

News story

Small businesses boosted by bounce back loans

New 100% government backed loan scheme for small business

From: [HM Treasury \(/government/organisations/hm-treasury\)](/government/organisations/hm-treasury)

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The infographic features a red background with the HM Government logo and 'Coronavirus' text in the top left. The main title 'Bounce Back Loans' is in yellow. Below it, white text describes the scheme: '100% government guarantee', 'Provides loans between £2k and £50k', and 'Any business can apply for loans worth 25% of turnover, up to a maximum of £50k'. At the bottom, a black banner with yellow and white text reads 'GET HELP > PROTECT YOUR BUSINESS > SAVE JOBS'.

- businesses will be able to borrow between £2,000 and £50,000 and access the cash within days
- loans will be interest free for the first 12 months, and businesses can apply online through a short and simple form

Small businesses will benefit from a new fast-track finance scheme providing loans with a 100% government-backed guarantee for lenders, the

Chancellor announced today (Monday 27 April).

Rishi Sunak said the new [Bounce Back Loans scheme](https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan) (<https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>), which will provide loans of up to £50,000, would help bolster the existing package of support available to the smallest businesses affected by the coronavirus pandemic.

The scheme has been designed to ensure that small firms who need vital cash injections to keep operating can get finance in a matter of days, and comes alongside the £6 billion awarded in business grants, supporting 4 million jobs through the job retention scheme and generous tax deferrals supporting hundreds of thousands of firms.

The government, which has been consulting extensively with business representatives about the design of the new scheme, will provide lenders with a 100% guarantee for the loan and pay any fees and interest for the first 12 months. No repayments will be due during the first 12 months.

The loans will be easy to apply for through a short, standardised online application. The loan should reach businesses within days- providing immediate support to those that need it as easily as possible.

The Chancellor of the Exchequer, Rishi Sunak, said:

“ Our smallest businesses are the backbone of our economy and play a vital role in their communities. This new rapid loan scheme will help ensure they get the finance they need quickly to help survive this crisis.

“ This is in addition to business grants, tax deferrals, and the job retention scheme, which are already helping to support hundreds of thousands of small businesses.”

Business Secretary Alok Sharma said:

“ Our small businesses are vital in ensuring our communities thrive and will be crucial in creating jobs and securing economic growth as we recover.

“ This rapid loan scheme offers additional protection so small companies across the country can get access to the finance they need immediately, as part of the unprecedented package of support we have put in place.”

The scheme will launch for applications on Monday 4 May. Firms will be able to access these loans through a network of accredited lenders.

The government will work with lenders to ensure loans delivered through this scheme are advanced as quickly as possible and agree a low standardised level of interest for the remaining period of the loan.

Notes

Our Covid-19 support schemes have provided over £15 billion for business in just a few weeks. We've put in place:

- our job retention scheme - more than 500,000 claims have been made to the value of £4.5 billion
- business grants - half a million business properties have benefitted from £6 billion of business grants
- the Coronavirus Business Interruption Loan Scheme - with over 20,000 loans
- the Covid Corporate Financing Facility, which has provided over £14 billion for larger firms
- generous VAT deferrals worth billions of pounds
- scrapped businesses rates
- covering the cost of statutory sick pay
- the new scheme will run alongside the existing Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS)
- We are also taking additional steps on the Coronavirus Business Interruption Loan Scheme (CBILS) to ensure that lenders have the confidence they need to process finance applications quickly, including removing the per lender portfolio cap for the government guarantee, and changing the viability tests that so that all banks will need to assess is whether a business was viable pre COVID-19

Reactions from business

Mike Cherry, Federation of Small Businesses National Chairman, said:

“ This crucial new initiative should enable thousands of small businesses to access the working capital they need quickly, helping to protect the millions of jobs they provide in every part of the UK.

“ This step forward marks another decisive intervention from the Treasury and the Business Department, building on existing support in an innovative way. Swift delivery is now key, and we also look forward to working with government in the long-term to enhance market competition, including that provided by non-bank lenders.

“ We are pleased to see the Chancellor and the Business Secretary listening to the needs of small businesses, and we will continue to work with them to make sure small firms and the jobs they provide are

protected throughout this public health challenge and that small firms are at the forefront of leading the recovery.”

Dame Carolyn Fairbairn, CBI Director-General, said:

- “ The Chancellor’s new 100% guaranteed loan scheme for small businesses is transformational. Sole traders, micro-firms and entrepreneurs will now have a simple route to fast finance to stay afloat, without red tape or time-consuming checks.
- “ Thousands of businesses could be saved by this lifeline. Banks now need to continue their work in overdrive to get the loans flowing faster.
- “ It’s good to see the Chancellor listening to business, proving that where there’s a need to adjust schemes, he will do what it takes. It will be vital to maintain this approach in the months to come. Every job saved today will ensure a faster recovery tomorrow.”

Jonathan Geldart, IoD Director General:

- “ This is a welcome intervention, which should help ensure more firms can access the finance that could see them through this crisis. Business leaders will appreciate the government’s continued flexibility in adapting their response to what’s happening on the ground.
- “ It’s crucial that the government’s support cuts through to those who need it. Having a quick and simple process will be vital, and we need to remember that taking on debt is always a difficult decision for small firms.”

Adam Marshall, BCC Director General:

- “ The Chancellor has demonstrated he is listening to the concerns of our business communities and taking steps to get cash to the front line where it is needed.
- “ This new route for our smallest companies to apply quickly and get a fast decision will be crucial to those who have struggled to get a CBILS loan.”

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