



The Enterprise Finance Guarantee

EFG: Facilitating lending to the UK's smaller businesses

Since its launch in 2009, the British Business Bank's Enterprise Finance Guarantee (EFG) has supported the provision of £2.7bn of finance to more than 26,000 smaller businesses in the UK. EFG facilitates lending to smaller businesses that are viable but unable to obtain finance from their lender due to having insufficient security to meet the lender's normal security requirements.

In this situation, EFG provides the lender with a government-backed 75% guarantee against the outstanding facility balance, potentially enabling a 'no' credit decision from a lender to become a 'yes'.

EFG is managed by British Business Financial Services Limited on behalf of its sponsoring department, Department for Business, Energy and Industrial Strategy (BEIS).

£2.7bn

VALUE OF FACILITIES DRAWN
UNDER EFG SINCE LAUNCH

26,000

NUMBER OF FACILITIES DRAWN
UNDER EFG SINCE LAUNCH

'EFG effectively provides the security that the lender needs, by guaranteeing 75% of any losses that the lender may suffer, if the borrower subsequently defaults.'

Judith Hartley, Managing Director,
Lending Solutions, British Business Bank

Supporting the lenders to smaller businesses

EFG supports a wide range of business finance products, including:

- Term loans
- Revolving facilities, such as overdrafts
- Invoice finance facilities
- Asset finance facilities

To be eligible for support via EFG, the small business must:

- Be UK based, with turnover of no more than £41 million per annum
- Operate within an eligible industrial sector (a small number of industrial sectors are not eligible for support)
- Have a viable borrowing proposal but inadequate security to meet a lender's normal requirements

- Be able to confirm that they have not received de Minimis State aid beyond euro 200,000 equivalent in the current and two previous fiscal years

EFG guarantees facilities to fund the future growth or expansion of a business from £1,000 to £1.2 million.

Finance terms are from three months up to 10 years for term loans and asset finance and up to three years for revolving facilities and invoice finance.

A limited number of further eligibility restrictions to apply.

Full details on EFG eligibility criteria and the list of participating EFG lenders can be found at british-business-bank.co.uk/ourpartners/enterprise-finance-guarantee

'The Enterprise Finance Guarantee is an important option for smaller businesses who need access to finance in order to grow. We're pleased to be partnering with British Business Bank and BBA to raise awareness of the scheme through our advisor network.'

Stephen Ibbotson, Director, Commercial & Business, ICAEW

'The great thing about EFG is that it can enable those deals to be done that wouldn't otherwise be written.'

Mike Conroy, Managing Director, Business Finance, BBA

How does a small business apply for an EFG-supported borrowing facility?

It's simple to apply and should take no longer than a standard loan application. Any small business interested in EFG should, in the first instance, approach one of the 40+ EFG accredited lenders with their borrowing proposal.

If the EFG lender can offer finance on normal commercial terms without the need to make use of EFG, they will do so. Where the small business has a sound borrowing proposal but no or inadequate security, the lender will consider the small business for support via EFG.

Decision-making on whether a small business is eligible for EFG is fully delegated to the 40+ accredited EFG lenders. These lenders range from high-street banks, to challenger banks, to asset based lenders, through to smaller specialist local lenders.

The list of participating EFG lenders can be found at british-business-bank.co.uk/ourpartners/enterprise-finance-guarantee

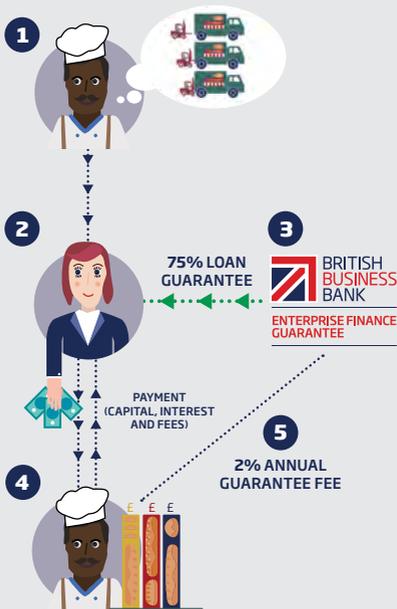
Please note:

- As with any other commercial transaction, the borrower is always responsible for repayment of the full value of any facility supported by EFG
- The EFG guarantee is to the lender and not the small business
- All small businesses supported via EFG are required to pay a 2% annual fee to the government, as a contribution towards the cost of the scheme. This fee is payable on a quarterly basis and is collected by direct debit, directly from the small business's bank account

ENTERPRISE FINANCE GUARANTEE

Facilitating lending to the UK's smaller businesses

Through the Enterprise Finance Guarantee, the British Business Bank provides security to lenders by guaranteeing 75% of any losses that the lender may suffer, if the borrower subsequently defaults. This enables lenders to unlock more finance for smaller businesses, creating a more diverse and vibrant finance market with a greater choice of options and providers.



