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Small Firms Loan Guarantee Scheme

Launched in 1981, the SFLGS is designed to help small and start-up businesses who need it, to access commercial debt finance (such as a bank loan).

It is run by the BERR (virtually, the old DTI), and works by guaranteeing up to 85% of the loan should the borrower default. It was reviewed in 2005, and the rules on who is eligible were eased somewhat.

To be eligible:

1. the borrower needs a viable business plan with projections, showing a need for finance up to £250k
2. the borrower does not have any personal assets to use as security, such as a family home
3. a business that is already indebted to their bank (e.g. with a debenture in place on their assets) will almost certainly not be able to make a viable application

Note that a family home with a large mortgage on it already should not be considered an asset (and therefore make you ineligible).

Almost any sort of small business can apply, whether new or existing (up to 5 years). Applications can be made through any high street bank or some regional funding bodies. Unfortunately, there is a 2% premium paid to the BERR, which is on top of the interest paid to the bank.

Once the lender has been convinced of the viability of the business plan, they must put it forward to the BERR to sanction. Note that the high-street banks in particular are generally reluctant to accept new applications however, and will probably need some pushing.

Should you be interested, you can follow this link to find out more: <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/info-business-owners/access-to-finance/sflg/page37607.html>

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