



# A Guide to the Government **COVID-19 Credit Guarantee Scheme**



## Introduction

The COVID-19 pandemic has had a devastating impact on businesses in terms of the disruption it has caused to so many different aspects of their business model, their operations and their finances. Add to that the continuing uncertainty as the COVID-19 situation continues to evolve.

In the early stages businesses were forced to react quickly to the crisis, improvising and responding to the wide range of challenges arising, which affected different sectors in different ways.

A common issue for all businesses has been the need to manage the cash pressures as liquidity and funding is eroded as the COVID-19 disruption continues.

The provision of payment breaks by lenders to businesses provided much needed breathing space on the financial front, as did critical Government supports such as the various wage support/subsidy schemes, rates waivers, tax warehousing and credit schemes.

In September 2020, the range of Government supports was enhanced with the launch of a longer-term financial support in the form of a €2bn COVID-19 Credit Guarantee Scheme, provided by the Government through the Department of Enterprise, Trade and Employment (DETE) and operated by the Strategic Banking Corporation of Ireland (SBCI). The scheme is distributed to Small and Medium Sized Enterprises (SMEs), Small Mid-Caps and Primary Producers through approved lenders under the scheme.

**This guide will provide you with details of this Credit Guarantee Scheme, the eligibility criteria, how you can access it, and the information you will need to provide to your lender.**

## What is the COVID-19 Credit Guarantee Scheme?

The purpose of the COVID-19 Credit Guarantee Scheme (CGS) is to support additional lending to Micro, SMEs, Primary Producers and small Mid-Caps with not more than 499 employees, who are viable but vulnerable due to the impact of the COVID-19 pandemic, and therefore should enable such borrowers to access credit that might not otherwise be available to them.

The scheme is designed to support the provision of finance to businesses by providing lenders with an 80% State guarantee on finance provided to eligible businesses. The interest rate charged by lenders will reflect the benefit of the State guarantee to the lender resulting in a discounted interest rate to borrowers.

The provision of the Scheme Guarantee does not remove any liability for the credit facility from the borrower.

The State guarantee provided under CGS is subject to the 'European Commission Temporary Framework for State Aid Measures, to Support the Economy in the current COVID-19 Outbreak'. When the CGS was launched initially, it was to be available until 31st December 2020 or until it was fully subscribed, whichever came first. This date was extended by the Government in December 2020 so that credit could be granted under the CGS up until 30th June 2021. **On 26th March 2021, the Government announced that the Credit Guarantee Scheme will be extended again and will remain open for applications under the end of 2021.**

