

Media Release

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States-back loan guarantee scheme launched to provide further financial support to Bailiwick businesses

The States of Guernsey has finalised a loan guarantee scheme to enable further financial support for Bailiwick businesses.

The scheme has been finalised today and will be launched this week. Businesses that wish to utilise the scheme should talk to their banks directly. The scheme is operated by the clearing banks - Barclays, HSBC, Lloyds and RBSI/NatWest, however the Scheme will be open for other banks to join should they wish to.

The scheme is also being established in partnership with the governments of Jersey and the Isle of Man.

Deputy Lyndon Trott, Vice-President of the Policy & Resources Committee, said:

“What businesses are telling us is that they need cashflow and liquidity. What the banks are telling us is that they want to support businesses through this very difficult time. What the States wants to do is support the banks in doing that. This scheme will play a large part in helping some businesses get the fast support that they need.”

“The banks and States officers have been working around the clock to make this happen – this is three months’ work that has been completed in two weeks. I am hugely grateful for the banks’ approach on this matter, further demonstration that they also realise that we are all in this together.”

“This is an important part of the framework of support measures for business that are being put in place. I encourage businesses to look closely at this scheme and to talk to the banks that are providing it.”

On 20th March the States approved a policy letter in response to the Covid-19 outbreak. This granted authority to the Policy & Resources Committee to facilitate a loan guarantee scheme to enable additional liquidity support to be made available to Bailiwick businesses.

The Scheme requires the provision of underwriting guarantees to the participating banks of up to 80% of lending, up to a maximum of £40million. The support will be focused on Bailiwick

businesses. The scheme will not provide underwriting support for any lending currently in place, so there would be no transferring of existing risk to the States under the Scheme.

Tony Mancini, Chairman of the Guernsey International Business Association, said:

“The Guernsey International Business Association welcomes the States of Guernsey’s loan guarantee scheme alongside the other measures recently announced to support businesses during this challenging time.

“The scheme provides a mechanism to bring government and banks together to support business, and we are pleased to see the States responding to support the economy with a variety of measures to suit different industries and sectors.

“The recent days and weeks have shown the States of Guernsey’s strong leadership on public health and it is positive to see this extended to the wellbeing of our economy.

“Maintaining the economic health of our island is critical to the short and long-term wellbeing of our whole community, and we will continue to work closely with the States of Guernsey during this time.”

John Clacy, Chair of the Institute of Directors (IoD) Guernsey Branch, said:

“There is no doubt that the covid-19 pandemic represents an unprecedented challenge for the Bailiwick of Guernsey. We believe that leaders from government, business and the community must work together to support our economic health.

“Collaboration has always been a strength of our island; it is clear that the whole island is working together and the loan guarantee scheme, along with the payroll co-sharing scheme and other measures will be welcomed by our members and the wider business community.

“We’d urge business leaders to explore all the support options presented by the States of Guernsey.”

Principles of the scheme

1. The Scheme only applies to trading businesses. Businesses regulated by the Guernsey Financial Services Commission and property investment and development businesses are excluded. This is subject to a maximum turnover of £10 million.
2. The Scheme only applies in respect of new lending and not any existing debt issued by the banks, including the cancellation of one form of lending and its replacement with another.
3. The States Guarantee will apply in respect of 80% of the total amount provided by the banks.

4. The loans and overdrafts will be for between £5,000 and £500,000.
5. The Scheme will remain open until the 31st December 2020
6. The government guarantee will remain valid for a total of 8 years, this is made up of a term of 6 years, with an additional 18 months to allow the banks to effect recovery and a further 6 months for the bank to effect a claim against the States' Guarantee if necessary.
7. An individual's principle primary residence cannot be provided as security to a bank in respect of the Scheme.
8. The banks may lend up to £250,000 without seeking any form of security from the borrower.
9. The banks have a reporting requirement to government in respect of the number of loans issued and the amount and in respect of applications received but declined.

Ends

Notes to Media

Please contact Joel de Woolfson
pressroom@gov.gg