



financial
support

SMEs: A Guide to COVID-19 Financial Support Measures

Introduction

Small and Medium sized enterprises (SMEs) play a key role in the Irish economy, representing 99% of all enterprises and employing 70% of total employees. They have been severely impacted by the COVID-19 pandemic and their survival and recovery is critical to the economy.

In the immediate onset of the COVID-19 pandemic, BPFI member retail banks, non-bank and specialist lenders and credit servicing firms announced the availability of a payment break of up to 3 months which provided businesses with some breathing space as they addressed the challenges of dealing with their employees, operations, suppliers, customers here after and delivery channels, as well as their cashflow management.

An extension of up to a further three months to the payment break was announced on 30th April 2020 for borrowers that continue to be directly impacted by the fallout from the COVID-19 pandemic. This was followed on 18th June by an announcement that the European Banking Authority had extended the deadline date for new payment break applications to 30th September.

This guide provides information on:

- **COVID-19 Payment breaks and how it will affect your loan**
- **Accessing new or increased credit facilities and the type of information required in the COVID-19 environment**
- **Key COVID-19 Government supports available to businesses**

Payment Breaks



How are banks supporting business customers?

The banking and finance industry is doing its utmost to deal with COVID -19 affected customers in an empathetic manner through this unprecedented and difficult time. Lenders are very conscious of the challenges that businesses are facing in dealing with their employees, suppliers, customers and delivery channels as well as their cash flow management.

The retail banks (AIB, Bank of Ireland, KBC, Permanent tsb and Ulster Bank) have put in place measures to support their customers whose business is impacted, as have all other BPFI members.

Various channels are available (Relationship Manager/Branch/Phone/Online) for businesses customers to apply for the support they require.

It is very important that businesses engage early with their finance provider to address cashflow issues which may impact on repayments on existing credit facilities or result in the need for emergency/ additional working capital/trade finance facilities.

Businesses are generally looking for / requesting three types of support: a payment break, which tends to be the immediate priority, emergency/additional working capital or funding to support the transition of their business to a post-COVID-19 environment.

What are the timelines on Payment Breaks?

An initial payment break for up to three months is available on existing borrowings. This will provide breathing space to business customers in respect of existing loan facilities and give them time to deal with urgent business continuity and staffing issues.

On expiry of the initial 3-month payment break, you may apply for an extension to the payment break of up to a further 3 months. You might do so if you are still impacted by COVID-19 and not yet in a position to return to full repayments, but you expect to be able to return to full repayments at the end of the payment break extension.

A deadline of 30th September 2020 has been set by the European Banking Authority (EBA) for lenders to process and grant payment breaks to customers.

If you haven't already availed of a payment break but have been impacted by COVID-19 and feel you may have difficulty meeting repayments, it is essential that you contact your lender as early as possible to be able to avail of a payment break and to allow your lender sufficient time to process your application before 30th September 2020.

How do I apply for a payment break?

You should contact your lender directly to request a payment break. Lenders have established designated contact channels to receive applications and to process these as speedily and efficiently as possible. Payment breaks are not applied automatically to customers' accounts - you need to contact your lender to inform them that you have been impacted by COVID-19 and are unable to meet your repayments as a result – see helpful links from page 16 onwards.

How does a Payment Break work for business customers?

Payment breaks can take a number of forms depending on what best suits your business circumstances.

1. 'Moratorium' Payment Break – generally this means that your full loan repayment is postponed for an agreed period of time so you do not pay any capital or interest during the period of the payment break.

Ordinarily, at the end of this period, loans return to full capital and interest payments. At the end of the agreed period, either your future loan repayments will increase so that the loan is fully repaid within the original term of the loan or your lender may facilitate a term extension for your loan which means that your repayments would remain the same, but over a longer period of time, so therefore the cost of credit over the life of the loan will be higher.

2. 'Interest Only' Payment – another option which may suit some businesses where they have the capacity to do so, would be to pay the interest as it arises during the payment break. You do not pay any capital which means that your repayments will reduce to cover just the interest. Your loan balance will not reduce during this period.

