



Department for  
Business, Energy  
& Industrial Strategy

Paul Scully MP  
Minister for Small Business, Consumers and Labour  
Markets



HM Treasury

John Glen MP  
Economic Secretary to  
the Treasury

Bob Wigley  
Chair, UK Finance  
1 Angel Court  
London  
EC2R 7HJ

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## Coronavirus Business Interruption Loan Scheme (CBILS): EU State Aid Rules and “Undertakings in Difficulty”

Dear Bob,

Firstly, we would like to express our gratitude for all that UK Finance and your members have done, and continue to do, for businesses during this unprecedented time. We recognise in particular UK Finance’s significant contribution to ensuring that SMEs are able to get through this crisis. This letter is intended to update you on an amendment to CBILS rules, and set out our expectation that all accredited lenders will implement the changes detailed below.

As you know, some businesses have struggled to access government-backed loans as they were categorised as ‘undertakings in difficulty’ under EU State Aid rules. As per the Temporary State Aid Framework, under which CBILS is notified, financial support cannot be awarded to businesses which were ‘in difficulty’ at the end of 2019. The government supports the overarching principle that state aid must be properly targeted. But this specific requirement is causing difficulties for some viable businesses which wish to secure a loan under the schemes - for example, start-ups which have borrowed to grow.

By working with key industry bodies like the CBI and the BVCA, the government sought changes from the European Commission to ensure that businesses that were viable before the Covid-19 outbreak would be able to access support through CBILS. The Commission has now amended the Temporary Framework to allow such support to micro and small businesses, which were classed as undertakings in difficulty on 31 December 2019.

The government is working at pace to reflect these changes in the rules for the loan schemes, and they are due to be in effect from 30 July. We therefore wanted to set out our expectation that all accredited lenders will implement

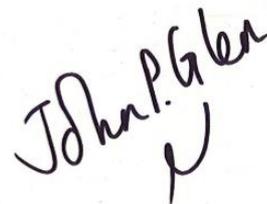
these changes in their own decision-making processes. This will ensure that even more businesses are receiving support at this difficult time, keeping in mind that lenders may now be able to offer CBILS facilities to businesses that were previously ineligible. At this time, we have decided not to amend the rules for the Bounce Back Loan Scheme (BBLs), because BBLs facilities are already available to undertakings in difficulty.

Whilst these changes mean more small businesses can access CBILS, we recognise that some viable larger businesses may still breach EU rules around undertakings in difficulty. With that in mind, the government has been doing more to help viable businesses that have so far been unable to secure government-backed financial support. The British Business Bank will soon circulate new guidance with lenders on identifying undertakings in difficulty, which should be helpful in clarifying how to approach the various elements of the test.

We encourage lenders to take full advantage of the flexibilities within existing EU State Aid rules, and ensure they are correctly applying them.



**PAUL SCULLY**  
**MINISTER FOR SMALL**  
**BUSINESS, CONSUMERS AND**  
**LABOUR MARKETS**  
**MINISTER FOR LONDON**



**JOHN GLEN**  
**ECONOMIC SECRETARY TO**  
**THE TREASURY**