

COVID-19

How we can support
businesses to obtain
funding

COVID-19

How we can support businesses to obtain funding from the Recovery Loan Scheme (RLS)



Background

Throughout the pandemic MHA Banking & Finance has been involved with both the British Business Bank and accredited lenders, who have been asked to administer the Government's Coronavirus Business Interruption Loan Schemes (CBILS), to provide both guidance & funding to businesses during this most testing of periods. From our experience of the last twelve months plus our long history working within financial services means, we have a clear understanding of each lenders criteria and requirements, we also know what supporting information is needed so we can help all businesses to obtain funding – either via the government schemes or commercially

The closing date for CBILS has now past and a new scheme has been introduced called the Recovery Loan Scheme (RLS).

RLS is here to assist businesses that have been affected by the pandemic access a range of funding solutions including Loans, Overdrafts, Asset Finance & Invoice Finance.

Approach to Funding Request

The Banking & Finance Team at MHA believe our approach to funding will give businesses the highest likelihood of obtaining the finance they need & will involve preparation of the following:

- A copy of the last two years full Year End Accounts with short overview of the financial performance, including any "exceptional items" and also YTD Management Information. This is essential to ensure that the funder is able to conclude that the existing business was viable prior to the impact of the crisis.
- A detailed 12-month cash flow forecast
- The actions already taken to protect cash flow as a result of the disruption and the financial impact (our Coronavirus Business Continuity Planning guides and checklists can be used to confirm all appropriate actions have been taken and the financial impact recorded or forecast);

- The key assumptions made in relation to the impact of the disruption across all areas of the business and including sensitivities for factors such as the potential period impacted by the lockdown and the estimated business growth rates following the removal of restrictions / lockdown.
- Preparation of a "bank funding presentation package" which records and captures the above information into a "bank friendly format and template" as outlined in the Business Case section at the end of this document. This format and the content within it has been prepared based on the guidance which we have received from the banks currently for the Recovery Loan Scheme;
- Consideration of the support needed to have the highest chance of success in the bank negotiation process, including a potential "remote rehearsal".

Having Trouble Securing Funding?

MHA Banking & Finance is a whole of market commercial finance specialist here to help businesses find the right finance for their situation. Whether you are looking for a commercial property mortgage, asset finance, working class capital or an unsecured business loan, we can find a funding solution for every credit type.

We are unique in the market place, in that we can access funding from over 150 banks and lenders across the whole commercial finance spectrum. Unlike our competitors, we are not tied to a specific funder, so you will always be offered a range of bespoke funding solutions. This gives you the option to choose the best deal for your circumstances.

In addition to crafting a bespoke deal for all of our clients, we abide by the NACFB & FIBA code of conduct & have FCA Approvals.

Contact our team for help

Our team would be happy to talk to you on each of these points and discuss how we can provide you with the support to give you the best chance of success in obtaining funding.

Recovery Loan Scheme (RLS)

Launched on 6 April 2021, the Recovery Loan Scheme (RLS) provides financial support to businesses across the UK as they recover and grow following the coronavirus pandemic.

You can apply to the scheme if Covid-19 has affected your business.

You can use the finance for any legitimate business purpose – including managing cashflow, investment and growth. However, you must be able to afford to take out additional debt finance for these purposes.

If your business has already borrowed from any of the other coronavirus loan schemes – namely:

- the Bounce Back Loan Scheme (BBLS)
- the Coronavirus Business Interruption Loan Scheme (CBILS)
- the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

RLS is still open to you, although the amount you have borrowed under an existing scheme may in certain circumstances limit the amount you may borrow under RLS.

RLS will run until 31 December 2021, subject to review.

The types of finance available will include:

- Term facilities
- Overdrafts / Revolving Credit Facility
- Invoice finance facilities
- Asset finance facilities

RLS: Key features

- The maximum value of a facility provided under the scheme will be £10m (maximum £30m per group).

Term Loans or Overdrafts of between £25,001 and £10 million per business

Invoice or Asset Finance of between £1,000 and £10 million per business

- 80% guarantee: RLS gives the lender a government-backed guarantee against the outstanding balance of the facility. As the borrower, you are always 100% liable for the debt.
- No guarantee fee for SMEs to access the scheme: No fee for smaller businesses. Lenders will pay a fee to access the scheme.
- No turnover restriction, so larger businesses can access the scheme.
- Finance terms: The maximum length of the facility depends on the type of finance you apply for and will be:
 1. up to 3 years for overdrafts and invoice finance facilities
 2. up to 6 years for loans and asset finance facilities

Typically RLS facilities will be capital & interest repayment from day one, but some lenders may offer capital deferrals or other incentives at their discretion.

Security:

RLS gives the lender a government-backed guarantee against the outstanding balance of the facility.

As the borrower, you are always 100% liable for the debt.

If you're borrowing £250,000 or less the lender won't take any form of personal guarantee.

