

# ROBSON TAYLOR

## FACT SHEET

### Enterprise Finance Guarantee



#### Help for Small Businesses

During the current 'credit crunch' The Enterprise Finance Guarantee Scheme aims to help smaller businesses, who are struggling to secure funding, to get bank loans of potentially up to £1 million.

With the major clearing banks reluctant to extend loans in the current financial climate, the government has announced the launch of the Enterprise Finance Guarantee Scheme (EFG), as part of a package of initiatives to stimulate bank lending to businesses. The scheme aims to help credit-worthy companies which might otherwise not be able to access the finance they need for working capital or investment finance due to the current tight lending conditions.

Under the EFG scheme the government will guarantee 75% of any loans made, with the bank covering the remaining 25%. The guarantees will mean that the government, or in reality the taxpayer, will underwrite 75% of the debt.

In total, the Enterprise Finance Guarantee Scheme will potentially see the Government provide up to £1 billion of guarantees to support up to £1.3 billion of bank lending.

#### Small Firms Loan Guarantee (SFLG)

The old Small Firms Loan Guarantee Scheme is currently suspended. The type of lending previously provided under SFLG – to businesses that lack collateral and/or track record – will still be available under the new scheme. The government have stated they propose bringing forward proposals for a scheme post March 2010, details of which will probably be announced in the Budget on 22 April 2009.

#### How is EFG different to SFLG?

EFG provides loans of up to £1 million compared to an upper limit of £250,000 for SFLG and supports businesses with a turnover of up to £25 million compared to £5.6 million under SFLG. Additionally EFG loans can be used to convert an overdraft into a loan. EFG is available to viable businesses that in normal circumstances would be able to secure lending from banks but who cannot secure bank lending in the current times.

Under the **Enterprise Finance Guarantee**, the Government will guarantee lending to **viable businesses** to ensure that they can get the working capital and investment that they need.

This £1.3bn scheme will support bank lending, of 3 months to 10 year maturity, to UK businesses with a turnover of up to £25 million who are currently not easily able to access the finance they need. It will enable them to secure loans of between £1,000 and £1 million through the Government guarantee and is available up to **31 March 2010**.

The guarantee will cover the following types of lending:

- new term loans (with terms of between one and ten years)
- existing lending where lenders might not otherwise refinance the debt
- conversion of part or all of an existing utilised overdraft into a term loan in order to release capacity in the overdraft to meet working capital requirements (conditional on the lender being prepared to continue to provide an overdraft and the serviceability of both the term loan and the overdraft).

The guarantee will fund:

- working capital
- investment by businesses seeking to grow or develop

In addition to regular capital and interest payments to your lender, and any arrangement fee which they may charge, a premium is payable to the Dept for Business, Enterprise & Regulatory Reform -**BERR**.

The premium is equivalent to 2% per annum on the outstanding balance of the loan, assessed and collected quarterly in advance throughout the life of the loan. A discount of 25% will be applied to all premiums due and successfully collected during 2009.

Delivery of the EFG, including the decision on whether or not it is appropriate to use it in connection with any specific lending transaction, is fully delegated to the participating lenders. There is no automatic entitlement to receive a guaranteed loan nor is there any pre-qualification process for it.

Currently the **EFG** is available now through **25 lenders (and growing)**:

Airdrie Savings Bank	Lloyds TSB (HBOS)
Alliance and Leicester Commercial Bank	NatWest NEL Fund Managers
Bank of Baroda	Northern Bank (NI only)
Bank of Ireland (NI only)	The Royal Bank of Scotland
Bank of Scotland	State Securities
Barclays	South West Investment Group
Business Enterprise Fund	Triodos Bank
Business Finance Solutions	UK Steel Enterprises
Clydesdale Bank	Ulster Bank (NI Only)
The Co-operative Bank	Venture Finance
DSL Business Finance	Whiteaway Laidlaw Bank
GLE oneLondon	Yorkshire Bank
HSBC	

### Eligibility

In summary small UK businesses with an annual turnover of up to £25 million are eligible.

Eligible businesses are able to borrow between £1,000 and £1,000,000 when this would not otherwise have been possible.

Loans for most business purposes to businesses in most sectors are eligible. The principal exclusions relate to businesses in the agriculture, coal, and steel sectors, and to the financing of individual export orders. Your lender will advise if any of these restrictions apply to your business when they consider your loan application.

### Application details

You will have to provide all the information normally required by any bank in connection with a loan application, which will involve completing the bank's application form and providing supporting information, typically including:

- Statutory and management accounts
- Historic trading figures
- Information on any other publicly funded support or grants received by your business within the last 3 years
- A current business plan
- Financial projections

### Health Warning

If the borrower fails to repay the loan, the business remains liable for the full debt and recovery can be sought.

### Further Information

We can help you to hopefully find a suitable lender and help with the production of business plans and financial forecasts.

For an initial appraisal on whether your business may be eligible for the Enterprise Finance Guarantee Scheme contact **Robson Taylor** who can help you complete a business assessment to present to your bank manager.

*If you require further assistance please contact Ruth Foreman on 0117 929 0039 or Julian Humphries on 01225 428114  
Email - [r.foreman@robson-taylor.co.uk](mailto:r.foreman@robson-taylor.co.uk) - [j.humphries@robson-taylor.co.uk](mailto:j.humphries@robson-taylor.co.uk) or else speak to your usual Robson Taylor contact.*

*Robson Taylor is a limited liability partnership registered in England & Wales (No. OC332004) whose registered office is at Charter House, The Square, Lower Bristol Road, Bath, BA2 3BH.*

*An independent member of **DFK International** a worldwide association of independent accounting firms and business advisers.*

*This fact sheet has been prepared as general guidance from information currently available on the BERR & Business Link websites. It should not be acted upon without specific advice. Please contact us if you require further information. Last updated March 2009.*