Ordinarily, at the end of this period, loans return to full capital and interest payments. At the end of the agreed period, your future loan repayments will increase so that the loan is fully repaid within the original term of the loan. However, your lender may facilitate a term extension for your loan which means that your repayments would remain the same, but over a longer period of time, so therefore the cost of credit over the life of the loan will be higher.

Either way a payment break will give rise to a higher total cost of the loan.

Businesses that need to arrange a payment break should check their finance provider's website – it may be possible to apply online or arrange it by phone.

A payment break can provide businesses with the space to start planning for the next few months, analysing current and expected cashflows, how costs and risks to the business can be mitigated and how best to deal with customers and suppliers.

Toward the end of a payment break finance providers will engage proactively with businesses to discuss and review whether the return to full repayments is possible or whether other repayment alternatives may need to be considered.

What is the cost of availing of a payment break?

There is no upfront cost associated with availing of the payment break. However, you will be charged interest on any repayments that are not made over the course of the payment break - the initial 3 months and for any additional months you avail of.

This is because when a borrower has a payment break, the interest continues to be charged to the account, increasing the overall outstanding balance owed as a result. This means that at the end of the payment break, the balance is higher and therefore, the total amount a borrower pays back to the lender over the lifetime of the loan is higher. What this means for you will depend on the interest rate on your loan and the value of your monthly repayments. Your lender will provide you with details of these costs specific to your loan.

What type of questions am I likely to be asked and what information will I need to provide?

For customers who would have no need of a payment break other than due to COVID-19, finance providers are keeping the process simple and it may be possible to fill out an online form or to arrange it over the phone. You are likely to be asked the following types of questions:

- Is the reason for the request due to a COVID-19 impact?
- In what way will this impact on your business?
- What type of facility are you seeking and how will this meet the business needs over the duration of the payment break?

I have a 3 month Payment Break. Can I get a payment break beyond that and is there a date by which I must apply for another three-month extension?

To avail of a Payment Break extension, the original Payment Break must be issued before 30th September 2020. Assuming this to be the case, you do not need to take any action as your lender will contact you prior to the expiry of your 3 month Payment Break to establish if you are in a position to revert to full capital and interest repayments. If you are still COVID-19 impacted and not in a position to revert to full repayments, you will need to advise your lender of your particular circumstances and discuss if a Payment Break extension is the appropriate option.

How long is the payment break extension for?

On expiry of the initial 3-month payment break, you may apply for an extension to the payment break of up to a further 3 months if you are still impacted by COVID-19.

Am I automatically entitled to a Payment Break extension?

Borrowers are not automatically entitled to an extension of their Payment Break. Payment Breaks were provided to customers on the basis that they were COVID-19 impacted, and lenders may offer an extension for a further 3 months only where that situation remains unchanged. If your financial circumstances enable you to revert to full scheduled repayments, then it is in your best interests to do so and your lender will contact you prior to the expiry of your existing 3 month Payment Break to establish your position.

What documents/forms do I need to prepare and submit to my lender if I know I will need an extension to my existing three-month payment break?

Your lender will need to document that your business is still financially impacted due to COVID-19 so they will seek information regarding the nature of the ongoing impact on your financial situation.

What will my repayment options be at the end of a payment break extension?

When a payment break extension is put in place, it is done on the basis that on expiry of the payment break extension that the borrower is expected to revert to full capital and interest repayments. Lenders will make available two options for repayment before the end of the Payment Break extension; namely: 1) Revised Capital and Interest repayments over the remaining lifetime of the loan – reflected in increased monthly repayments over the existing term of the loan; or, 2) Capital and Interest repayments by way of a Term Extension where applicable – reflected in additional monthly repayments over the extended term of the loan. Detail on the implications of the cost of credit of both options will be made available to borrowers.

If at any stage during the payment break extension you are concerned about being able to return to full repayments, you should contact your lender as soon as possible.

Can I cancel my payment break if I no longer need it?

