

CLBILS – Discussion with Major Lenders

Fri 3rd April 2020

Attendees

- **UK Finance:** Stephen Pegge
- **Barclays:** Tasnim Chiawadwala
- **HSBC:** James Cundy
- **RBS:** Name Redacted Name Redacted
- **Lloyds Banking Group:** Simon Kenyon, Paul Gordon
- **Santander:** Tim Hinton
- **Virgin Money:** Gavin Opperman
- **Danske Bank:** Kevin Kingston
- **HMT:** Gwyneth Nurse, David Raw, Dan Rusbridge, Name Redacted

GN provided an overview of the current policy thinking on Coronavirus Large Business Interruption Loan Scheme (CLBILS). This included:

- CX's preference to launch the scheme on 20th April;
- Eligible firms being those with a turnover of between £45m and £500m per annum; CLBILS would provide an 80% guarantee on facilities of up to £25m for viable businesses to whom banks would ordinarily lend but for the impacts of Covid-19;
- There would be no Business Interruption Payment as per the Coronavirus Business Interruption Loan Scheme (CBILS);
- Personal guarantees would not be required;
- A proposed 20% cap on the amount of lending which can be refinancing; and,
- No portfolio cap/guarantee for CLBILS.

Barclays welcomed the CLBILS announcement, and noted that the quicker they could get a full term sheet, the better. An iterative discussion on terms will help meet the CX's deadline. Noted that fees will be important. The earlier the scheme design is set (without further changes), the better.

Santander said it was better to have no turnover cap of £500m.

LBC agreed on the turnover cap. Though the capital treatment of CLBILS facilities would be critical.

RBS noted that a stand alone guarantee agreement would be better than replicating the one used for the Enterprise Finance Guarantee (EFG).

HSBC stated:

- If the aim was to support 'viable businesses,' it would be helpful to be clear on what that looks like. Noted the confusion with CBILS.
- They had no preference between a revolving credit facility (RCF) or term loan.
- Questioned whether the scheme would use LIBOR or base rate for interest.
- On tenor, suggested a maximum of 5 years, but had no fixed view.
- There were limitations to relying too much on the EFG mode, as the customers were quite different.

LBG agreed that personal guarantees were not relevant. They also questioned the scope of the scheme: CBILS had excluded commercial real estate, and questioned whether that would be the case for CLBILS. On the fees charged to lenders, also questioned whether there would be any hypothecated funding sitting behind this. Also asked about how CLBILS facilities would sit alongside existing debts: some potential borrowers would have existing covenants which they would mean seeking agreements with existing creditors.

RBS noted that the Temporary State Aid Framework meant there were some constraints around the fee charged, but felt the fees would present some difficulties. In response to HSBC's question on LIBOR vs. base rate, RBS confirmed that this is currently for the lender to choose, and that corporate real estate is eligible. On bilateral vs. syndicated loans, RBS noted that only bilateral loans are permissible at the moment. They also felt that private equity-owned firms should be included, and that aggregating revenue at fund-level was illogical.

Santander thought 20th April was 'tough but doable,' but suggested reconsidering the £500m turnover cap. Also thought that personal guarantees should be at the lenders discretion, and supported RBS' position on private equity-owned firms.

Virgin noted that customers were already asking about CLBILS, and urged HMT to streamline CLBILS with CBILS as far as possible. Also voiced support for allowing syndication, seeking better capital treatment under CLBILS, and allowing refinancing.

Danske stated that they supported much of what had been said previously, but questioned whether there was an opportunity to allow pre-approval of eligibility.

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