

Hundreds of SMEs under threat of collapse due to CBIL inflexibility

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Trade body urges Government to intervene further as some firms call scheme a farce

The Association of Professional Staffing Companies is calling on the Government to intervene further to ensure that businesses are able to access much-needed finance through the Coronavirus Business Interruption Loan, as a survey of its membership painted a picture of unreasonable criteria and lack of response.

The survey, which questioned over 100 SME recruitment firms found that only 7% had successfully applied and received a loan. Almost a third (31%) had spoken to their lender and had still found the criteria prohibitive:

“We were told that we did not pass eligibility for the CBIL even though we have grown over 30% year on year in all areas including turnover/gross profit and client base. We invested back in the business for growth and infrastructure and were told that we did not retain enough cash in the business – we have been with our bank for five years – no overdraft, no loans – this is a complete farce”, said one respondent.

“This example is typical of some of the problems that our members are reporting,” said Ann Swain, Chief Executive of APSCo. “The whole point of this loan is to – and I quote from The British Business Bank website – ‘support UK businesses that are losing revenue and seeing their cashflow disrupted as a result of the COVID-19 outbreak.’ The website also states that businesses must ‘have a borrowing proposal which the lender would consider viable, were it not for the current pandemic’. The banks need clear and unambiguous lending criteria to be issued from Government otherwise hundreds – if not thousands of SMEs are going to go under.”

Almost two thirds (62%) of respondents had not applied with firms citing a lack of response and a slow process in getting as far as application as the main reasons:

“It is a very slow process and some companies will go to the wall because of this log jam. I can only see the pace improving if the Government removes the 20% loan that is unguaranteed. Obviously, banks have to go through loan governance for each application which has caused an enormous backlog. We have a great banking record with our bank, but still are getting absolutely nowhere”, said one respondent.

“Some weeks ago, we did write to the Chancellor and John Glen, Chief Secretary to the Treasury, to alert them to the fact that some banks were asking for personal guarantees and offering alternative products to the CBIL at higher interest rates”, added Ann Swain.

“The Chancellor did intervene to stop this practice but it seems there is still work to do to get this scheme up and running in the way that the Government intended. We have been supportive of the Government’s actions so far but it is important that our members have access to finance as quickly as

possible and we will keep up the pressure by continuing to survey recruitment firms on the impact of the crisis – and their ability to access the initiatives that the Government has put in place. That way we can continue to feed live data into Government departments. The recruitment sector is a bellwether of the economy and the sooner it is putting people back into jobs the better for everyone.”

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