



An Roinn Gnó, Fiontar agus Nuálaíochta
Department of Business, Enterprise and Innovation

Minister for Business, Enterprise & Innovation Credit Guarantee Scheme Key Information	
Introduction — Rationale & Fundamentals	
<i>Lending to viable SMEs lacking collateral or novel proposition</i>	The Credit Guarantee Scheme (the "Scheme") is provided by the Government through the Minister for Business, Enterprise and Innovation (DBEI) to facilitate lending for investment or working capital purposes to viable Micro, Small and Medium-sized Enterprises (SMEs) which would otherwise be declined because the SME has insufficient collateral to support the facility, and/or because it is a growth/expansionary SME, which due to its sector, market or business model is perceived as a higher risk under current credit risk evaluation practices
<i>Decision making devolved to finance providers</i>	Decision-making on eligibility for the Scheme is devolved to the finance provider. The facility is provided by the finance provider using their own capital and subject to their own commercial terms and pricing for the particular financial product provided
<i>Portfolio Default Limit</i>	The annual portfolio claim limit will be set at up to 13% of the aggregate value of the financial products guaranteed
<i>Percentage cover of guarantee</i>	The Government guarantee covers up to 80% of the finance provider's net (post-recovery) exposure in the event that the borrower defaults on repayment of the Scheme-backed facility subject to the portfolio claim limit above
<i>Premium paid by borrower</i>	The Scheme enables the borrower to access finance which would not otherwise have been available. The borrower contributes to the cost of the scheme by paying an annual premium fee of up to 2% of the outstanding balance to the State. The premium is collected by direct debit or standing order from a nominated bank account. This is assessed annually or quarterly in advance. NB: The Premium is not a form of payment protection insurance for the borrower (See below)
<i>Borrower liability</i>	The borrower remains fully liable for the entire outstanding debt at all times
<i>Duration of G'tee Yrs</i>	The period for which the Guarantee is provided (as distinct from the term of the financial product) is up to a maximum seven years from the date the facility is activated or the loan is drawn down. This is normally aligned to the term of the financial product, so obviously will be for a shorter term if the term of the facility offered is shorter.

Debt Instruments Supported by the Scheme

<i>Eligible Debt</i>	<p>The Scheme is available for working capital or investment purposes or for refinancing, within allowed rules (see below). Qualifying finance agreements may be unsecured or partially secured, with the Minister’s guarantee applying to the unsecured part of the facility. Demand loans, term loans, working capital facilities and performance bonds will be covered by the scheme.</p> <p>The Credit Guarantee Scheme is provided by the Government through the Minister for Business, Enterprise and Innovation to facilitate lending to viable Micro, Small and Medium-sized Enterprises (SMEs) which would otherwise be declined by lenders due to insufficient collateral for the additional facilities and/or growth / expansionary SMEs which due to their sectors, markets or business model are perceived as a higher risk under current credit risk evaluation practices.</p> <p>The Scheme can be used to facilitate refinance (where security is an issue and/or there are sectoral concerns) if related to circumstances where the SMEs finance provider is either (i) unwilling (unwilling where the loans have expired, have been ‘called in’ or demanded) to extend OR (ii) unable (as its exiting the Irish market), to provide the credit sought OR (iii) has sold SMEs debt to a 3rd party.</p>
<i>Ineligible debt</i>	<p>The Scheme cannot be used by a finance provider to restructure existing debt (i.e. transfer existing risk from finance provider to guarantor).</p> <p>Finance providers will also be entitled to make the case for the inclusion of other types of debt instrument, with such cases considered by the Operator with the ultimate approval from the Department. These are currently ineligible.</p> <p>The term “finance agreement”, which <u>may be</u> eligible for the Minister’s guarantee under the scheme, includes loan agreements, credit facility agreements, asset credit facility agreements or invoice finance facility agreements, all as defined in the Credit Guarantee Act 2016.</p>

Scheme Eligibility Criteria

The finance provider should always assess any proposition according to their normal commercial lending criteria and should not be either more or less stringent than normal on the grounds that use of the Scheme is being contemplated.

Viability

<i>Fundamental</i>	The applicant must be able to service and repay the proposed Scheme facility
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Security	
<i>Personal Guarantees & Security</i>	Finance providers are entitled to require personal guarantees and/or other partial security where available
<i>Scheme lending can be secured or unsecured</i>	Where there is some but insufficient security available, the Finance providers may either: <ol style="list-style-type: none"> 1. Use the available security to lend on normal commercial terms, and then use an unsecured Scheme facility to fund the remaining borrowing requirement; or 2. Fund entire borrowing requirement using a partially-secured Scheme facility
<i>Borrower remains liable for 100%</i>	In the event that they default, the borrower remains liable for 100% of the outstanding debt and the finance provider is required to pursue their normal recovery procedures, including realising security and pursuing guarantors, before any guarantee claim is made

SME Tests	
<i>SMEs</i>	The Scheme is only available for SMEs - businesses which have: Fewer than 250 employees and, Annual turnover of no more than €50 million and/or Annual balance sheet total of no more than €43 million (<i>SMEs include micro, small and medium-sized enterprises</i>)
<i>Lending to Individuals</i>	The Scheme should not be used to facilitate lending to individuals in a personal capacity, unless the individual is operating as a sole trader or a member of a partnership
<i>Irish Operations</i>	SMEs may be foreign-owned or registered abroad, but the business activity being financed must take place in Ireland

Facility values and limits	
<i>Loan Values €10k - €1m</i>	The minimum permissible loan value is €10,000 and the maximum is €1 million per borrower. Each Scheme Finance provider has the option to set their own higher minimum amounts or lower maximum amounts within these limits. An SME has a 'lifetime' usage limit of €1m for all Schemes.
<i>Repayment options</i>	Repayment can be made on a regular monthly, quarterly or annual basis, upon maturity (i.e. interest-only loan) or via periodic bullet repayments, at the discretion of the Finance provider.
<i>Drawdown options</i>	Single or multiple drawdowns, at the discretion of the Finance provider. Capital repayment holidays are also permitted, at the discretion of the Finance provider.
<i>€1m lifetime limit</i>	Businesses may benefit from multiple Scheme facilities so long as the lifetime aggregate of the initial value of all such facilities does not exceed €1 million

<i>€200k rolling three year State Aid Limit</i>	<p>The Scheme constitutes de minimis State Aid. The aid attributable to the Scheme facility is calculated individually for each facility but is typically around 20% of the value of the facility.</p> <p>No business may receive more than €200,000 of de minimis State Aid, including that arising from the current Scheme application, in any rolling three-year period.</p> <p>A lower limit applies for road transport (€100,000) and Fisheries (€30,000)</p>
<i>Ineligible Industries</i>	<p>There are a small number of exclusions, principally in respect of aspects of financial services, education and public administration</p> <p>Primary production in agriculture, horticulture and aquaculture are excluded from the scope of the scheme in the light of particular restrictions under the de minimis State Aid rules, as are property investment and speculation</p>
<i>Exports</i>	<p>The Scheme may not be used to fund export-specific activities. However, the fact that an SME exports is not a barrier to borrowing for domestic purposes, therefore companies that happen to export as part of their business will be eligible, provided they meet the criteria</p>
<i>Company purchases</i>	<p>The use of the Scheme to support company acquisitions is generally acceptable where a change of ownership occurs and where the transaction creates or preserves value</p>