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## PRESS RELEASE

### A THIRD OF SMALL BUSINESSES STILL UNAWARE OF BOUNCE BACK LOAN REPAYMENT OPTIONS

- **First Bounce Back Loan repayments due to start in June for many borrowers**
- **Around a third of businesses plan to make the standard repayments**
- **Just 5% intend to take the full six-month repayment holiday available**

A year on from the launch of the Bounce Back Loan Scheme (BBLs), almost one in three (29%) small and medium-sized businesses who took out a loan are not aware of the Pay As You Grow (PAYG) options which provide more time and flexibility to make repayments, according to research by Lloyds Bank.

Through the government's PAYG scheme, borrowers can request an extension of their loan term to 10 years from the standard six years, reduce their monthly repayments for six months by paying interest only, or take a full repayment holiday for up to six months. All lenders are writing to their customers at least three times before repayments are due to start to remind them and explain the options available.

With repayments due to start in early June for many borrowers, the research – carried out in partnership with YouGov – found that a third (34%) of businesses are already fully aware of the options available, while another 37% are only somewhat aware.

Around half of businesses (48%) say their bank has been the main source of information about how to repay their loan – either through letters and emails, phone calls or its website – while more than one in 10 (13%) say they haven't yet looked for any information about making the loan repayments.

**Gareth Oakley, Managing Director of Business Banking at Lloyds Banking Group, said:** "We know small business owners are incredibly busy and many simply won't have had time to think about their loan repayments yet. The good news is that all Bounce Back Loan customers will receive at least three letters or emails from their lender before repayments are due to start, explaining how the Pay As You Grow scheme works.

"We'd encourage businesses to look carefully at the support available and what using Pay As You Grow would mean for future repayments. For most customers, it's quick and easy to select an option via their lender's website, which if needed can provide vital breathing space to get their business back on its feet as lockdown restrictions are gradually eased."

#### Repayment intentions

More than a third (35%) of small businesses intend to make the standard monthly repayments as set out in their original loan agreement. Perhaps surprisingly, 16% of borrowers say they plan to pay back their BBL in full, before repayments are due to start.

In terms of the Pay As You Grow scheme, 13% of businesses are planning to extend the loan term to 10 years, making this the most popular PAYG option, while just 5% of businesses plan to make use of a full six-month repayment holiday.

#### Usage of loan funds

The research also shows that almost half (48%) of businesses still have the majority of their BBL funds unspent, including around a quarter (23%) who are still holding on to the full amount. Just 26% of businesses say they have spent all the money they borrowed.



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More than a third of businesses (34%) say they would definitely not have survived the impact of the pandemic without the Bounce Back Loan, while a further 12% are unsure.

**Gareth Oakley, Managing Director of Business Banking at Lloyds Banking Group, continued:** “It’s encouraging that so many businesses with a Bounce Back Loan feel ready to make the standard repayments set out in their loan agreement, or even pay back the borrowing in full straight away. Whilst not the case for everyone, it’s clear from the funds which have not yet been spent that many took the loan as a contingency measure to see them through uncertain times.”

Business customers of both Lloyds Bank and Bank of Scotland who are due to start Bounce Back Loan repayments can now select from the PAYG options available. More information is available on the websites:

[Pay As You Grow | Business | Lloyds Bank](#) or [Pay As You Grow | Business Banking | Bank of Scotland](#)

[Early data shows that extending the term of the loan from six to 10 years is by far the most popular choice for those Lloyds Bank business customers who have already selected a Pay As You Grow option.]

### **Pay As You Grow – how it works**

Originally announced by the Chancellor of the Exchequer in September 2020, Pay As You Grow (PAYG) will enable businesses who are due to start repaying their Bounce Back Loans to:

- request an extension of their loan term to 10 years from six years, at the same fixed interest rate of 2.5%
- reduce their monthly repayments for six months by paying interest only. This option is available up to three times during the term of their Bounce Back Loan
- take a full repayment holiday for up to six months. This option is available once during the term of their Bounce Back Loan.

Borrowers can use these options individually or in combination with each other.

Borrowers should be aware that they will pay more interest overall if they use one or more of these options, and that the length of the loan will increase in line with any repayment holidays taken.

### **About the Bounce Back Loan scheme**

The Bounce Back Loan (BBL) Scheme, launched in May 2020, was introduced to help smaller businesses impacted by coronavirus (COVID-19). It allowed businesses to borrow between £2,000 and £50,000 (up to a maximum of 25% of a business’ turnover).

The scheme was delivered through a network of accredited lenders. No repayments were due during the first 12 months, and government covered any interest payable in the first 12 months through a Business Interruption Payment to the lender. The government set the interest rate for these loans at 2.5% per annum and the repayment term was fixed at six years.

Lenders benefit from a 100% government-backed guarantee and businesses remain 100% liable to repay the full loan amount, as well as interest, after the first year.

It closed to new applications on the 31 March 2021. In total lenders provided more than £46bn of funds to more than two million individual businesses through the scheme (according to latest HMT figures).



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## Notes to editors

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 228 small and medium-sized UK businesses who had accessed funding through the Bounce Back Loan scheme. Fieldwork was undertaken between 13th - 16th April 2021. The survey was carried out online. The figures have been weighted and are representative of British business size.

[YouGov | What the world thinks](#)

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