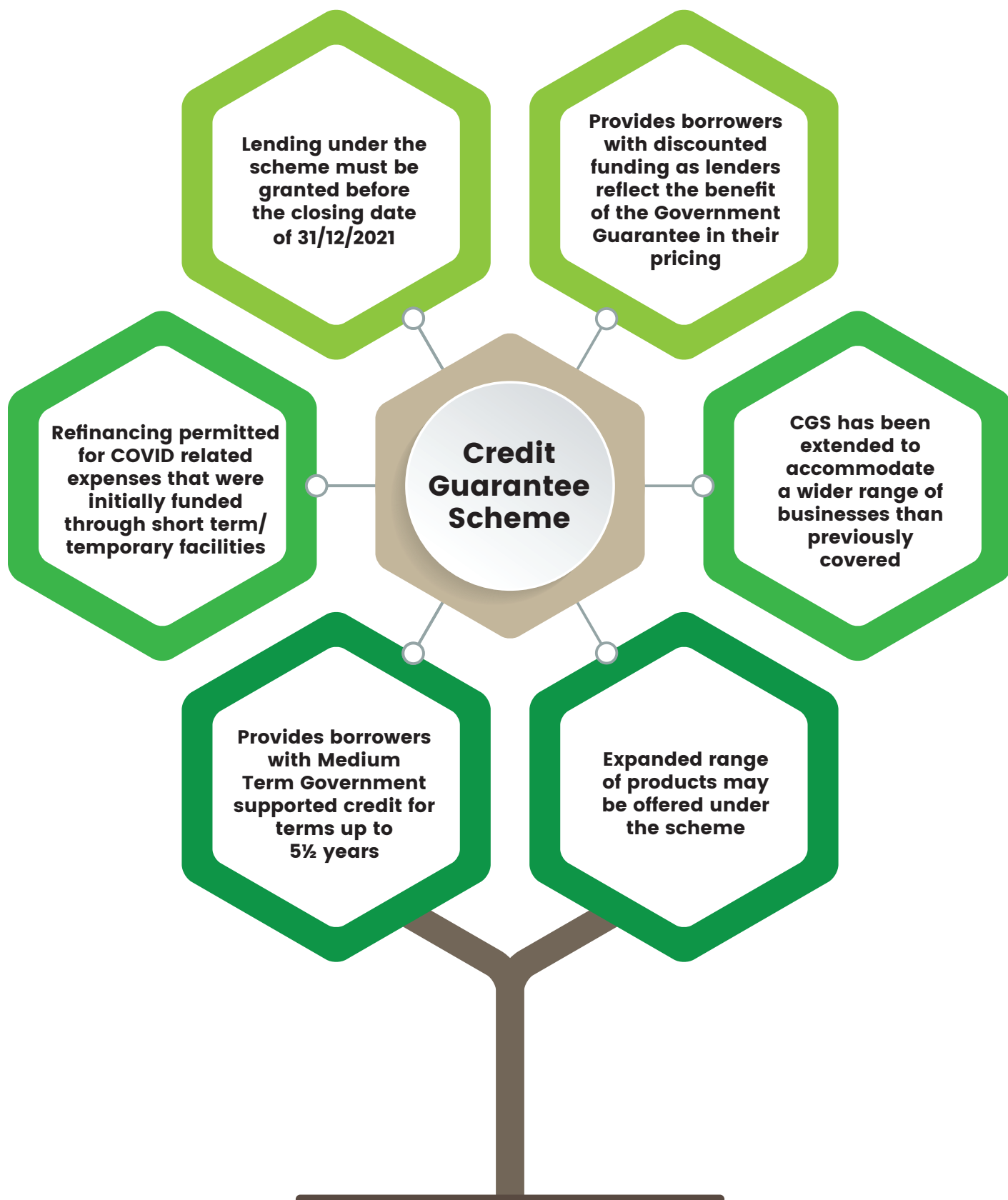
## How do I know whether the Credit Guarantee Scheme is the best option for my business?

The COVID-19 Credit Guarantee Scheme has a number of very positive features and benefits that may suit your needs. It is important for businesses to consider other options such as the SBCI COVID-19 Working Capital Loan Scheme which provides shorter-term funding of up to 3 years, and the SBCI Future Growth Loan Scheme which provides longer-term funding for terms from 7 to 10 years.

It is always advisable to contact your lender who will be happy to talk you through the type of facilities available and what might best suit your business needs.

## What are the key features of the scheme at a glance?

<b>Scheme Availability</b>	<b>Lending under the scheme must be granted before the closing date of 31/12/2021.</b>
<b>Max Borrowing under scheme</b>	<b>€10,000 – €1,000,000 (subject to Government Loan Amount Eligibility Criteria below)</b>
<b>Credit Facility Term</b>	Minimum 3 months up to 5½ years maximum.
<b>Products</b>	A wide range of products may be offered by lenders under the scheme including but not limited to Overdrafts, Working Capital and Term Loan facilities, asset finance facilities and invoice discounting. Initially the scheme will focus on Term loans.
<b>Interest Rate</b>	Lenders will set the interest rate on the products offered, which will reflect the benefit of the State Guarantee. The discount on the interest rate will be transparent to borrowers and will be specified in the loan agreement.
<b>Purpose</b>	Finance under the scheme must be used for 1) Working capital, including liquidity needs, or 2) Investment.
<b>Refinancing</b>	Refinancing may be permitted in respect of COVID-19 related expenses that were funded through short term/temporary facilities such as overdrafts. Any provision for potential refinance/rollover must be agreed as part of the initial finance agreement.
<b>Security</b>	Loans less than €250,000 must be unsecured (unless asset finance facilities). Loans greater than €250,000 may be secured.
<b>Moratorium</b>	Lenders may at their discretion offer interest only/or capital and interest moratoria. Such moratoria are a mandatory product feature and where provided following agreement between a lender and borrower, may not exceed a maximum period of 12 months.
<b>Guarantee Premium</b>	A Guarantee premium will be payable by the borrower. It will be collected by the lender and paid to the Strategic Banking Corporation of Ireland (SBCI) which is the scheme operator on behalf of the Government (details below).



