

Covid-19 measures: 4 May 2020 update

Following the range of updates over the last several weeks, we have now rounded up the latest information from the government on specific schemes where additional detail was released. This update covers measures discussed on 4 May.

[Bounce Back Loan Scheme \(BBLs\)](#)

The scheme opened for business at 9.00 am on 4 May. Since last week's initial announcement further details have emerged:

Terms

- The loan can be between £2,000 and £50,000, subject to a maximum of 25% of turnover.
- The government provides a 100% guarantee *to the lender*: the always borrower remains fully liable for the debt.
- No security is required.
- The first year's interest will be covered by a government Business Interruption Payment. During that period, the borrower does not have to make any repayments.
- The interest rate thereafter is set at 2.5%.
- There are no fees for the borrower.
- The maximum term of the loan is six years, but repayment is allowed at any time. No early repayment fees will apply.

Criteria

- The application form contains only seven questions which require basic information, e.g. turnover, company number etc.
- While the [British Business Bank](#) will run the scheme, it recommends businesses should directly approach lenders. At present only ten banks are participating (nine of which are High Street names). Only one, HSBC, is offering loans to non customers, subject to know-your-customer and other checks.
- The borrower must be based in the UK, have been negatively affected by coronavirus and be able to confirm that on 31 December 2019 it was not a "business in difficulty".

- If the business cannot pass that end-2019 financial test, then it must certify that the loan does not breach de minimis State aid restrictions and will not be used to support export-related activities.
- Applicants cannot have received a loan under the existing Coronavirus Business Interruption Loan Scheme (CBILS). However, a CBILS loan of up to £50,000 can be transferred to the BBLs up until 4 November 2020.

The first day of the BBLs saw over 110,000 businesses apply for loans totalling an estimated £3.3bn (an average loan of about £30,000).

Coronavirus Business Interruption Loan Scheme (CBILS)

With the advent of the BBLs, the minimum new loan under the CBILS has been increased to £50,000.

The number of [British Business Bank](#) accredited lenders under the schemes now [over 50](#).

As at 29 April, £4.1bn had been lent to 25,262 borrowers (an average loan of about £165,000)

Coronavirus Job Retention Scheme (CJRS)

The Department for Work and Pensions has [confirmed](#) that pay for furloughed workers taking family-related leave (e.g. Maternity Pay and Paternity Pay) is to be based on normal earnings rather than furloughed pay.

The Pensions Regulator has issued updated [guidance](#) for employers on automatic enrolment of pension and the CJRS.

As at 3 May CJRS applications from 800,000 employers had been received and 6.3 million employees – about 20% of UK employees – were covered by the scheme, according to HMRC. The total value claimed is £8bn.

Given the 45-day consultation period for redundancy, any announcements on the extension of the CJRS beyond 30 June are likely within the next week.

Self-employed Income Support Scheme (SEISS)

Revised guidance now has more information on eligibility and is supported by a new online eligibility [tool](#).

The launch date of the scheme has been confirmed as Wednesday 13 May. Approved claims will be paid “within 6 working days”.

Despite considerable lobbying there have been no moves from the Treasury to assist directors of small companies who rely on dividends to provide their remuneration.

Grant Funding Schemes

On 2 May, the government [announced](#) a £617m extension to the Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grants Fund (RHLGF) schemes. This is primarily aimed at businesses operating in shared spaces (e.g. co-working offices), regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates. The allocation of funding will be at the discretion of local authorities.

Businesses must have under 50 employees and be able to demonstrate that they have seen a significant drop of income due to Coronavirus restriction measures.

There will be three levels of grant payments:

- The maximum will be £25,000.
- There will also be grants of £10,000.
- Local authorities will have discretion to make payments of any amount under £10,000.

Further guidance for local authorities will be set out shortly.

Tax credits

The government has [confirmed](#) that those unable to work their normal hours or furloughed because of Covid-19 will continue to receive their usual tax credit payments, provided they remain employed or self-employed. Covid-19-related changes to income and/or hours do not need to be reported, but any other changes must to be notified to HMRC in the normal way.

Business Interruption Insurance

Following its 'Dear CEO' [letter](#) on 15 April, the Financial Conduct Authority (FCA) has [announced](#) that it "intends to obtain a court declaration to resolve contractual uncertainty in business interruption (BI) insurance cover". The FCA says that "any uncertainty needs to be resolved as quickly as possible" and it hopes to place the issue before the courts "in an agreed and urgent manner".

Any judgement will not determine how much is payable under individual policies but will provide the basis for doing so and offer guidance for the Financial Ombudsman.

Lifetime ISAs (LISAs)

The Treasury has temporarily [reduced](#) the withdrawal charge on LISAs from 25% to 20%, removing what had been an effective 6.25% penalty once the government bonus was

taken into account. The reduction applies from 6 March 2020 to 5 April 2021, meaning some (dis) investors in March and April will be due a refund.

Summary of government business support

Firm Size	Turnover < £45m	Turnover > £45m	Investment grade
Bounce Back Loans (BBLs – up to £50,000)	X	X	X
Coronavirus Business Interruption Loan Scheme (CBILS - £50,000 - £5,000,000)	X		
Coronavirus Large Business Interruption Loan Scheme (CLBILS)		X	X
Covid Corporate Financing Facility (CCFF)			X
Job Retention Scheme	X	X	X
Business Grants (dependent on rateable value of the property)	X	X	X
VAT deferrals	X	X	X
Covering the cost of statutory sick pay	X	X	X
Future Fund (only if VC funded)	X	X	

Source: HM Treasury/GOV.uk, 4 May 2020 [press release](#)