If you find that you no longer need to continue with a payment break as you are in a position to revert to capital and interest repayments, then you can cancel the payment break early by contacting your lender.

What will happen if I am unable to start making repayments again after an extended payment break?

It is important that you start making repayments towards your loan as soon as you are able to do so. Not making full repayments can lead to:

- Your loan being classified as pre-arrears or arrears - this means that a credit assessment will need to be carried out by your lender to determine how much you can pay towards your loan and for how long an alternative repayment arrangement should be in place. Your lender will work with you on a range of solutions that will help you get back on track if this is the case.
- Your credit record being impacted - lenders are required by law to report the status of all outstanding loans to the Central Credit Register (CCR). Some lenders also report outstanding loans to the Irish Credit Bureau (ICB). A poor record on either register may impact your ability to get approval for credit in the future.

Will a payment break or a payment break extension affect my credit record?

Where a Payment Break or Payment Break extension is provided to you on the basis that you continue to be COVID-19 impacted, there will be no impact to the Central Credit Register or the Irish Credit Bureau credit records of borrowers who avail of a payment break as a result of being financially impacted by COVID-19.

Am I eligible for a payment break if my existing loan is in arrears?

Lenders are committed to supporting all borrowers – including borrowers who are already financially distressed and have had their loan restructured. It is advisable to engage early with your lender to discuss what further relief measures can be put in place.



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New/ Increased Credit Facilities



What type of credit facilities are available?

Banks and other finance providers are keenly aware that the cashflow of small and medium sized businesses (SMEs) may be adversely affected by the impact of COVID-19. They are committed to supporting viable businesses in continuing to trade while contingency plans are being implemented.

Lenders are offering a range of credit facilities to help businesses deal with the impact of Covid-19. These include emergency working capital, short-term loans to address cashflow issues, supply chain supports, trade finance and foreign currency products.

Sector specialists, dedicated teams and contact points are on hand and you should contact your lender to find out what would work best for your business and your particular circumstances – see helpful links from page 16 onwards.

What will help me demonstrate to my lender that my business is good for the money?

The COVID-19 pandemic has resulted in a huge amount of uncertainty for businesses, some of which is beyond your control, but lenders will want to see that you are managing the things that are within your control and taking necessary action. This can be challenging – while difficult decisions and actions have had to be taken already to stabilise businesses, the harder part may be yet to come, as businesses emerge from lockdown and operating models have to be adapted, employees go back to being fully on the payroll, suppliers seek outstanding payments, stock needs to be purchased, all of which means that managing cashflow is a critical priority.

When engaging with lenders, it is important that businesses can demonstrate that they have a solid understanding of their financial situation when trying to access new/ additional funding. You need to show that you were operating successfully pre-COVID-19, that you are managing the COVID-19 impact by assessing issues and risks, identifying and implementing mitigating actions and that you are scenario planning for the future, recognising that all may not go to the optimum plan and contingency funding may be required.

Some key actions from a finance and cashflow perspective:

- **Assess working capital and liquidity needs**

Review the cash needs of the business by preparing a detailed cashflow forecast – this is an essential exercise in examining all cash inflows and outflows. It is important to keep this up to date and adjust it as the situation evolves.

Identify the amount of any cash shortfalls and plan how they might be addressed, assessing the existing credit facilities available and engaging with your lender if additional support is required.

Run scenarios on cashflows, profit and loss and balance sheet.

Consider reducing stock holdings to generate cash and reducing order quantities to conserve cash outflows.

Review all variable and fixed costs to determine where any cost savings may be achieved, or costs deferred.

Consider the range of COVID-19 relief measures available from Government, State Bodies and Revenue which are offering a range of relief measures such as COVID-19 loan facilities, tax deferrals, restart grants and vouchers which may be of help to your business. Further detail is provided under 'Government Supports' below.

- **Communicating with debtors and creditors**

Review your debtors list and communicate with overdue debtors to establish their situation and when they expect to be able to pay you. Consider offering discounts for accelerated payment.

