

Loan scheme for small businesses to be extended by two years

A scheme offering government-backed loans to small businesses will be extended by a further two years, the business secretary has announced.

Kwasi Kwarteng said on Wednesday: "Small businesses are the lifeblood of the British economy, which is why we are determined to support our traders and entrepreneurs in dealing with worldwide inflationary pressures.

"The extension of the Recovery Loan Scheme will help ensure we continue to provide much-needed finance to thousands of small businesses across the country, while stimulating local communities, creating jobs and driving economic growth in the UK."

The scheme, launched in April 2021 during the COVID-19 pandemic, has helped more than 16,000 businesses in England, 1,000 in Scotland, 600 in Wales and 300 in Northern Ireland, with an average of £202,000 each.

Many businesses are still struggling with the effects of the pandemic – with high rates of infection, staff illness and absence remain a problem.

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And, like customers, they are also dealing with the rapidly rising cost of essentials such as fuel and energy.

Shevaun Haviland, director general of the British Chambers of Commerce, said: "After two years of pandemic disruption and with a faltering global economy, the BCC has been calling for this continued financial support for firms.

“The two-year extension to the Recovery Loan Scheme will be a lifeline for many businesses facing a rising tide of costs.

“It is now essential that businesses in need of this extra support can access the scheme as quickly as possible to make sure they get help before it’s too late.”

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Chancellor Nadhim Zahawi said that the principle of the scheme would not change – the government would underwrite 70% of lender liabilities at the individual borrower level in return for a lender fee.

Lenders must ensure that the benefits of the government guarantee are passed on to businesses, he added.

But, as many businesses are now in a better position than when the scheme started, lenders could require a personal guarantee from the borrower, Mr Zahawi said.

The maximum loan size remains £2m.