

## **We'll lend firms £250k in 48 hours to survive the economic crisis, say banks, with emergency loans dished out quickly as overdrafts**

- **Banks will promise to hand small businesses interest-free loans of up to £250k**
- **Business customers will be able to borrow from one of 40 lenders**
- **Small companies will be able to apply for larger loans of up to £5million**

By [Helen Cahill For The Mail On Sunday](#)

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Lending: The new emergency loans will be interest-free for the first year

Banks will tomorrow promise to hand small businesses interest-free loans of up to £250,000 within 48 hours to survive the economic crisis.

Sources told the Mail on Sunday that Chancellor Rishi Sunak's emergency coronavirus loans would initially take the form of overdrafts.

Business customers will be able to borrow a quarter of a million pounds from one of 40 lenders without having to secure the loan against assets such as property.

Small companies will be able to apply for larger loans of up to £5million under the Government's 'business interruption' loans programme, but banking sources warned these would take longer to arrange and may need to be secured against the company's assets.

Yesterday, bosses warned that they if they are to survive the crisis they face getting into debts that could drag down their profits for years.

Sir John Timpson, chairman of Timpson cobblers, which has 5,500 staff, told Radio 4 Today his firm would go from having £15million cash in the bank to £20million in the red – despite being a 'strong business'.

The new emergency loans will be interest-free for the first year and the Government is on the hook for 80 per cent of the debt.

Sources at several major lenders said banks had been told to tear up safety rules to get funding to struggling businesses faster.

Banks will be able to hand out loans to businesses that were viable before the coronavirus outbreak, rather than asking firms to forecast their future cash flows.

Banks were flooded with loan applications last week after Britons were urged to avoid public places, such as cafes and restaurants.

Loan inquiries to Lloyds Bank jumped by 16 per cent, while Co-op Bank's small business loan applications rose by 20 per cent. The Chancellor said last Tuesday the Government would guarantee £330billion of loans to stop small firms going bust.

### **Hotel owner: I was offered a costly last-ditch overdraft**

Small business owners were last week offered expensive overdrafts and loans by their banks – even though the Chancellor had promised 'interest-free' deals within days.

Christopher Morgan, owner of the Cotford Hotel in Malvern, Worcestershire, said his Lloyds bank manager offered him an overdraft at 4.6 per cent or a loan at 2.9 per cent after he lost three months of business worth £180,000.



Expensive offer: Christopher Morgan, the owner of the Cotford Hotel in Malvern

Morgan almost signed up – until his local MP Harriett Baldwin told him to wait for Government assistance.

'It's a bit unscrupulous. I think they should have been more honest with us,' he told the MoS. 'They should have said, 'We've heard of this opportunity [from the Treasury], bear with us and give us a few more days.' '

Lloyds said: 'We are working as quickly as we can to ensure that once the business support is available, customers can access the finance they need.'

However, bank bosses last night warned some small business owners would be reluctant to get deep into debt.

The Government has also said it will give companies tax holidays on business rates bills and cover 80 per cent of salaries up to £2,500 a month (equal to £30,000 a year) as long as employers keep workers on their books.

But the wages scheme, to be backdated to March 1, will only begin in April and so small firms will need to find funding until then.

Paul Lynam, chief executive of Secure Trust bank, said: 'The problem is that the vast majority of small businesses are non-borrowers – probably about 70 per cent.

'These loans won't work for them because they don't have a clue about how to borrow money and some of them might not want to.'

Trade bodies also warned many banks have not informed small businesses of the interest-free loans coming online tomorrow.

Mike Cherry, chairman of the Federation of Small Businesses, said: 'We've heard numerous instances of small business owners approaching lenders and being met with short shrift. That needs to change, and fast.

'Those responsible for deciding whether or not loans go ahead in the coming days need to recognise that, in a lot of cases, they'll be deciding whether a small business survives or goes bust.'

Ian Rand, chief executive of Barclays business banking, said: 'We're standing by next week to make sure we have all the resources we need to tackle this.'