## What is the eligibility criteria for the scheme?

The scheme is targeted at businesses that: (i) have experienced an adverse impact of a minimum of 15% in actual or projected turnover or profit due to the impact of COVID-19 and (ii) are having difficulty in accessing credit.

The scheme has been established by the Government under the European Commission's Temporary Framework for State Aid Measures which sets out a number of qualifying criteria in respect of 1) the types of businesses that are eligible and 2) the maximum amount of the loan.

### 1. TYPES OF BUSINESS THAT ARE ELIGIBLE

- The Micro/SME/Small mid-cap/Primary Producer must be established in Ireland;
- The Micro/SME/Small mid-cap/Primary Producer must declare to the finance provider that on the 31/12/19 it was a viable business and was not in financial difficulty. See point below
- As an exception to the above, the Scheme is also available to micro or small enterprises (less than 50 employees) which were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedures and that they have not received rescue aid or restructuring aid;
- The SME/Small mid-cap/Primary Producer must declare to the lender that it can return to viability in the future. Enterprises must declare that turnover/potential turnover/and or profit has been/will be reduced by a minimum of 15% due to the impact of COVID 19 restrictions. Lenders are required to retain this documentation for possible audit or verification by the Department of Enterprise, Trade and Employment or other relevant audit authority.

## Definitions

**Micro** – SME enterprises which have fewer than 10 employees & an annual turnover below €2m

**SMEs** - the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet total not exceeding €43 million.

**Primary Producers** – the category of ‘Primary Producers’ is made up of business involved in the production, rearing or growing of primary products including harvesting, milking and farmed animal production prior to slaughter. It also includes hunting and fishing and the harvesting of wild products.

**Small mid-caps** – a ‘Small mid-cap’ is an enterprise that: (a) has not more than 499 employees, and (b) is not an SME.

## Sectors Excluded from COVID-19 Credit Guarantee Scheme

### Construction

- Construction of buildings
- Construction of residential and non-residential buildings

### Real Estate Activities

- Buying and selling of own real estate

### Mining

- Extraction of crude petroleum
- Extraction of natural gas
- Support activities for petroleum and natural gas extraction

### Manufacturing

- Manufacture of tobacco products
- Manufacture of weapons and ammunition
- Manufacture of military fighting vehicles

### Financial and Insurance Activities

- Monetary intermediation

### Arts, Entertainment and Recreation

- Gambling and betting activities



## 2. LOAN AMOUNT ELIGIBILITY CRITERIA

The maximum amount that an enterprise can borrow under the CGS cannot exceed €1m, subject to a maximum limit of the higher of I or II below:

- I. double the annual wage bill of the enterprise (including social charges as well as the cost of personnel working on the undertaking's site but formally on the payroll of subcontractors) for 2019, or for the last year available. In the case of enterprises created on or after 1 January 2019, the maximum loan amount cannot exceed the estimated annual wage bill for the first two years in operation; or
- II. 25% of the enterprises' total turnover in 2019.

### How do I calculate the maximum amount I can borrow under the scheme?

Below are some examples setting out how to go about working out the maximum amount that an enterprise can borrow under the scheme, bearing in mind the above criteria and the overall limit of €1,000,000, being the maximum amount that can be borrowed by an enterprise during the lifetime of the scheme.

	Loan Amount Criteria	Example 1	Example 2	Example 3	Example 4
	Annual Wages Bill 2019	€90,000	€250,000	€800,000	€400,000
I	Double 2019 Wages Bill =	€180,000	€500,000	€1,600,000	€800,000
	Annual Turnover 2019	€200,000	€800,000	€2,000,000	€4,000,000
II	25% of Turnover =	€50,000	€200,000	€500,000	€1,000,000
	Max Loan Amount based on higher of criteria I or II	€180,000	€500,000	€1,600,000	€1,000,000
	Previously borrowed under CGS	€0	€0	€0	€200,000
	Scheme ceiling amount	€1,000,000	€1,000,000	€1,000,000	€1,000,000
	Eligible Loan Amount	€180,000	€500,000	€1,000,000	€800,000



## If I have already borrowed under the SBCI Working Capital Loan Scheme and/or the SBCI Future Growth Loan Scheme, can I still borrow under the COVID-19 Credit Guarantee Scheme?

Yes, subject to being able to demonstrate adequate repayment capacity for the total level of borrowings.

