

ORONAVIRUS

# Emergency loans prompt fury among directors

[James Hurley](#), Enterprise Editor

Thursday March 26 2020, 12.01am, The Times

Gina Miller a campaigner for fairer financial services, said that banks asking for personal guarantees for emergency loans are rubbing salt in a wound



The government and the banking industry are being urged to revisit the terms of emergency coronavirus loans after some directors were told that they would be personally liable for bank debts underwritten by the taxpayer.

The business department is to talk with lenders to discuss how this burden could be lightened after a backlash over the onerous terms being asked of the owners of small companies.

Yesterday, Royal Bank of Scotland, the biggest banker for small companies, said it would not ask for personal guarantees to secure the loans, putting pressure on other lenders to follow suit.

Under the coronavirus business interruption loan scheme, the state will underwrite 80 per cent of the risk of bank loans of up to £5 million. However, borrowers are liable for the entire debt, as the taxpayer guarantee is purely for the banks' benefit, intended to give them confidence to lend to businesses that they may otherwise avoid.

Lenders including Barclays and HSBC have been asking directors of companies struggling to stay afloat to sign personal guarantees, as well as to pledge business assets as security.

Second homes and other personal assets also could be at risk. The banks point out that the terms of the scheme mean that they must exhaust all recovery action against borrowers before they can claim on the state guarantee.

The business department is aware of the anger among business owners and officials are due to consult UK Finance, the banking trade body, on the issue.

Kevin Hollinrake, chairman of the all-party parliamentary group on fair business banking, said that the government must issue “clear and direct guidance” that there will be no personal guarantees.

Gina Miller, founding partner of SCM Group, a wealth management firm, and a campaigner for fairer financial services, said: “These personal guarantees are rubbing salt in wounds.”