

Lloyds rushes to fix flaw that stopped firms receiving Covid loans

Exclusive: UK subsidiary caught in bank's tangle over government-backed loans

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Milton Keynes-based company Sikla UK waited weeks for a £250,000 loan from Lloyds. Photograph: Nick Ansell/PA

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Lloyds Banking Group is rushing to fix a fault that left subsidiaries of foreign companies struggling for weeks to gain access to UK government-backed loans during the coronavirus crisis.

Subsidiaries in the UK have been caught out by eligibility criteria for the 80% government-guaranteed coronavirus business interruption loan scheme (Cbils), as well as internal bureaucracy within Lloyds bank that automatically blocked account managers from accessing the right loans for their clients.

In order to qualify for Cbils - which is aimed at small and medium-sized firms that conduct most of their business in the UK - a company's annual revenue cannot top £45m. However, local subsidiaries have to count their entire group's turnover when applying for the scheme.

That was one of the major hurdles that Milton Keynes-based steel product manufacturer Sikla UK faced when it approached

Lloyds for a £250,000 emergency loan in March.

Harry Starke, the managing director of the Austrian-owned firm, said

he was initially caught out by the bank's demand for a personal guarantee, which only company owners would usually provide. Rishi Sunak eventually banned personal guarantees following a public backlash, but Starke found the firm was barred due to the Cbils revenue calculation that counted his £5m turnover firm as a £140m-a-year business.

He eventually held out for the government's new Clbils programme for larger firms, which came with less generous terms. Personal guarantees could also be requested on loans above £250,000.

But when the scheme went live, Starke's account manager within the Lloyds small and medium-sized business division could not gain access to the larger scheme. Only clients in its commercial division meant for bigger corporate customers could apply.

Starke told the Guardian he wasted hours trying to apply for the scheme and wished Lloyds had been transparent about counting group turnover from the start. He has been waiting six weeks for funding.

Lloyds acknowledged the issue, but insisted only a limited number of businesses had been caught out by the issue. It is understood a workaround could be in place as early as next week.

A Lloyds spokesman said: "For a very limited number of SMEs, who are part of a wider group of companies where the combined turnover is over £45m, they may be eligible for Clbils rather than Cbils. We are liaising with those customers to ensure we can provide the finance they need as quickly as possible."

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