Review likelihood of other debtors being negatively impacted, with a knock-on effect on your business and engage with them early.

Engage with suppliers if you are having difficulty paying them. Best approach is to be open and honest and to try to negotiate an agreement with them.

Identify supply chain vulnerabilities and include contingencies in your planning.

- **Engage with your lender**

Engaging early and honestly with your lender early is always advisable if cashflow is an issue. Lenders are dealing with many businesses which have been adversely impacted by COVID-19 and they understand the issues and will be supportive in identifying potential solutions.

What type of information will I need to provide to my lender?

In the case of COVID -19 affected businesses seeking emergency/additional Working Capital / Term Loan / Temporary Overdraft, there will be a need for some financial information to be provided, but the goal is to have processes that are as straightforward as possible. Finance providers are obliged to carry out a credit assessment which means they will need to gather relevant information. The type of information will very much depend on the level of the facility sought, the nature of the business and the sector in which it is operating.

Typically, the type of information sought may include the following:

- Application details for the credit facility requested
- A business plan*
- A cash flow forecast setting out expected cash inflows and outflows
- Most recent financial/audited accounts available
- Most recent draft / management accounts and projected profit and loss accounts if available
- An up to date list of debtors and creditors
- A Statement of Affairs/Asset & Liability Statement
- Details of all debts held with other finance providers
- Tax clearance certificate/information or details of any agreed tax arrangements

It is important to be realistic when setting out expected cash inflows and outflows, recognising the challenge of operating in such an uncertain business environment. Given the level of uncertainty, it can be a good idea to work out your cashflow based on a few different scenarios such as a) a full return to business by a certain date, b) a partial return to business and c) your worst case scenario. The underlying assumptions for each scenario should be clearly outlined to support the key inputs including sales / turnover and the large administrative expenses and costs for the business.

**A business plan may not be required in all circumstances and will be dependent on the type of facility requested.*

A cashflow forecast template is available [here](#).

What will happen if I don't have audited accounts for the financial year 2019?

The Registrar of Companies had announced in March that all annual returns due to be filed by any company between 18th March and 30th June 2020 would be deemed to have been filed on time if all elements of the annual return were completed and filed by 30th June. Following a review of the situation, **the Registrar has now decided to extend this arrangement for a further period until 31st October 2020.**

Companies should check the CRO website www.cro.ie for more details.

It is still very much in your interests, however, to have available the most up-to-date financial information. So even if still not signed off by your accountant, your 2019 accounts in draft form could prove helpful or at least management accounts for that period.

Where can I find bank specific information on COVID-19 support for business?

It is always advisable to contact your lender who will be happy to provide you with advice and support.

AIB

<https://aib.ie/covid19/business>

Bank of Ireland

<https://businessbanking.bankofireland.com/covid-19/supports-for-businesses/>

KBC

www.kbc.ie/business/help/covid-19

Permanent TSB

www.permanenttsb.ie/covid-19/

Ulster Bank

<https://digital.ulsterbank.ie/business/support/coronavirus.html>

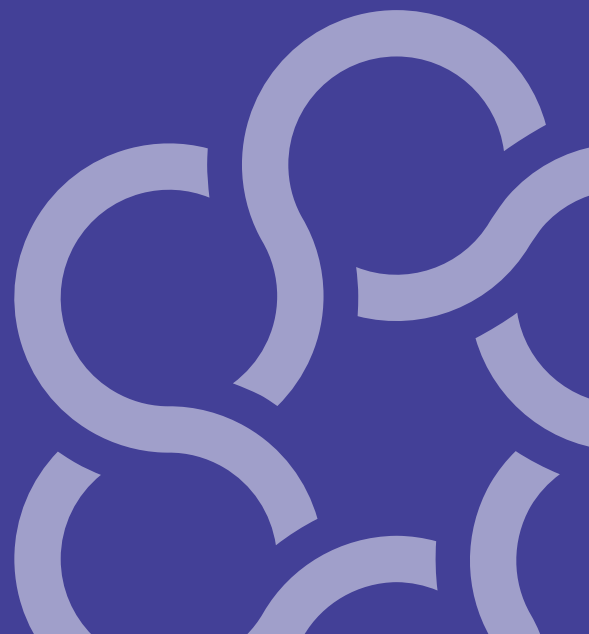
What other sources of finance are available?

