

Getting your finances back on track with the Recovery Loan Scheme

At a glance



[The Recovery Loan Scheme](#) is a new government loan scheme that will replace the now closed Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme (BBLs). Recovery Loans Scheme (RLS) allows qualifying businesses to borrow up to £10 million – either as term loans, overdrafts, invoice finance or asset finance.

Recovery Loans Scheme with Capitalise

Your company is no doubt eager to begin increasing its post-Covid operations. But as initial trading opens, your expenses are likely to precede revenues and working capital requirements will be tighter. This is likely to leave you in a tight cash position and in need of extra funds to kickstart your recovery and long-term prosperity. The new RLS is a useful route to finance.

RECOVERY LOAN SCHEME

Available until 31 December 2021 and open to UK trading businesses of all sizes. The scheme allows your business to access up to £10 million in finance, if you meet the eligibility criteria:

- Is trading in the UK
- Is viable or would be viable were it not for the pandemic
- Has been impacted by the coronavirus 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](#))

NOTE: Your business is eligible even if they have already taken out a loan under CBILS or BBLs.

The benefits of the Recovery Loan Scheme?

- ✓ The RLS is available between 6 April and 31 December 2021, giving your business a boost to its working capital and the health of your balance sheet.
- ✓ You can borrow between £25,001 and £10 million per business in the form of a term loan or overdraft.
- ✓ Alternatively, you can borrow between £1,000 and £10 million per business in the form of invoice finance or asset finance.
- ✓ Provides favourable terms when compared to other funding solutions, APR capped at 14.99%.

HOW DOES THE RECOVERY LOAN SCHEME DIFFER FROM CBILS?

WHAT HAS STAYED THE SAME

- No personal guarantees up to £250k.
- Same criteria for UK trading companies, being a viable business that is not in financial difficulty.
- Public sector, banks, building societies, insurers and reinsurers, and state funded primary and secondary schools cannot apply.
- Finance terms are up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years.
- The government guarantees 80% of the finance to the lender to ensure they continue to have confidence to lend.
- A borrower's principal private residence cannot be taken as security.

WHAT IS DIFFERENT?

- Interest and fees will be paid by the business from the outset: companies would be required to meet the costs of interest payments and any fees associated with the facility.
- Starts from £25k and goes up to £10m.
- No turnover limit for applications (£45m previously).
- No more secured product, which means that property can no longer be funded.
- A business can apply for the Recovery Loan Scheme even if it has an existing BBL, CBIL or Coronavirus Large Business Interruption Loan (CLBIL).

The maximum amount a business can borrow

The maximum facility sizes varies starting at £1,000 for asset and invoice finance, and £25,001 for term loans and overdrafts. The maximum value of a facility per business is the lesser of £10m or 25% of 2019 turnover or double the wage bill of 2019. Anything borrowed under CBILS or CLBILS will count towards a business' maximum amount. The amount is also subject to a limit of £30m per borrower group.

The agreement to lend is at the lenders discretion.

Should you apply for the Recovery Loans Scheme?

If you're looking to strengthen your balance sheet and raise additional finance, the RLS is an ideal route to extra funding.

Consider making use of the scheme if your business is:

- Aiming to improve its long-term capital position
- In need of a third-party business loan to secure its recovery
- Planning to invest in new assets and equipment
- Looking to fill a short-term cash flow gap
- In need of a new facility to reduce pressures of overdraft use
- Thinking about taking on more staff, or premises, to aid its recovery
- Limited by long payment terms with large amounts of outstanding invoices

Minimum required information & documentation

Please be aware that some lenders may request additional information but this list is the minimum we need to be able to determine which lenders are most appropriate:

- Loan amount, purpose, and term
- A short paragraph on the business background and how it has been impacted by Covid-19
- Last 2 full sets of filed accounts
- Last 12 months bank statements (PDF format & no older than 7 days)
- Shareholder & directors details - name, DOB and home address
- Up to date management accounts
- Current debt position of existing loans, facilities etc

How to apply for the Recovery Loan Scheme

Ask your accountant about the RLS. Working with Capitalise, they offer a straightforward, streamlined application process via a wide-ranging network of Capitalise banking and lending partners.