



Bounce Back Loans (BBL) – Pay as you Grow extended – 8th February 2021

Factsheet

The Government has just announced that Bounce Back Loan borrowers will now have the option to tailor payments according to their individual circumstances with the option to delay all repayments for a further six months.

Pay as You Grow will be available to over 1.4 million businesses, which collectively took out nearly £45bn through the Bounce Back Loan Scheme.

The Treasury's Pay as You Grow repayment flexibilities enable borrowers to tailor their repayment schedule, with the option to extend the length of their loans from six to 10 years (reducing monthly repayments by almost half), make interest-only payments for six months or pause repayments for up to six months.

The Chancellor has now extended the flexibility of the third option, which will now be available to all from their first repayment, rather than after six repayments have been made. This will mean that businesses can choose to make no payments on their loans until 18 months after they originally took them out.

This is in addition to the government covering the costs of interest for the first year of the loan.

The government has confirmed that lenders will reach out to borrowers to provide information on repayment schedules and how to access flexible repayment options, but borrowers should only expect correspondence three months before their first repayments are due.

It will provide businesses with the following options:

- extend the length of the loan from six years to 10 at the same fixed interest rate of 2.5%;
- make interest-only payments for six months, with the option to use this up to three times throughout the loan; and
- pause repayments entirely for up to six months. This option is available once during the term of the Bounce Back Loan.

The British Business Bank runs the Bounce Back Loan Scheme. The government has made clear that lenders are expected to offer pay as you go options to all borrowers under the Bounce Back Loan Scheme.

This is welcome news and will be appreciated by many business owners who were expecting to have to start making repayments from May 2021.

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