

Enterprise Finance Guarantee FAQ

At Hilton-Baird Financial Solutions we are often asked about what exactly the Enterprise Finance Guarantee is, what it can offer SMEs and how they can access it.

Therefore we have compiled this document, detailing some FAQs demystifying the Enterprise Finance Guarantee scheme.

What is the EFG?

More commonly known as the EFG, the Enterprise Finance Guarantee scheme was put together by the Labour government in January 2009 to replace the Small Firms' Loan Guarantee (SFLG) with the view to help SMEs access the working capital needed and boost their cash flow during a tough economic climate.

As the economy is now working its way through recovery, the EFG aims to help SMEs seeking the finance required for a range of investments to ensure growth and development.

The government loan guarantee scheme supports up to £1.3bn of new bank lending to viable SMEs with insufficient or no security with which to secure a commercial loan but are nonetheless in need of a cash injection to help take their business forward.

Am I eligible for the EFG?

The EFG scheme was designed to support lending to businesses, in nearly all sectors, with an annual turnover of up to £25m searching for loans of anywhere between £1,000 and £1million.

However, there is neither an automatic entitlement to the EFG or a specific form of pre-qualification as individual lenders will assess each application against their own funding criteria before implementing the Enterprise Finance Guarantee scheme criteria.

Commonly businesses applying will have to demonstrate to the lender that they are able to repay the loan in full in order to be eligible for the EFG.

What are the benefits?

As the EFG guarantees 75% loans, the funder it is supplied through ultimately has less risk therefore increasing the likelihood of lending.

The EFG can be provided alongside other funding solutions such as an invoice finance, factoring and invoice discounting facility while it allows businesses to apply for a wider loan amount than its predecessor, the SFLG.

Participating lenders must make a decision within 20 days of a business' application for funding through the Enterprise Finance Guarantee scheme, therefore businesses can access the cash they need reasonably quickly.

What types of EFG are available?

The Department for Business, Innovation and Skills states that under the EFG, the following facilities are available, however not all may be offered by every participating lender:

- **New term loans** to either generate working capital or invest
- **The refinancing of existing loan terms** that are potentially at risk due to the decreasing value of security or if the borrower is struggling to meet payments due to cash flow problems
- **Conversion of part or all of an existing overdraft** into a term loan so that the borrower can manage their working capital requirements
- **An Invoice Finance Guarantee** is available for terms up to three years and provides a guarantee on an invoice finance facility to support any agreed additional advance on an SME's debtor book (For more information on invoice finance contact Hilton-Baird on info@hiltonbaird.co.uk or call **0800 9774833**.)
- **An Overdraft Guarantee** will provide a guarantee on a new or increased overdraft when the business is viable however has inadequate security and can't quite meet the lender's requirements for the level of the requested overdraft

How do I apply?

During the application process the lender involved will assess the business in question against the commercial lending criteria they usually follow such as, the ability to service the loan, the availability of security and the viability of the business before deciding if they wish to lend.

Once the lender deems the applicant to be eligible, they will assess them against the EFG criteria put together by the BIS. Eligibility for the EFG is only confirmed when the loan application has successfully gone through the lender's credit sanctioning process and satisfies the lender's EFG team.

When it comes to choosing a lender it can be quite a difficult process and it's important to consider your wider funding requirements in order to maximise your chances of meeting the Enterprise Finance Guarantee scheme criteria.

With over 14 years' experience as the UK's leading independent commercial finance broker, Hilton-Baird Financial Solutions can aggygg the market to enable your business' cash to flow.

Please contact us on 0800 977 4833 or email us at info@hiltonbaird.co.uk to discuss your funding requirements. Alternatively, please visit www.hiltonbaird.co.uk/fs for a more comprehensive description of our services, as well as case studies and references from a wide range of businesses we have assisted.