

Working Capital Scheme Factsheet

What is it?

Government is will provide banks with guarantees covering 50 per cent of the risk on existing and new working capital portfolios worth up to £20bn.

Who will benefit from the scheme?

Business will benefit in two ways:

The guarantee will secure £20bn worth of working capital credit lines for companies – ensuring they are safe from reduction or withdrawal.

In addition, the guarantee will free up capital which the banks must use for new lending as a condition of this scheme. This is lending that would otherwise not have been provided.

What sorts of lending will this cover?

The guarantee is provided to a bank on a portfolio of loans to sound, creditworthy companies, which the bank has chosen to include in a portfolio which it has put forward to the Government and has been assessed by Government.

How much of the loan will Government guarantee?

Government is guaranteeing up to 50 per cent of loan portfolios.

How long will the scheme run for?

With the support of participating banks, the first £1bn tranche of the scheme should be operational by 1st March, supporting around £2bn of loans.

If the scheme results in the intended benefits to business and operates within its expected parameters, the Government will make available further tranches of guarantees provided that no claims against the guarantee can be made after 31 March 2011, up to a maximum total liability of £10bn.

Who are the participating lenders?

Banks are invited to submit their loans and projected new or renewals of those loans for approval. We have received declarations of intent to do so from Barclays, HSBC, Lloyds TSB and RBS.