## What is the Guarantee Premium?

The Guarantee premium is payable by the borrower and will be collected by the lender for onward payment to the Strategic Banking Corporation of Ireland (SBCI), which is the scheme operator on behalf of the Government. The Guarantee premium is a requirement of the EC Temporary Framework and is also subject to Irish Legislation.

Lenders may either collect the Guarantee premium quarterly or may do so at the same time as the loan repayments (e.g monthly). Either way the premium will be calculated at the appropriate rate based on the average balance of the credit facility for the period of the charge. The Guarantee premium will be shown separately from loan/interest payments so the cost of the premium will be transparent to borrowers.

It is important to note that non-payment of the Guarantee Premium when due can result in a borrower being deemed in default of the loan and lenders may demand early repayment of the facility in full.

The table below sets out the premium payable which is dependent on the type of borrower and the loan term.

<b>Guarantee Premium Table</b> Per annum cost over the term of the loan						
<b>Borrower Type/Term</b>	<b>1 Year Term</b>	<b>2 Year Term</b>	<b>3 Year Term</b>	<b>4 Year Term</b>	<b>5 Year Term</b>	<b>5 ½ Year Term</b>
<b>SMEs/Primary Producers</b>	15bps	26bps	29bps	50bps	61bps	68bps
<b>Small Mid-caps</b>	30bps	63bps	73bps	119bps	140bps	155bps

## Which lenders are providing funds under this scheme?

The scheme is open to all lenders to apply to become participating lenders. In order to expedite the distribution of funds following the launch of the scheme, a portion of the funds was allocated to the lenders providing finance under the previous CGS, being AIB, Bank of Ireland and Ulster Bank. The remainder of the fund is being allocated following an open call procedure to all lenders wishing to participate as finance providers under the scheme. Details of new participating lenders will be updated on the SBCI website as they are approved under the scheme. Since the start of 2021, 19 credit unions and 3 non-bank lenders have also joined the scheme as finance providers, with a further 3 non-bank lenders expected to become participating lenders shortly.

## How do I apply for a loan under the Credit Guarantee Scheme?

**Lending under the scheme must be granted before the closing date of 31/12/2021.** Applications can be made directly by borrowers to participating lenders. There is no pre-eligibility screening by SBCI which is different to the SBCI COVID-19 Working Capital Scheme or the SBCI Future Growth Loan Scheme. However, there is a prescribed application form that will form part of the lenders' application processes, some of which requires a level of self-certification as does some of the lenders' credit application process - key points set out below.

Lenders are offering a range of credit facilities (including the above mentioned SBCI schemes) to help businesses deal with the impact of COVID-19. Sector specialists, dedicated teams and contact points are on hand and you should contact your lender to find out what would work best for your business and your particular circumstances – see helpful links below.

## What type of information will I need to provide to a lender?

Borrowers will be required to complete a number of self-declaration statements which are required to meet the eligibility criteria under the Government rules of the scheme (to be certified by a director or equivalent senior officer of the relevant Participating Enterprise, or in the case of a Participating Enterprise which is a sole trader or partnership, by the relevant sole trader). Documentary evidence is required to be obtained and retained by lenders in order to comply with the rules of the scheme.

In the event of COVID-19 affected businesses seeking funding under the Scheme, there will be a need for financial information to be provided to lenders so that they can carry out a credit assessment which they are obliged to do. The type of information required will very much depend on the level of the facility sought, the nature of the business and the sector in which it is operating.

**Typically, the type of information sought may include the following:**

- Application details for the credit facility requested
- A business plan\*
- A cash flow forecast setting out expected cash inflows and outflows
- Most recent financial/audited accounts available
- Most recent draft / management accounts and projected profit and loss accounts if available
- An up to date list of debtors and creditors
- A Statement of Affairs/Asset & Liability Statement
- Details of all debts held with other finance providers
- Tax clearance certificate/information or details of any agreed tax arrangements

It is important to be realistic when setting out expected cash inflows and outflows, recognising the challenge of operating in such an uncertain business environment. Given the level of uncertainty, it can be a good idea to work out your cashflow based on a few different scenarios such as a) a full return to business by a certain date, b) a partial return to business and c) your worst-case scenario. The underlying assumptions for each scenario should be clearly outlined to support the key inputs including sales / turnover and the large administrative expenses and costs for the business.