In addition to the main banks, a number of alternative providers of finance are available. These firms provide a range of funding options for SMEs including invoice discounting/finance, leasing, hire purchase, export finance term loans, deferred loans, merchant cash advance etc.

For a full list of BPFI Members please click [here](#).

For additional information, please see the BPFI Guide on 'The Business of Borrowing and Lending' [here](#).

Government Supports



There is an extensive range of Government supports available for businesses impacted by COVID-19. The Department of Business, Enterprise and Innovation website provides comprehensive information on the range of supports including a useful booklet detailing the key supports and resources available.

<https://dbei.gov.ie/en/Publications/Publication-files/Supports-for-businesses-impacted-by-COVID-19.pdf>

<https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/>

Some key financial supports and helpful links are available below.

Strategic Banking Corporation of Ireland (SBCI)

- **COVID-19 Working Capital Scheme**

This €450m scheme is available to eligible businesses impacted by COVID-19. Loans of €25,000 up to €1.5m for loan terms of up to 3 years will be available at reduced rates, with up to the first €500,000 unsecured. Applications for an eligibility code can be made through the SBCI website which you then provide to your finance provider who will process the loan application.

<https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/SBCI-Covid19-Working-Capital-Scheme-FAQ.html>

- **Future Growth Loan Scheme**

It has been agreed that an additional €500m in COVID-19 funding will be made available through the Future Growth Loan Scheme. The existing scheme offers longer-term loans from €100,000 to €3,000,000 to COVID-19 impacted businesses over terms ranging from 8-10 years at a maximum interest rate of 4.5%. There may be some changes to these terms under the new scheme.

Legislation is required to be passed by the recently formed Government in order to implement this new Scheme.

<https://sbci.gov.ie/products/future-growth-loan-scheme>

- **SME Credit Guarantee Scheme**

The purpose of the existing SME Credit Guarantee Scheme is to encourage additional lending to SMEs by offering a partial Government guarantee (currently 80%) to banks against losses on qualifying loans to eligible SMEs. Loans from €10,000 up to €1m (up to a 7 year period) are available for SMEs who would not otherwise be able to access bank loans.

<https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/Credit-Guarantee-Scheme-COVID-19-FAQ.html>

- **€2bn COVID-19 Credit Guarantee Scheme**

On 2nd May 2020 the Government announced a **new €2 billion COVID-19 Credit Guarantee Scheme**. The COVID-19 Credit Guarantee Scheme is a further development of the existing Credit Guarantee Scheme. It will provide an 80% guarantee on lending to SMEs and Primary Producers until the end of this year, for terms between 3 months and 6 years. The guarantee will be able to be used for a range of lending products between €10,000 and €1 million that have a maximum term of 6 years. The scheme is expected to end on 31 December 2020.

Legislation is required to be passed by the recently formed Government in order to implement this new Scheme.

Microfinance Ireland

- Microenterprises (sole traders and firms with up to nine employees) can access **COVID-19 Business Loans** of between €5,000 and €50,000 from Microfinance Ireland. The terms include a six months interest free and repayment free moratorium, with the loan to then be repaid over the remaining 30 months of the 36-month loan period. Loans are available at an interest rate of between 4.5% and 5.5% for terms of up to 3 years, with no security required.

Businesses can apply through their [Local Enterprise Office](#) or directly at www.microfinanceireland.ie. Eligibility criteria apply.

<https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/Microfinance-Ireland-COVID-19-Business-Loan.html>



Pandemic Stabilisation and Recovery Fund (PSRF)

- The Ireland Strategic Investment Fund (ISIF) will focus on investment in medium and large scale enterprises in Ireland through a Pandemic Stabilisation and Recovery Fund, worth up to €2 billion, will make capital available to medium and large enterprises on commercial terms.

