



PRESS RELEASE

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Government announces Gibraltar Disruption Guarantee Scheme

Her Majesty's Government of Gibraltar is pleased to announce that the Gibraltar Business Loan Disruption Guarantee Scheme has now been implemented following the European Commission's approval of Gibraltar's economic support measures in conformity with State Aid rules. This scheme will be available through Gibraltar International Bank, The Royal Bank of Scotland International Limited, Gibraltar Branch and Trusted Novus Bank Limited. With each bank having up to £10 million, the scheme could potentially release a total of up to £30 million to local businesses. Each individual business is capped at a maximum borrowing of £500,000 under the scheme.

The scheme has been designed to provide finance to qualifying borrowers whose business has been disrupted by the COVID-19 pandemic. It is targeted at small and medium-sized enterprises as defined by the European Union. Businesses whose income is at least 75% funded by the Government, supermarkets, property development companies, the banking industry itself and e-money institutions are excluded.

Businesses who can borrow from banks in the normal way, are not permitted to participate in the scheme as they should make use of the conventional financial products that are available. Equally, businesses are not allowed to use this scheme in order to refinance existing debt.

Under this scheme, any lending is guaranteed by the Government up to 80% of the amount borrowed with the balance of risk being borne by the relevant lending bank. This ensures that the banks have an interest in the recovery of the loan. Any borrower who defaults on their repayments would still be liable to the bank for the full amount.

The scheme closely follows similar schemes that have been implemented in the Channel Islands and Guernsey. It is underpinned by a Government guarantee and it received unanimous support in Parliament on 28 May 2020 when the Chief Minister moved a motion in favour of the scheme and its terms. The loan guarantee scheme will allow viable businesses to tap into loans that would otherwise not have been available to them.

The facilities provided under the Scheme can be for a maximum period of six years. The lending banks will determine the commercial rates that each client warrants, up to a maximum margin of 4.5% above base rate. Lending banks will be able to take security but they are not allowed to seek collateral in the form of the borrower's principal private residence.



Under EU state aid rules, the Government is required to charge a minimum amount for the provision of the guarantee to avoid falling foul of state aid rules. Businesses that wish to access these loans will be required to self-certify that they have met any obligations to all taxes, social insurance and rates that were due as at 31st December 2019 before the lender is able to lend.

Government encourages any business seeking to participate in the scheme to contact their local bank for further information.

The Chief Minister stated, “I am proud to have delivered on yet another mechanism that will assist local businesses. As a community, we have been fortunate in how we have weathered the pandemic. Our business community has not been as fortunate. The individuals who stand behind these businesses have been hardest hit. As a Government, we have provided numerous mechanisms to assist them and this loan scheme is a further tool that they will have at their disposal. In line with the less-interventionist approach that we have sought to take across all our business support schemes, we have launched this scheme with the private sector banks so that the loans can be paid out as quickly and fairly as possible.

“I would also take the opportunity to thank Mr Gordon Patterson, who initially approached the Government and set the wheels in motion for this local scheme. I would also extend our thanks to the Lars Aarup Jensen from Trusted Novus Bank and Lawrence Podesta from Gibraltar International Bank, and the legal teams involved. These banks will now bear the brunt of the real work as they take the commercial decisions that will be required for these loans to become reality.

“I am also grateful to James Roberts from the Government of Jersey, who assisted us with their experience; Christian Hernandez, as counsel for the Gibraltar banks, Isaac Levy, as counsel for Government, and the Financial Secretary, Albert Mena, for co-ordinating the negotiations for Government and Terence Rocca, Senior Crown Counsel from the Income Tax Office who assisted him in obtaining the state aid clearance.”