

## WHAT IS THE ENTERPRISE FINANCE GUARANTEE?

The Enterprise Finance Guarantee (EFG) is a government guarantee to participating lenders aimed at supporting the availability of working capital and investment funding for small and medium sized businesses in the UK. It is also available to lenders in cases where a borrower is struggling to meet existing debt repayment schedules and a restructuring is considered appropriate.

Subject to all eligibility criteria being met, the EFG will provide a 75% government guarantee to the lender, thus providing the confidence to lend to viable businesses which are seeking to:

- raise additional finance but lack the security required by their lender. The EFG can facilitate the provision of additional finance by way of a term loan, overdraft or invoice finance facility.
- consolidate their existing debts or ease temporary cashflow difficulties but are unable to provide their lender with the necessary security. The EFG can facilitate debt consolidation or restructuring exercises for existing Borrowers.

Delivery of the EFG, including the decision on whether or not it is appropriate to use it in connection with any specific lending transaction, is fully delegated to the participating lenders. **There is no automatic entitlement to receive a guaranteed facility even if a business believes it satisfies the basic eligibility criteria.**

All of the main high street banks plus a number of other lending institutions are participating in EFG. The Business Link website ([www.businesslink.gov.uk](http://www.businesslink.gov.uk)) provides a comprehensive list of all participating Lenders.

The flowchart overleaf describes the process that is followed in providing EFG-backed loans, overdrafts or invoice finance facilities.

For Additional Information on financing a business:

Websites:



[www.businesslink.gov.uk](http://www.businesslink.gov.uk)

Individual lender websites.

Contact Number:

0845 600 9 006 (Business Link Helpline)

## HOW DOES THE EFG PROCESS WORK?

### Step One – Lending decision by lender according to their normal commercial criteria

Business seeks finance from a lender, providing all the information required in connection with an application for the type of finance required, typically including:

- Business plan, including details of the purpose of the borrowing and details of other borrowings of the business.
- Financial information, including historic trading figures, management accounts, financial projections and information on the availability of security.
- Details of any other publicly funded support received by the business within the past three years.

If the lender determines that the proposition is viable and that they wish to provide finance, but that the business lacks the necessary security to enable them to do so, then:



### Step Two – On-line check against EFG eligibility criteria as defined by BIS

- Business is operating in the UK and has an annual turnover of up to £25 million.
- Business has a borrowing requirement of between £1,000 & £1million.
- Business is in an eligible sector. The principal exclusions relate to businesses in the coal, real estate and insurance sectors. Your lender will advise if any restrictions apply to your business.
- Finance will be used to support the continuing trading and/or expansion of the business in the UK.

After going through these steps the lender will then confirm whether they wish to lend with the backing of the EFG. Please be aware that the lender may make their decision to provide finance conditional on the business and/or key individuals associated with the business providing additional security. However, the lender is explicitly forbidden from taking a new charge over an individual's principal private residence in connection with providing an EFG-backed loan, overdraft or invoice finance facility.

As with any other debt facility, the borrower remains liable for the full amount borrowed. In addition to all commercial capital and interest repayments and any arrangement fees, a premium equivalent to two per cent per annum on the outstanding balance of the loan is payable. This is assessed and collected quarterly in advance throughout the life of the loan.