<https://isif.ie/pandemic-stabilisation-and-recovery-fund>

Enterprise Ireland

- The Sustaining Enterprise Fund of up to €180 million is specifically aimed at firms operating in the manufacturing and internationally traded services sectors, with 10 or more employees, that are vulnerable but viable. The fund is operated by Enterprise Ireland, providing repayable advances of up to €800,000 as agreed with the EU under new State Aid rules.

<https://globalambition.ie/supports/innovation-support/sustaining-enterprise-fund/>

- **Sustaining Enterprise Fund for Small Enterprise:** As part of the Sustaining Enterprise Fund, Enterprise Ireland operates a specific Sustaining Enterprise Fund for Small Enterprise.

This fund provides a short term working capital injection of up to €50,000 to eligible smaller companies to support business continuity and strengthen their ability to return to growth.

<https://www.enterprise-ireland.com/en/funding-supports/Company/Eestablish-SME-Funding/Sustaining-Enterprise-Fund-Small-Enterprise.html>

- A range of grant supports, vouchers, training and mentoring is available through Enterprise Ireland.

<https://enterprise-ireland.com/en/about-us/services/covid-19/>

€250 million Restart Grant for Micro and Small Businesses

- The Restart Grant administered by Local Authorities is aimed at helping micro and small businesses with the costs associated with reopening and reemploying workers following COVID-19 closures. It will operate through a system of rebates/waivers of commercial rates payments for 2019. The grant will be equivalent to the rates bill of the business in 2019, or a minimum payment of €2,000, whichever is the higher, and will be subject to a maximum payment of €10,000. Applications can be made online directly to local authorities.

<https://www.gov.ie/en/publication/942f74-local-authorities/>

Local Enterprise Offices

- Local Enterprise Offices (LEO) provide service supports for small businesses. A new Business Continuity Voucher worth up to €2,500 is available to businesses to assist in preparing short-term and long-term strategies issues to respond to the COVID-19 pandemic.
- Businesses may also apply for the COVID-19 Business Loan (see above under Microfinance Ireland) through the LEOs.

<https://www.localenterprise.ie/News-and-Events/New-Business-Continuity-Voucher-goes-live-through-Local-Enterprise-Offices.html>

COVID-19 Income Support Schemes

- The COVID-19 Pandemic Unemployment Payment will be in place for the duration of the crisis. A payment of €350 per week is available to all employees and the self-employed who have lost their job due to the COVID-19 (Coronavirus) pandemic.

<https://www.gov.ie/en/service/be74d3-covid-19-pandemic-unemployment-payment/>

- The COVID-19 Temporary Wage Subsidy Scheme enables employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer through the payroll system.

<https://www.revenue.ie/en/corporate/communications/covid19/temporary-covid-19-wage-subsidy-scheme.aspx>



- Short-time Work Support: Employees of businesses that need to reduce hours or days worked can avail of the Department of Employment Affairs and Social Protection.

<https://www.gov.ie/en/service/c20e1b-short-time-work-support/>

Revenue 'Warehousing' of COVID-19 related tax debt for businesses

- On 2nd May 2020 the Government announced the 'warehousing' of tax liabilities for a period of twelve months after recommencement of trading during which time there will be no debt enforcement action taken by Revenue and no interest charge accruing in respect of the warehoused debt. The introduction of this 'warehousing' measure will require legislation, but meanwhile, details of the support available can be found on the Revenue website.

<https://www.revenue.ie/en/corporate/press-office/press-releases/2020/pr-020520-revenue-confirms-warehousing-of-covid-19-related-tax-debt-for-businesses.aspx>

Grant and Voucher Supports

- There are a wide range of Grant and Voucher supports available through [Enterprise Ireland](#), [IDA Ireland](#), [Local Enterprise Office](#) and [Údarás na Gaeltachta](#) to support eligible firms in helping to commence or ramp-up online trading activity, reconfigure business models, cut costs, innovate, diversify markets and supply chains and to improve competitiveness.



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