If you're borrowing more than £250,000 the lender has the discretion to decide whether to take personal guarantees. However:

Above £250,000, the maximum amount that can be covered under RLS is capped at a maximum of 20% of the outstanding balance of the RLS facility after the proceeds of business assets have been applied

No personal guarantees can be held over Principal Private Residences.

- Loans in the scheme are limited to a maximum of 25% of 2019 turnover or double the annual wage bill, whichever is greater.

Decision-making on whether you are eligible for Recovery Loan Scheme is fully delegated to the accredited RLS lenders. These lenders range from high-street banks, to challenger banks, asset-based lenders and smaller specialist lenders.

Eligibility Criteria

- Your application must be for business purposes
- You can apply for a loan if your business:

is trading in the UK

You need to show that your business:

1. would be viable were it not for the pandemic
2. has been adversely impacted by the pandemic

is not in collective insolvency proceedings (unless your business is in scope of the Northern Ireland Protocol in which case different eligibility rules may apply)

Business that received support under the earlier COVID-19 guaranteed loan schemes are still eligible to access finance under this scheme if they meet all other eligibility criteria.

How can I access the scheme?

RLS is available through the British Business Bank's accredited lenders, which are listed on the British Business Bank website here; <https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/current-accredited-lenders/>

Please contact any of the Banking & Finance Team and we can guide you through the process and to the most appropriate lender(s).

Template Business Case for Presentation to Funder



1. Overview: showing dating of incorporation, registration number, trading address, group structure, shareholding structure, year end date, number of employees, SIC Code, Directors, active security pledged (ie look at Mortgages section on Market IQ and list mortgage description, lender name, date of registration [ignore that which is satisfied]). All of this can be taken from MarketIQ. Include length of banking relationship.
2. Background to the business
3. Run through of sales channels : what is sold, how is it invoiced, when do customers pay, run through of customers, who contributes over 10% of total sales (ie where does the concentration sit), are sales subject to any contracts or underlying framework agreements
4. Key costs and suppliers : how many staff, can we see an employee chart showing salary details, start date and position, who are key suppliers and what do they provide (and where from), are supply contracts in place, what concentration exists, can suppliers be changed easily in normal circumstances
5. Overview of balance sheet as per latest accounts date (management accounts) detailing what assets the business trades with and what debt is in place (detailed schedule will be needed showing debt provider, amount, term, pricing, security pledged).
6. Finance Request: amount requested and term requested, detail behind method of calculation (ie assessed using analysis of actual and projected financial performance prior to COVID19 and post COVID19 under a range of scenarios which include varying lengths of lockdown which disrupt customer demand and the business supply chain (including labour and materials). Add high level financials on annual basis for both pre and post COVID19 (with commentary to denote trends and assumptions used in forecasts) and the next 12 months under COVID19 scenario. Include a section which denotes other sources of finance used, eg VAT deferral include across x period, HMRC time to pay arrangements, any current and expected employee furlough plans which map out number of employees to be furloughed and cost saving. Also worth listing critical expenditure which cannot be negotiated (eg IT infrastructure costs). At the bottom of the section on the funding request include annual sales (up to 25%) for 2019 (or last stat accounts) and annual wage bill (up to 2 times) for same period (used to check CBILS request versus defined thresholds).
7. Management action plan: summary of action taken already and to be taken to trade through current lock down and longer term implications.
8. Disclaimer and management sign off (ie confirmation of accuracy of information shared and forecast assumptions from management including a signature, with the usual TW disclaimer used on FDD assignments).

Contact us



Greg Taylor
Head of MHA Banking & Finance, Partner
M: +44(0)7736 297 072
E: Greg.taylor@mhllp.co.uk



Ian Jackson
Commercial Broking Director
M: +44 (0)7736 359 766
E: Ian.Jackson@mhllp.co.uk



Tina Hayes
Commercial Broking Director
M: +44 (0)7979 517 212
E: Tina.hayes@mhllp.co.uk

Follow us on:



macintyreHUDSON.co.uk

MHA Macintyre Hudson is the trading name of Macintyre Hudson LLP, a limited liability partnership, registered in England with registered number OC312313. A list of partners' names is open for inspection at its registered office, 201 Silbury Boulevard, Milton Keynes MK9 1LZ. Registered to carry on audit work in the United Kingdom and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales. An independent member of MHA, a national association of UK accountancy firms. The term 'partner' or 'partners' indicates that the person (or persons) in question is (or are) a member(s) of Macintyre Hudson LLP or an employee or consultant of its affiliated businesses with equivalent standing and qualifications. Partners and directors acting as administrators or administrative receivers contract as agents and without personal liability. Further information and links to the respective regulators and appointed individuals' qualifications can be found via our website www.macintyreHUDSON.co.uk/information.html

MHA Macintyre Hudson is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. MHA Macintyre Hudson is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, MHA Macintyre Hudson, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. Arrandco Investments Limited is the registered owner of the UK trade mark for Baker Tilly and its associated logo.

Now, for tomorrow

