

Supporting cash flow needs of small and medium enterprises (SMEs) – 50% guarantee on low interest loans

The Government will provide a 50% guarantee over new unsecured loans to SMEs that are to be used for working capital.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans, subject to the following conditions:

- maximum total size of loans of \$250,000 per borrower at 4% P.O interest
- the loans are subject to a maximum term of three years, with an initial six-month repayment holiday
- the loans are in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders may look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

The government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

There will also be an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures.

There still remains a legal obligation to repay debt.

Whilst responsible lending obligations do not currently apply to lending which is predominantly for a business purpose, it can take time and effort for lenders to be satisfied that the money borrowed meets this test. By providing a temporary exemption from responsible lending obligations, this reform will help small businesses get access to credit quickly and efficiently.

What you need to do

You need to apply direct to your bank for the "Supporting Cash Flow NEEDS – 50% Government Guaranteed" 3 year loan.