

New loan and equity schemes announced by Government

Plans have been announced today by the Department for Business, Enterprise & Regulatory Reform ("BERR") that are designed to provide in excess of £20bn of loan and equity finance to small and medium sized companies in the UK.

The support package, which builds upon the commitments outlined in November's Pre Budget Report, consists of loan guarantees and a new Enterprise Fund aimed at helping companies struggling to access finance for working capital and investment.

The specific measures include:

- An **Enterprise Finance Guarantee Scheme**, securing up to £1.3bn of additional bank loans to small firms with a turnover of up to £25m
- A £75m **Capital for Enterprise Fund** (£50m from Government augmented by £25m from the banks) to invest in small businesses which need equity
- A £10bn **Working Capital Scheme**, securing up to £20bn of short term bank lending to companies with a turnover of up to £500m

The **Enterprise Finance Guarantee** aims to help smaller, credit-worthy companies which might otherwise fail to access the finance they need for working capital or investment finance due to the current tight lending conditions. The Government will provide £1bn of guarantees (75% of each loan) to support to £1.3bn of bank lending to smaller firms with an annual turnover of up to £25m, which are looking for loans of up to £1m for a period of up to 10 years.

The guarantee, available through high street banks, will apply to loans and can also be used to convert existing overdrafts into loans to enable businesses to free up their current overdraft facilities to meet working capital demands.

To help businesses raise new long-term finance, the Government will also offer to invest in viable companies which have high levels of existing debt through a new £75m **Capital for Enterprise Fund**. Banks are contributing to this fund. The fund, to be managed externally, will provide long term capital to businesses which have exhausted traditional forms of finance. Companies can then use this capital to invest in and grow their business.

The **Working Capital Scheme** is designed to ease the constraint on bank credit available for lending to ordinary-risk businesses with a turnover of up to £500m. The Government will provide banks with guarantees covering 50 per cent of the risk on existing and new working capital portfolios worth up to £20bn.

Next steps

Ensors have first hand experience in preparing professional applications and business plans for government backed loan and equity schemes. Our assistance has helped clients raise significant sums of money which have been used effectively in their businesses.

To find out more please call your usual Ensors contact or David Scrivener, partner Corporate Finance, on 01473 220081 or email david.scrivener@ensors.co.uk

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