Coronavirus Business Interruption Loan Scheme to cover business acquisitions

Tuesday 31 March, 2020

The UK government has launched the Coronavirus Business Interruption Loan Scheme (CBILS) as it looks to help UK SMEs that might suffer during the coronavirus pandemic. However, the scheme also appears to offer an unprecedented opportunity for acquisitive business owners, following confirmation that the loan can be used to acquire other businesses, if the acquisition is deemed to add value to the business.

If your company has been hit with cash flow difficulties or a drop in revenue due to the coronavirus outbreak, then you may be eligible for a loan under CBILS to help you buy a business that could offset this or that could help you with your recovery in the aftermath of the pandemic.

This represents an incredible opportunity at what is otherwise an incredibly difficult time. With business valuations at a historic low due to the coronavirus turmoil, CBILS could enable you to acquire a successful business at a cut-rate price, using a loan provided by the government and on which the government is committed to covering the interest for the first 12 months.

As Business Sale Report's Boris Rykov says: "In these difficult times, taking out up to £5 million of a government-backed loan could be an invaluable lifeline for many businesses. However, for some it will also offer an incredible opportunity to grow like never before. Over the next six months savvy business owners facing zero or negative organic growth will pounce on this as an opportunity to survive and thrive through acquisition."

The CBILS, which will run for an initial six months, will look to support UK SMEs that may be affected by loss of revenue or disrupted cash flow during the pandemic. Through the scheme, the government will offer business interruption payments of up to £5 million through over 40 accredited lenders to cover the first 12 months of interest payments and any fees levied by lenders. These payments can come in the form of term loans, overdrafts, invoice finance and asset finance. It has also been confirmed that franchises are eligible.

There is no guarantee fee for access and any loans granted are available on repayment terms of up to six years, with finance terms of up to six years for term loans and asset finance facilities and up to three years for overdrafts and invoice finance facilities. The scheme may also be used for unsecured lending for facilities of up to £250,000.

The scheme is open to UK-based SMEs that meet the following simple criteria:

- Annual turnover of up to £45 million
- Generate 50 per cent of their turnover from trading activity
- The lender must consider that the business would be viable if not for the pandemic
- The lender must be satisfied that the business will trade out of any short- to medium- term difficulty in the aftermath of the pandemic

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Scan Me:

Company Contact:

Business Sale Report Ltd

T. +44 208 875 0200
E. chris@business-sale.com
W. https://business-sale.com

Additional Contact(s):
Boris Rykov, Marketing Manager. Email boris@business-sale.com

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