

Enterprise Finance Guarantee Factsheet

What is it?

The £1bn Enterprise Finance Guarantee (EFG) Scheme will support up to £1.3bn of new lending by banks to viable SMEs with working capital or investment needs.

Who will benefit from the scheme?

The EFG Scheme is open to businesses with an annual turnover of up to £25m, seeking loans of £1,000 to £1m, repayable over a period of 10 years.

Most businesses in most sectors will be eligible for the scheme. However, state aid rules exclude businesses in the agriculture, coal and steel sectors.

What sorts of lending will this cover?

The guarantee can be used to support new loans, refinance existing loans or to convert part or all of an existing overdraft into a loan to release capacity to meet working capital needs.

How much of the loan will Government guarantee?

Government will guarantee 75 per cent of the loan.

How long will the scheme run for?

EFG will be available from Wednesday 14 January 2009 and will operate until March 2010.

Who are the participating lenders?

Barclays

Clydesdale / Yorkshire Bank

HBOS

HSBC

Lloyds TSB

RBS / Natwest

Northern Bank

It will become available to other lenders as they apply.

Working Capital Scheme Factsheet

What is it?

Government is will provide banks with guarantees covering 50 per cent of the risk on existing and new working capital portfolios worth up to £20bn.

Who will benefit from the scheme?

Business will benefit in two ways:

The guarantee will secure £20bn worth of working capital credit lines for companies – ensuring they are safe from reduction or withdrawal.

In addition, the guarantee will free up capital which the banks must use for new lending as a condition of this scheme. This is lending that would otherwise not have been provided.

What sorts of lending will this cover?

The guarantee is provided to a bank on a portfolio of loans to sound, creditworthy companies, which the bank has chosen to include in a portfolio which it has put forward to the Government and has been assessed by Government.

How much of the loan will Government guarantee?

Government is guaranteeing up to 50 per cent of loan portfolios.

How long will the scheme run for?

With the support of participating banks, the first £1bn tranche of the scheme should be operational by 1st March, supporting around £2bn of loans.

If the scheme results in the intended benefits to business and operates within its expected parameters, the Government will make available further tranches of guarantees provided that no claims against the guarantee can be made after 31 March 2011, up to a maximum total liability of £10bn.

Who are the participating lenders?

Real help for businesses now

Banks are invited to submit their loans and projected new or renewals of those loans for approval. We have received declarations of intent to do so from Barclays, HSBC, Lloyds TSB and RBS.

Capital for Enterprise Fund factsheet

What is the fund?

The Capital for Enterprise Fund is a new £75m equity fund, bringing together £50m of government money with £25m from major banks. It provides longer term capital to companies who have exhausted their traditional borrowing capacity.

How will the fund be managed?

It will be run by professional fund managers. They will invest in the company and businesses will be able to use the capital injection to finance business development and take advantage of future opportunities.

Who will benefit from the fund?

The Capital for Enterprise Fund is open to UK SMEs who are economically viable in the long term. The fund will enable them to raise new long-term finance, using equity finance to restructure their balance sheets and continue their growth.

State aid rules currently prohibit agriculture and coal sectors.

When will the fund be available?

Due diligence is currently being carried out on a number of fund managers. We envisage they will be in place and ready to begin investing by the end of January.

From January 14, SMEs keen to attract investment from the fund can register their interest by ringing the Capital for Enterprise Fund Registration Helpline on 0845 459 9780.