

Bounce-back Loans for Small Businesses

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Good news for small businesses: after weeks of CBILS money not really reaching small businesses, amidst concerns about small company cash flow, on 27 April the Chancellor announced a new £50,000 "bounce-back" loan scheme for small businesses.

For any small business that needs cash to survive this represents a much-needed lifeline with no repayments for a year.

For any business that does not necessarily need a loan to survive, this is potentially a year of interest free capital to invest in your business.

As ever, it is loan capital and does need to be repaid, so consider affordability.

What we do know:

- Loans of up to 25% of turnover, starting at £2,000 and capped at £50,000 for the smallest businesses
- 12 months' interest free
- A 12-month repayment holiday
- 100% Government backing, which it is hoped will remove delays caused by bank due diligence
- A two-page standardised online application form designed to remove complexity, for example, applications no longer require a business to prove it will remain viable after the impact of the pandemic
- Loans are available from Monday 4 May
- Funds available withing 24-hours of loan approval
- Loans available through "accredited lenders"

What we do not know (but can guess):

- High street banks will be offering the loans. Other "accredited lenders" are likely to be those already offering CBILS loans
- We do not know how easy it will be able to apply if you do not have an existing banking relationship; this was an early problem with CBILS. Our advice has always been to have at least two irons in the fire.
- Turnover will probably be measured by your most recent filed accounts; we do not know if they will accept forecasts or management accounts
- We do not know if the 25% and £50,000 cap is effectively capping loan eligibility at businesses with up to £200K of turnover. For now, we assume not. The accounting definition of a micro business is a turnover of up to £632,000 per annum so that may be a useful working hypothesis.

Important: disclaimer

This information is prepared for general use to support and inform many people quickly. It was based on information available at the time of writing. The situation is changing fast and new updates may have already superseded this information. Guidance is being published in stages, so we are working with other accountants to try and make sensible interpretations of announcements about what is available.

Your personal circumstances are individual to you.

If you intend to rely on this information, please check the current Government advice, check with your professional adviser or contact us on paul@lighthouse-accounting.co.uk to ensure that this remains relevant and is applicable to you