*\* A business plan may not be required in all circumstances and will be dependent on level of the facility sought and the nature of the business.*

**A cashflow forecast template is available here:**

<http://www.bpfi.ie/wp-content/uploads/2020/09/SME-Cashflow-Forecast-Sep-2020.xlsx>

This is not an exhaustive list of bank requirements and other documentation may be required from some customers, depending on the quantum of debt, the sector and the particular circumstances.

## Borrower Self-Declaration Statements

### 1. Up to the end [December 2019] declaration that;

- The borrower/enterprise was trading satisfactorily
- The sector in which the borrower/enterprise operates was generally sound and stable
- The borrower/enterprise was servicing debt obligations in line with contractual obligations
- The borrower/enterprise was meeting all other financial obligations, including tax/preferential obligations
- The borrower/enterprise had satisfactory repayment(s) track record and Central Credit Register credit report
- The borrower/enterprise could (or would have been able to) demonstrate ability to service (the now proposed) additional debt obligation(s)
- The borrower/enterprise was not in Financial Difficulty – in practice this means that the business must have been viable and a going concern prior to the outbreak of COVID-19

### 2. As at the date of credit application, declaration that;

- The borrower/enterprise has experienced an adverse impact of a minimum of 15% in actual or projected turnover or profit due to the impact of COVID-19 and that they are having difficulty in accessing credit
- The amount of the credit facility sought does not exceed €1m subject to a maximum limit of the higher of I or II below:
  - I. double the annual wage bill of the enterprise (including social charges as well as the cost of personnel working on the undertaking's site but formally in the payroll of subcontractors) for 2019, or for the last year available. In the case of enterprises created on or after 1 January 2019, the maximum loan amount cannot exceed the estimated annual wage bill for the first two years in operation; or
  - II. 25% of the enterprises' total turnover in 2019
- The borrower/enterprise has a reasonable and realistic prospect of survival and a return to trading performance, sufficient to meet existing and proposed debt over a normalised term appropriate to their sector
- Aside from the COVID-19 difficulties, the borrower/enterprise does not face other difficulties that would impair ability to trade or meet obligations
- The borrower/enterprise has not commenced (or intends to commence) any steps to insolvency/liquidation proceedings
- The borrower/enterprise has not availed of COVID-19 Credit Guarantee Scheme with any other financial institution, which if combined with the facility now proposed would exceed €1m



## What will happen if I don't have audited accounts for the financial year 2019?

**For finance agreements above €250k**, in respect of confirming the maximum amount under criterion (i) or (ii) under the Government rules of the scheme, **enterprises must submit to the lender relevant documentation such as audited/certified or management accounts evidencing that the maximum loan criteria have been met.**

The finance provider must retain this documentation for possible audit or verification by the Minister or relevant audit authority including the European Commission.

**For finance agreements less than €250,000**, the participating enterprise may self-certify to the finance provider compliance with the criteria but must also provide to the finance provider the supporting documents and/or management accounts for possible audit or verification by the Minister or relevant audit authority.

**In the case of Primary Producers, microenterprises and sole traders which cannot produce the required 2019 accounts**, they will be permitted to use a statement of their 2019 business current account turnover as a proxy / means of evidencing their 2019 total turnover and of forecasting their future liquidity needs. Where this method is used, the maximum Credit Amount that may be made available must not exceed 25% of the turnover of the relevant current account(s).

## Where can I find bank specific information on the COVID-19 Credit Guarantee Scheme?

It is always advisable to contact your lender who will be happy to provide you with advice and support on the type of facilities available and what might best suit your business needs.

### AIB

<https://aib.ie/covid19/business>

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### Bank of Ireland

<https://businessbanking.bankofireland.com/covid-19/supports-for-businesses>

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### Ulster Bank

<https://digital.ulsterbank.ie/business/support/coronavirus.html>

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### Other useful links:

**BPFI Guide on 'The Business of Borrowing and Lending'**

<http://www.bpfi.ie/wp-content/uploads/2020/07/SME-Documents-The-Business-of-Borrowing-Lending.pdf>

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**BPFI Guide to 'COVID-19 Financial Support Measures'**

<http://www.bpfi.ie/wp-content/uploads/2020/04/SMEs-A-Guide-to-Covid-19-Financial-Support-Measures-Final.pdf>

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<https://sbci.gov.ie/>

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<https://microfinanceireland.ie/>

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<https://www.enterprise-ireland.com/en/>

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<https://www.creditreview.ie/>

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<https://www.centralcreditregister.ie/>

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