



Enterprise Finance Guarantee Factsheet March 2009

What is Enterprise Finance Guarantee Scheme?

Under the **Enterprise Finance Guarantee**, the Government will guarantee lending to viable businesses to ensure that they can get the working capital and investment that they need.

This is not because the business has suddenly transformed from a success to a failure; but because the current economic conditions has made a significant impact on the availability of capital as the banks change their approach to risk and tighten lending conditions.

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 up to 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?

The current lenders participating in the Enterprise Finance Guarantee Scheme are:

- Barclays
- Clydesdale / Yorkshire Bank
- HBOS
- HSBC
- Lloyds TSB
- RBS / Natwest
- Northern Bank

The scheme will become available to other lenders as they apply.

Delivery of the Enterprise Finance Guarantee, 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 loan and nor is there any pre-qualification process for it.

What has happened to the Small Firms Loan Guarantee Scheme? (SFLG)

The **Small Firms Loan Guarantee Scheme** is suspended. The type of lending previously provided under SFLG - to businesses that lack collateral and/or track record - will still be available under the new scheme. Government will be bringing forward proposals for a scheme post March 2010 later this year.

How is EFG different to SFLG?

In short it offers more help to more businesses - EFG provides loans up to £1 million compared to an upper limit of £250,000 for SFLG and supports businesses with a turnover of up to £25 million compared to £5.6 million under SFLG. Additionally EFG loans can be used to convert an overdraft into a loan. EFG is available to viable businesses that in normal circumstances would be able to secure lending from banks but who cannot secure bank lending in the current times.