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RECOVERY LOAN SCHEME

The new Recovery Loan Scheme (RLS), the latest part of the Government's Covid-19 support programme, opened for applications yesterday (6 April 2021).

The RLS has a funding pot of £75bn and will operate until 31 December 2021.

The main condition is that an applicant business must have been affected by Covid-19.

The finance can be used for any legitimate business purpose including managing cashflow, investment and growth.

The RLS is still available if a business has previously borrowed under any of the other coronavirus loan schemes (such as Bounce Bank Loans or Coronavirus Business Interruption Loans), although the amount available to borrow under RLS may be reduced by existing loans taken out.

There is no turnover restriction for businesses accessing the scheme.

Full details can be found at <https://www.british-business-bank.co.uk/ourpartners/recovery-loan-scheme/for-businesses/>

Key Features

Types of finance: term loans, overdrafts, asset finance and invoice finance facilities.

Maximum facilities: £10m

Minimum facilities: £1k (asset and invoice finance); £25k (term loans and overdrafts).

Term: up to 6 years (terms loans and asset finance); up to 3 years (overdrafts and invoice finance).

Interest and fees: the business will meet the cost of interest payments and fees associated with the facility. The annual effective rate of interest, upfront fee and other fees cannot be more than 14.99%.

Guarantees: RLS gives the lender a government-backed guarantee against the outstanding balance of the facility. Borrower are 100% liable for the debt. For loans of £250,000 or less, the lender will not take any form of personal guarantee. For amounts over £250,000, the lender has the discretion to decide whether to take personal guarantees. However, above £250,000, the maximum amount that can be covered under RLS is capped at 20% of the outstanding balance of the RLS facility after the proceeds of business assets have been applied.

Lenders

The RLS will initially be available through a number of lenders accredited by the British Business Bank.

Current accredited lenders include Bank of Scotland, Barclays, HSBC, NatWest, Lloyds Bank, Paragon, RBS, Santander, Skipton Business Finance, Yorkshire Bank and Clydesdale Bank. New lenders under the scheme will be listed on the British Business Bank website as they become accredited.

A key aim of the RLS is to improve the terms on offer to a business, but if a lender can offer the choice of a commercial loan on better terms, without requiring the guarantee provided by the RLS, they should do so.

Lenders will be required to undertake standard credit, fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks for all applicants.

Applicants for finance will need to provide certain evidence to show they can afford to repay the RLS-backed facility. This is likely to include the following:

- management accounts;
- business plans;
- forecasts and projections;
- historic accounts; and

- historic accounts, and
- details of assets.

As always, please do contact us if you require additional assistance.

The Team at Allens



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