

CORONAVIRUS

# Business customers struggle to contact banks for crisis loans

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Owners of small businesses whose trade has been damaged by the pandemic say they are struggling to reach their banks



Banks have been inundated with requests for emergency loans as a government-backed scheme that could underwrite more than £1.2 billion of credit to small businesses was launched.

However, small companies whose trade has been damaged by the coronavirus pandemic said yesterday that they were struggling to reach their lenders as they sought access to the loans.

UK Finance, the banks' trade body, urged customers to try to make contact through lenders' websites owing to the present strain on call centres, with some staff absent because of the crisis. Time spent on hold to speak to HSBC's call centre was an hour yesterday, while some Natwest customers said that they were struggling to reach their relationship managers.

The leaders of Britain's six biggest banks and Andrew Bailey, the Bank of England governor, separately pledged to help businesses through the crisis.

Lloyds, Barclays, HSBC, Natwest, Santander and Virgin Money issued a statement yesterday saying that their institutions would be "here to help businesses and households bridge through

this difficult period and keep financial hardship to a minimum". They said that "banks are in a strong position to provide further support to the economy and are ready . . . to do so".

However, a senior banker involved in the launch of the Enterprise Finance Guarantee programme, on which the new scheme is based, said that lenders were experiencing "huge stress" in getting it up and running and that there might be patchy understanding of the terms on the front line.

The new coronavirus business interruption loan scheme will provide loans of up to £5 million to companies with annual sales of up to £45 million. The emergency loans have been launched with about 40 banks that were part of the EFG scheme, set up to assist small businesses dealing with the fallout from the financial crisis of 2008.

The government will underwrite 80 per cent of the risk on individual loans, although there is a cap of 60 per cent on the total that banks can claim on the guarantee across their books.

The Association of Alternative Business Finance, a group of small lenders, has written to the chancellor to demand that access to the scheme is broadened. It has warned that hundreds of thousands of companies may miss out unless a much wider pool of lenders is accredited urgently.

Digital banks and non-bank lenders, which claim that they can lend to a greater number of businesses at a faster rate thanks to their sophisticated IT systems, will be able to join in time, according to Keith Morgan, chief executive of the state-owned British Business Bank. "We know small businesses are under pressure now," he said. "It was vitally important to bring this to life as quickly as possible, so we built off the underlying foundation we had [with the EFG]. The next step is to widen the distribution."

Concerns have been expressed that directors are likely to be asked to sign personal guarantees, meaning that their own assets are on the line if they cannot repay the debt. Personal residences are out of bounds, but other assets such as second homes could be at risk. For loans above £250,000, only companies that do not have the security to be considered for a conventional loan will be considered.

Mark Phillips QC, a senior insolvency lawyer, had been a supporter of emergency lending, but having reviewed the terms yesterday he said that the scheme was "hopeless". Many would be put off by requests for directors to sign personal guarantees, he said, while "firms that are stronger will simply get commercial loans . . . It is a complete waste of time. The Treasury needs to go back to the drawing board."

Bobby Lane, an accountant and chief executive of Factotum, a business adviser, welcomed the scheme, but said: "Be very careful about what you are signing up to."

Mr Morgan said: "We can't escape the expectation that companies will have to pay back the loan, but . . . we are encouraging the lenders to act with an open mind towards companies who may be struggling."

## Case study

James Morris set up a marquee hire business while at the University of Leeds. Ten years on and Trafalgar Marquees has seven staff and annual sales of nearly £1 million.



James Morris, founder of Trafalgar Marquees

March is normally when the company, based in Petworth, West Sussex, enjoys an upturn in trade and hires temporary workers as its mainly corporate clients begin ordering for summer events. The coronavirus pandemic has put paid to that, however.

“We are looking at having no income for three months or more, which is pretty bleak. Every time we hear a big event has been postponed, it adds to our concerns.”

Mr Morris, 32, has been trying to get some help from his bank, Natwest, since March 13. He is eager to apply for a loan of up to £150,000 under the emergency scheme in order to keep the business afloat. However, he says Natwest’s lack of responsiveness over the past week or so has him concerned about whether he will secure the credit in time.

“I can’t get in touch. They are not answering their phones. I’ve been promised a response by email but I’m still waiting.” He is also waiting on an extension of his company’s overdraft.

“The service has been awful. If I treated my clients like this, I wouldn’t have a business. I want to keep my guys employed and the business on the road, but we need these mechanisms to work.”

## Q&A

**Who qualifies for the loan guarantee scheme?** Any UK-based business with turnover up to £45 million can apply. It needs to be able to show it was viable before coronavirus hit

**How do you apply?** Just over 40 banks have been accredited by the government-owned British Business Bank. The list is on its website

**What can you borrow?** Up to £5 million

**What about security?** Banks will not assess businesses' security position for loans up to £250,000. Over that point, the business will need to show it does not have the necessary security to secure a conventional loan

**What is covered?** A range of business products, including term loans, overdrafts, invoice finance and asset finance facilities

**What are the terms?** Each lender can determine some of their own terms, such as interest rates, but some rules apply across the board. The loans will be interest-free for the first 12 months, with no upfront fee for smaller lenders. The terms will be up to six years for term loans and asset finance facilities. For overdrafts and invoice finance facilities, terms will be up to three years

**What happens if I can't pay?** The government is guaranteeing 80 per cent of individual loans, but that is for the benefit of the bank, not the borrower. Businesses will be liable for repayment of 100 per cent of the loans