



Enterprise Finance Guarantee

Key Facts

In the Pre-Budget Report, the Chancellor announced a new Small Business Loan Guarantee Scheme. On the 14th January 2009 this went live as the £1.3bn Enterprise Finance Guarantee.

What is it?

The Government provides a 75% guarantee on individual loans made by participating lenders to small and medium sized businesses. The businesses should have viable business plans but will either lack the necessary security or, because of the current economic conditions, be considered too high risk by the lender; possibly due to cash flow pressures or the declining value of existing security.

Who is eligible?

Open to businesses with an annual turnover of up to £25m seeking loans of between £1,000 and £1million, repayable over a period of up to 10 years.

When is it available?

Loans backed by the Enterprise Finance Guarantee are available through participating lenders from 14th January 2009 and will continue to be available until 31st March 2010.

What form does the funding take and what can a business use it for?

- New loans to finance the development of the business, either as working capital or for specific projects;
- Refinancing existing loans to keep them in place when they might otherwise be withdrawn due to diminishing security values;
- To move long term debt from an existing overdraft into a term loan to release capacity in the overdraft to meet working capital requirements.

How do I access this support?

For an initial indication of likely eligibility and bank contact details go to the Help with Finance web page hosted on www.businesslink.gov.uk/realhelp.

All lending is at the discretion of the lender and is made subject to their normal commercial terms and conditions. Neither the Department for Business or Capital for Enterprise is involved in the lending decision process.

Lending backed by the guarantee is currently available through the following banks; Barclays, Clydesdale, Yorkshire Banks, HBOS, HSBC, Lloyds TSB, RBS, NatWest and Northern Bank. It will also become available from other lenders in due course.

What does it cost?

In addition to the capital and interest repayments and any arrangement fees charged by the lender an annual premium of 2% of the outstanding balance of the loan, assessed and collected quarterly in advance by Direct Debit, is payable to the Department for Business.

For those premium payments which fall due during 2009 and are successfully collected the Department for Business is offering a 25% discount, deducted at the point of collection.