



Department for Business Innovation & Skills

BIS Enterprise Finance Guarantee: key facts

What is it?

The Enterprise Finance Guarantee (EFG) is a Government loan guarantee scheme to enable lending to small and medium sized enterprises (SMEs) which can demonstrate that they have sufficient cash-flow to meet lenders loan affordability requirements, but are lacking adequate security to obtain a commercial bank loan.

Since EFG was launched in January 2009, more than 20,000 SMEs have been offered loans, generating more than £2bn worth of additional lending. There is currently £500m of funding available.

All of the main high street banks plus a number of other lending institutions offer EFG loans, which are provided with the support of a Government guarantee. They provide businesses with funding that they might not otherwise have had access to, and can be used in a variety of ways – from employing and retaining staff to investing in new equipment or work space. It can also be used to help fund day-to-day running costs.

Businesses from almost every sector can apply, and past recipients of EFG funding range from digital design agencies to construction firms and furniture manufacturers.

EFG is principally used to support loans of between £1,000 and £1 million, and repayment terms between three months and 10 years. EFG also supports overdrafts and invoice finance facilities, which have shorter repayment terms of two years and three years respectively.

How it works and who can apply

All EFG loans are provided by the participating lenders using their own funds. The Government provides the lender with a 75% guarantee for each loan, but the borrower remains liable for repayment of 100% of the loan.

EFG loans are available to a wide variety of businesses. However, the following criteria applies:

- The business must have an annual turnover of less than £41m, but there is no limit on the number of employees.
- The business activity being financed must take place in the UK, although the SME itself might be foreign owned or registered abroad.
- The borrower contributes to the cost of the scheme by paying a 2% per annum premium which is in addition to the fees and charges applied by the lender.

How to apply

A business will always apply for a commercial loan before EFG is considered. If a business meets the lenders' loan affordability requirements, and would have been offered a traditional bank business loan

if they had adequate security, then EFG is worth considering. Businesses should ask about EFG during their loan application. The full list of EFG lenders can be found [here](#).

EFG loans have already helped over 20,000 businesses gain access to essential funding – you could be next!

When does it need to be paid back?

EFG loans have repayment terms between 3 months and 10 years. Lenders follow their standard commercial lending practice, meaning the majority of EFG loans will be repaid on a monthly basis. Lenders have the flexibility to offer capital repayment holidays and bullet repayments (where the business pays back the loan in a lump sum at the end of the term) if they so desire.

Other finance options

If your business is not eligible for the Enterprise Finance Guarantee, or your loan application was unsuccessful, there are a range of other finance options available for small to medium sized businesses. More details can be found at www.greatbusiness.gov.uk/financing-a-business