

# Recovery loan scheme

## Recovery loan scheme extended for a further two years

**Help is at hand for small and medium-sized business feeling the squeeze as the Government has extended the Recovery Loan Scheme (RLS) for a further two years. The scheme was launched in April 2021 to help businesses recover from the impact of the Covid-19 pandemic. To date almost 19,000 businesses have obtained support under the scheme.**

This note outlines the key features of the scheme and the eligibility criteria.

### Key features of the scheme

The RLS is a Government-backed scheme that aims to provide finance to help businesses recover from the Covid-19 pandemic. Loans under the scheme are available through a network of accredited lenders. Participating lenders are listed on the Business Bank website.

The scheme was launched in April 2021 and was originally due to run until 31 December 2021. However, it was extended until 30 June 2022, although from 1 January 2022, the scope of the scheme was narrowed, and the maximum loan size reduced. In July 2022, it was announced that the scheme would continue to run for a further two years.

Key features of the scheme are that:

- it is open to small and medium-sized enterprises;
- the maximum facility available under the scheme is £2 million per business group;
- the scheme supports a wide range of products including term loans, overdrafts, asset financing and invoice financing;
- overdrafts and invoicing financing are available on terms ranging from three months to three years;
- terms loans and asset financing facilities are available on terms ranging from three months to six years;
- the Government provides the lender with a 70% guarantee reducing the risk to lenders (although it should be noted that the borrower remains liable for 100% of the debt);
- loans are at the discretion of the lender;
- personal guarantees can be taken at the lender's discretion (although the borrower's main residence cannot be taken as security);
- the effective rate of interest and upfront and other fees cannot exceed 14.99%; and

- borrowers who have previously taken advantage of a bounce back loan or recovery loan are not prevented from taking a recovery loan from 1 August 2022 (although previous loans may reduce the amount of finance available).

## Eligibility criteria

To be eligible for support under the RLS you must pass certain eligibility tests.

The scheme is only open to small and medium-sized business, which are businesses with a turnover of not more than £45 million. If your business is part of a group, the £45 million turnover limits apply to the group as a whole. You must also be conducting a trading activity in the UK and generating at least 50% of your income from trading activities. In addition, you must not be classed as a 'business in difficulty' this includes not being in insolvency proceedings.

Unlike earlier versions of the scheme, you no longer need to meet a Covid-19 impact test and demonstrate that your businesses were adversely affected by the Covid-19 pandemic. However, the lender will assess whether you have a viable business proposition.

Applications should be made direct to the lender.

## Can we help?

If your business is struggling, talk to us about possible financing options, including the Recovery Loan Scheme.