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ACCOUNTANTS & TAX ADVISERS

The Treasury is advising banks that operate the Bounce Back Loan scheme to offer a more flexible approach when repayments are due to be made.

Pay As You Grow (PAYG)

The new conditions, called the Pay As You Grow approach, offer the following concessions:

1. To extend the length of the loan from six years to ten tears.
2. Allow borrowers to make interest-only payments for six months, with an option to use this facility up to three times throughout the loan.
3. Pause repayments entirely for up to six months.

The Chancellor has now extended the flexibility of the third option, which will 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 eighteen months after they originally took them out. (Prior to these changes, no repayments on Bounce Back Loans were required for twelve months.)

How could these changes affect your cashflow?

The option to increase the term of the loan from six to ten years would almost half your monthly repayments.

The three periods when you can opt to make interest only payments for six months would further reduce the impact on your bank balances as would the ability to request a pause in repayments for six months.

How do we access these PAYG features?

In the Press Release announcing these changes, 8 February 2021, the Treasury said:

Lenders will proactively and directly inform their customers of Pay as You Grow, and borrowers should only expect correspondence three months before their first repayments are due.

In other words, banks are required to inform you of these relaxations, and they will no doubt advise you how to implement any of the PAYG options now available as part of this notification.