

FAQ: Securing funds via the Bounce Back Loan Scheme (BBLs), and how to utilise them

Q: What is the Bounce Back Loan Scheme (BBLs)?

A: The BBLs gives small and medium-sized businesses quicker access to finance, during the Coronavirus pandemic. Businesses can secure a loan between £2,000 and up to 25 per cent of their turnover (capped at £50,000). The government guarantees 100 per cent of the loan and no interest or fees are payable for the first 12 months.

Q: Am I eligible for a Bounce Back Loan?

A: You are able to apply for a Bounce Back Loan if you meet the following criteria:

- Your business is based in the UK;
- your business was established before 1 March 2020; and,
- your business has been adversely affected by Coronavirus.



Q: How do I apply for a Bounce Back Loan, and what are the terms?

A: You can apply for a Bounce Back Loan, until 31 January 2021, by approaching one of the participating lenders and completing an application. If the borrowing is approved, you will be liable for repaying 100 per cent of the amount owed, regardless of whether your business continues to trade after the crisis.

Originally set up to be repaid over six years, the Government has now extended the repayment period to 10 years; although, you can repay early should you wish to do so, without facing a fee.

Q: Can I use a Bounce Back Loan to support my income, during the Coronavirus outbreak?

A: Once you have successfully secured a loan via the BBLS, it is possible to use some or all of the funds for working capital, investment or simply to support your income. However, exactly how you extract these funds from the business is something that needs very careful consideration, so as not to end up in breach of existing legislation or to generate unnecessary tax liabilities.

If you are a limited company director, technically the loan belongs to the company and not to you as an individual. It would, therefore, be a contrary to the Companies Act to extract the loan as dividends since dividends can only be declared from profits.

For example, if you are a consultant and you find that you do not have sufficient retained earnings or assets within the business, the company cannot pay dividends as these need to be paid out of retained earnings.

If you intend to use the loan to cover your own living expenses you should be extracting the funds via your payroll.

Q: How can I find out which lenders are participating in the Bounce Back Loan Scheme?

A: A full list of participating lenders can be found on the GOV.UK website, [here](#).

Q: I'm not sure if a Bounce Back Loan is right for me. Who can I speak to for advice?

A: If you are concerned about applying for a Bounce Back Loan, because you aren't sure whether it is the best solution for you, contact us for advice. We can help you to assess your current position and, therefore, your funding requirements and we can help you to identify which of the existing support measures are most appropriate.

Applying for a loan under the BBLS undoubtedly carries a significant responsibility, to extract and utilise the funds appropriately. Clearly, your specific circumstances will dictate exactly what you can and cannot do, but we can support you to ensure that you understand how existing legislation applies to you and to ensure that you do not make any potentially expensive errors of judgement.

If your company subsequently fails and you have extracted funds via dividends when you shouldn't have done, technically these funds can be recovered from you personally.

If you need support with identifying whether the BBLS funding is suited to you, or if you need assistance with accounting for government support, [contact us](#) today.



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