

Coronavirus Guidance - Bounce-Back Loan Scheme

The Government has launched the Bounce-Back Loan Scheme (BBLs) to provide financial support to businesses across the UK that are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak and that can benefit from £50,000 or less in finance.

It is understood that the substantial majority of self-employed barristers and chambers are eligible to apply for a loan under this scheme.

Like the Coronavirus Business Interruption Loan Scheme (CBILS), the BBLs is managed by the British Business Bank (BBB) through a number of accredited lenders; the current lenders are [listed here](#). Further lenders are expected to be accredited in due course.

CBILS provides loans and overdrafts for eligible businesses (including sole traders) from £50,001 up to £5M. Barristers or chambers seeking finance who are unsure which scheme might suit them better should initially discuss this with their bank. Those who have had CBILS applications rejected are able to apply for a BBLs loan. Those who have taken loans or overdrafts of £50,000 or less can apply to transfer this liability to a BBLs loan.

The new BBLs, launched today, provides loans between £2,000 and £50,000, capped at 25% of the business's turnover. The funds are 100% guaranteed to the lender by the Government, so the approval process can be simplified, with decisions made in a matter of hours or a few days.

Further details include:

No fee is payable by the borrower for the loan.

The Loan term is to six years, although early repayment, with no extra charge, is allowable.

The interest rate set at 2.5%

No interest is charged to the borrower for the first 12 months.

No repayments are required in the first 12 months.

The application process is a "short, simple, online form".

Applicants self-certify that they have a viable business and will not need to provide financial data or business plans (as they do under CBILS), lifting obligations on lenders to carry out their own checks.

Businesses cannot apply if they've already had a CBILS loan/overdraft but can transfer to BBLs a CBILS facility of £50,000 or less. (The terms will almost certainly be better under BBLs than CBILS.)

Borrowers remain 100% liable for repayment – this is a loan, not a grant.

Eligibility:

A business must be able to self-declare that it:

has been impacted by the coronavirus pandemic.

was not an "undertaking in difficulty" at 31 December 2019 (see the definition in the [BBB FAQ](#) – for a sole trader, this essentially means that you were not in collective insolvency proceedings at that date)

is engaged in trading or commercial activity in the UK and was established by 1 March 2020

is not using the CBILS, unless the BBLs Loan will refinance the whole of the CBILS facility

is not in bankruptcy or liquidation or undergoing debt restructuring at the time it submits its application for finance.

derives more than 50% of its total income from its trading activity.

Some BBLs lenders state that they require borrowers to be business banking customers, others state that business owners using a personal bank account can borrow through BBLs after making arrangements with their business banking teams, others still state that a borrower does not need to be a bank customer, However, all lenders are likely to prioritise applications from current customers. It is suggested that sole traders operating through personal bank accounts should first discuss a BBL loan with their existing bank, even if that bank currently states that the loan is only open to business banking customers.

In the eligibility criteria, there is no upper limit on turnover, so chambers that wish to borrow no more than £50K may wish to consider a BBL loan, which may be used to refinance existing loans and overdrafts.

There is no minimum trading period, other than the requirement to have been in business on 1 Mar 2020. Some banks currently state that:

“You can apply to borrow up to 25% of your turnover in the 2019 calendar year, up to a maximum of £50,000. If your business was established after 1 January 2019, you should apply the 25% to your estimated annual turnover from the date you started your business.”

The Bar Council is seeking guidance from the BBB whether lending banks have discretion where, for example, a sole trader was on parental leave for all or part of 2019 or was a newly qualified barrister with reduced income for part of the year.

The BBB states that “The business must confirm to the lender that the loan will only be used to provide an economic benefit to the business, for example providing working capital, and not for personal purposes”. The Bar Council has asked the BBB to clarify how this should be interpreted for a sole trader, much of whose personal expenditure will be essential to ensure that the business can continue to exist and might therefore be assumed to be providing “economic benefit to the business”.

Further information can be found at:

[BBB BBLs webpage for Businesses](#)

[BBB FAQ on BBLs](#)

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