



Small Firm Loan Guarantee Scheme (SFLG)

SFLG is a bank loan scheme that is appropriate for businesses that have a funding requirement that meets a bank's criteria for support, excluding an alternative source of repayment – i.e. no security.

In these circumstances the government, via the DTI, can provide a guarantee to the bank for 75% of the value of the loan, to enable the bank to make the advance of funds to the customer.

SFLG Main terms

Eligibility	○ Businesses that have been in existence for less than 5 years (definition of trading woolly to enable companies that have undertaken R&D for a number of years prior to trading to qualify)
Maximum Amount	○ £250,000
Level of Guarantee	○ 75%
Guarantee premium	○ 2% per annum of amount guaranteed – usually collected quarterly in advance.
Term	○ 2-10 years
Additional Security?	○ No personal security allowed for the SFLG loan but company security e.g. a debenture can be taken.

The benefit for the business is that they can gain access to bank finance that would not otherwise be available. The facility is not an equity substitute and is not a soft loan. The bank is the lender with the government merely providing part security cover.

Most businesses with fewer than 200 employees, and turnover of less than £5.6m are eligible. Certain market sectors are, however, excluded e.g. financial services, forestry and property, for a full list of excluded business sectors see SFLG brochure or speak to your advisers.

Evaluation criteria / process

<u>Stages</u>	<u>Action</u>
1. Business applies to bank for a loan	● Business plan / proposal to bank from business.
2. Bank agrees loan subject to additional security	● The bank must firstly agree the loan, subject to additional security. The bank will need to be satisfied that the business proposal is achievable, that the management are able to deliver on their forecasts, that there is an identifiable source of repayment and that cash is, or will be, generated.
3. Bank obtains evidence that no personal or company security is available	● If there is no tangible personal or business security available then the bank will consider a SFLG loan requiring the support of the government guarantee.
4. If no security, client completes bank's SFLG application form	● Each bank has a slightly different procedure to apply to obtain their dti guarantee for the loan, all of them involve standard forms to be completed including personal assets and liability statements from directors. ● Bank will usually send application forms to own in-house SFLG department, who will check forms meet criteria of scheme.
5. Bank agrees loan and funds available once all necessary documentation is completed.	● Funds are released and company pays a guarantee premium to DTI, 2% of guaranteed sum, equating to an additional 1.5% margin on cost of borrowing.

