



Press release | 25 March 2020 | Brussels

State aid: Commission approves UK schemes to support SMEs affected by coronavirus outbreak

Page contents

Top

Print friendly pdf

Press contact

The European Commission has approved two separate UK State aid schemes to support small and medium-sized enterprises (SMEs) in the context of the coronavirus outbreak. The schemes were approved under the [State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak](#) adopted by the Commission on 19 March 2020.

The UK support measures

The UK notified to the Commission two separate aid schemes to support SMEs affected by the coronavirus outbreak under the Temporary Framework.

The UK will set up the so called "Coronavirus Business Interruption Loan Scheme" (CBILS) which will provide respectively:

(i) Under the **first support scheme**, guarantees that cover 80% of loan facilities for SMEs with a turnover of up to GBP 45 million (approximately € 49 million) to cover their working and investment capital needs. This scheme will be implemented through the British Business Bank, a national promotional bank.

(ii) Under the **second support scheme**, direct grants to support SMEs affected by the coronavirus outbreak. The overall budget for this scheme is GBP 600 million (approximately € 654 million).

The beneficiaries of the schemes are SMEs active in all market sectors having temporary financial difficulties due to the economic impact of the coronavirus outbreak.

The Commission found that the UK schemes are in line with the conditions set out in the Temporary Framework. In particular:

(i) With respect to the **guarantee scheme**, (i) the underlying loan amount per company is linked to the company's liquidity needs for the foreseeable future, (ii) is limited to a maximum six-year duration, (iii) and entails a guarantee premium that is at least as high as that set in the Temporary Framework. Furthermore, the scheme includes safeguards to ensure that the advantages of the guarantee are effectively passed on to the borrowers and that the lending is used to cover short-to-medium term liquidity needs.

(ii) With respect to the **direct grants**, the support per company will not exceed €800 000 (around GBP 734 000) per company as foreseen by the Temporary Framework. Furthermore, the grant amount per company is linked to the

market sector in which the company is active, as also foreseen by the Temporary Framework.

The schemes will initially run until 30 September 2020, with the possibility for the UK to extend them until 31 December 2020.

The Commission concluded that the measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework.

On this basis, the Commission approved the measure under EU State aid rules.

Background

According to the UK Withdrawal Agreement, during the transition period, the entire body of EU law continues to apply to, and in, the UK as if it were a Member State. This includes all EU rules relating to State aid.

The Commission has adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the Coronavirus outbreak. The Temporary Framework provides for five types of aid, which can be granted by Member States:

- (i) **Direct grants, selective tax advantages and advance payments:** Member States will be able to set up schemes to grant up to €800,000 to a company to address its urgent liquidity needs.
- (ii) **State guarantees for loans taken by companies**

from banks: Member States will be able to provide State guarantees to ensure banks keep providing loans to the customers who need them. These state guarantees can cover loans to help businesses cover immediate working capital and investment needs.

(iii) **Subsidised public loans to companies:** Member States will be able to grant loans with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.

(iv) **Safeguards for banks that channel State aid to the real economy:** Some Member States plan to build on banks' existing lending capacities, and use them as a channel for support to businesses – in particular to small and medium-sized companies. The Framework makes clear that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.

(v) **Short-term export credit insurance:** The Framework introduces additional flexibility on how to demonstrate that certain countries are not-marketable risks, thereby enabling short-term export credit insurance to be provided by the State where needed. On 23 March, the Commission launched an urgent public consultation with a view to establish if public short-term export credit insurance should be made more widely available in light of the current crisis linked to the coronavirus outbreak. More specifically, the public consultation aims at assessing the availability of private short-term export-credit insurance capacity for exports to all countries listed as “marketable risk countries” in the [2012 Short-term export-credit Communication](#). Depending on the results of the consultation and taking into

account the relevant economic indicators, the Commission then may decide to remove countries from the list of “marketable risk countries” as a temporary measure.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

The Temporary Framework complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the Coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a [Communication on a Coordinated economic response to the COVID-19 outbreak](#) setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the Coronavirus outbreak.

The non-confidential version of the decisions will be made available under the case numbers SA.56792 and SA.56794 in the [State aid register](#) on the Commission's [competition](#) website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).

More information on the temporary framework and other action the Commission has taken to address the economic impact of the Coronavirus pandemic can be found [here](#).

Press contact

Arianna PODESTA

Phone +32 2 298 70 24

Mail arianna.podesta@ec.europa.eu

Giulia ASTUTI

Phone +32 2 295 53 44

Mail giulia.astuti@ec.europa.eu

Maria TSONI

Phone +32 2 299 05 26

Mail maria.tsoni@ec.europa.eu

IP/20/527

Share this page:

Twitter	Facebook	LinkedIn
E-mail		