWBALL

GOVERNMENT BACKED FUNDING
RECOVERY LOAN SCHEME

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RECOVERY LOAN SCHEME

The new Recovery Loan Scheme (RLS) has now launched, and is in many ways the replacement for Bounce Back Loans (BBL) and CBILS.

The RLS is to help businesses as they recover and grow following the coronavirus pandemic, and finance can be taken out for any legitimate business purpose – including managing cashflow, investment and growth. In certain circumstances it can also be used to finance or refinance commercial property transactions.

The scheme provides the lender with an 80% government-backed guarantee against the facility, potentially giving the lender enough comfort to agree the lending. Note the borrower always remains 100% liable for the debt.

AT SNOWBALL WE CAN:

- ❄️ Provide guidance to understand the scheme and how it can help you
- ❄️ Prepare cashflows and other supporting information to complete the application
- ❄️ Work with you all the way through to speed up the process
- ❄️ Improve the certainty of success
- ❄️ This will free up management time to focus on the core business and people



Snowball have a wealth of experience in sourcing, negotiating and raising business finance and formulating the most appropriate funding strategy.



SCHEME PARAMETERS

Following the launch of the Recovery Loan Scheme (RLS) by the British Business Bank in April 2021, we have been liaising with all the providers to assess the criteria and rules.

There are c.76 accredited lenders (as at 22nd October 21), each with their own set of guidelines and processes. This represents a summary of the key criteria so far:

- ❄️ A single scheme to replace the other loan schemes.
- ❄️ £1k to £10m (Min £1k for asset/invoice finance. Min £25,001+ for loans and overdrafts).
- ❄️ Scheme is open until 31st December 2021
- ❄️ 80% guarantee from the government to the lender.
- ❄️ No personal guarantees up to £250k and personal residences cannot be taken as security for any facilities. Like CBILS any personal guarantees provided for facilities above £250k will be capped at 20% of the outstanding amount after proceeds from any other security is applied.
- ❄️ There is no requirement to refinance or pay off existing CBILS or BBLs but they will be taken into account.
- ❄️ No interest free period, no capital repayment holiday and arrangement fees will be charged.
- ❄️ Maximum 6 year term.
- ❄️ Maximum AER of 14.99% (same as CBILS).
- ❄️ Business must have been impacted by COVID, but this can be negatively or positively.
- ❄️ Can be used for acquisitions and MBOs provided there is economic benefit for the business in doing so.



N.B. This information has been produced based on government briefings and documents and is considered up to date at the time of publication. However Snowball Alternative Finance Limited cannot be held responsible for any errors, omissions or changes in this document.

As at 22/10/21

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KEY POINTS TO NOTE

This is very much like the old Enterprise Finance Guarantee Scheme (EFG), a precursor to CBILS. There are several key points to note on the scheme though which businesses need to realise, namely:

PROVIDERS

The number and range of providers has increased considerably from launch. There are now over 50 providers compared to 18 at launch, opening the market up to more competition and options.

MAXIMUM BORROWING

Whilst many commentators appear to have missed this, there is still a link to a maximum amount you can borrow which is based on 25% of the turnover in 2019 or twice the 2019 (or later) annual wage bill, or justified liquidity needs, for the next 18 months. Given many lenders do not take the latter into account, this effectively means the maximum of 25% turnover is still there. So, if you have already had a maximum CBILS this probably won't provide you with any additional funding.

However commercial property transactions (finance or refinance) fall under the 'justified liquidity' aspect so can be taken forward with funders who provide this under the scheme. Atom are currently the main provider here, for which we are authorised introducers to, so can assist where there is a property deal involved. Atom pass on the benefit of the governments 80% guarantee when establishing the rate of interest on the deal and therefore the rate of a Recovery Loan with Atom will tend to be cheaper than one of their normal loans.

CREDIT ASSESSMENT

Applications are subject to full credit assessment by the funder so affordability will be key and showing the ability to repay the loan from cashflow and prove a viable business.

All in all, this might be useful for some businesses and may make the difference to a funder being able to provide a loan under this scheme which they might not have been prepared to do under new commercial rules. It will have a place and should certainly be considered as an option, but it will be assessed in a different way to Bounce Back Loans and many CBILS so be prepared to have to prove viability and debt servicing.

If you wish to establish whether you qualify or can take advantage of a Recovery Loan, then please speak to us and we can explain further how it works and which of the providers is the most appropriate.



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