1. A business needs funding but does not have sufficient security or track record to secure a loan or other debt facility.
2. The lender has assessed the borrower's proposition as viable, but the borrower's lack of security or track record means they cannot meet the lender's normal requirements.
3. The government, operating through The British Business Bank, guarantees 75% of the facility to the lender, not the borrower, which may enable a 'no' credit decision to become a 'yes'.
4. The lender, using the Enterprise Finance Guarantee, can now provide the loan or debt facility requested, providing all their lending criteria can be met*.
5. The business now has the finance it needs to achieve its growth ambitions. It is liable for repaying 100% of the loan and must pay a 2% annual Guarantee Fee to the government as a contribution towards the cost of the scheme.

* The business must be UK based, with turnover of no more than £41m and have a sound proposal, robust business plan and be able to repay the loan. EFG is managed by British Business Financial Services Limited on behalf of its sponsoring department, Department for Business, Energy and Industrial Strategy (BEIS). A limited number of further eligibility restrictions do apply. Full details can be found here: british-business-bank.co.uk/ourpartners/enterprise-finance-guarantee/

EFG Case Study – Mango Bikes

Mango Bikes, one of the UK's fastest growing direct-to-customer bike firms, secured a £150k funding package with Lloyd's Bank through the British Business Bank's Enterprise Finance Guarantee.

The finance is enabling them to launch an innovative new range of road bikes, and they expect their product range to quadruple within the next four years. To help deal with the expected increase in customer demand, both at home and overseas, the company has created six new jobs and plans to add four more within the next 12 months.

For more on Mango Bikes and a range of other EFG case studies, please visit:

british-business-bank.co.uk/our-case-studies/



'The support has been an integral part of the latest stage of the businesses expansion, and our relationship manager really understood how investing in research and development would help us achieve our long term ambitions.'

Ben Harrison, Director, Mango Bikes



The Business Finance Guide

Helping to create a more diverse finance market for smaller businesses with greater choice of options and providers

The British Business Bank and the ICAEW's Corporate Finance Faculty have jointly published The Business Finance Guide, designed to be the essential starting point for businesses in selecting the most suitable finance options for their circumstances and plans.

Devised for both businesses and advisors and supported by 21 major professional membership and representative organisations, the Business Finance Guide draws on the considerable expertise of its many contributors, who together represent more than a million members.

In addition to the printed booklet, the online guide also includes several tools and ideas, as well as explanatory videos to help businesses consider their options, make decisions and plan how they will finance expansion.



The Business Finance Guide can be accessed at:

thebusinessfinanceguide.co.uk



British Business Bank



The British Business Bank is a government-owned business development bank which aims to ensure that finance markets work effectively for smaller businesses, enabling them to grow, prosper and build UK economic activity. Using research, expertise and government money, the British Business Bank designs and delivers programmes that benefit start-ups, high growth, or simply viable but underfunded smaller businesses.

The British Business Bank operates through a number of subsidiaries. Neither British Business Bank plc nor its wholly owned subsidiary, British Business Financial Services Limited, is authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). British Business Bank plc and its subsidiary entities are not banking institutions and do not operate as such.

british-business-bank.co.uk

BBA



The BBA is the leading trade association for the UK banking sector with 200 member banks headquartered in over 50 countries with operations in 180 jurisdictions worldwide. Eighty per cent of global systemically important banks are members of the BBA. As the representative of the world's largest international banking cluster the BBA is the voice of UK banking.

The BBA supports and promotes policies and initiatives that balance both the interest of banks, and the wider public benefit. Our work is underpinned by three core priorities:

- Helping customers – both consumers and businesses
- Promoting growth, including supporting the UK as a global financial centre
- Raising standards – both professional and ethical

bba.org.uk

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 147,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

Because of us, people can do business with confidence.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.

www.charteredaccountantsworldwide.com

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