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An Roinn Fiontar,
Trádála agus Fostaíochta
Department of Enterprise,
Trade and Employment

FOR IMMEDIATE RELEASE

Contact: Press Office. Department of Enterprise, Trade and Employment

Phone: +353 1 631 2200

Email: press.office@enterprise.gov.ie

Government Agrees to Extend Credit Guarantee Scheme and Redundancy Provisions

24th November 2020 The Government today (Tuesday the 24th of November) agreed to extend two measures which were brought in to help businesses during the pandemic. The COVID-19 Credit Guarantee Scheme (CGS) will now stay open for new applications until the 30th of June 2021. The suspension of redundancy provisions relating to temporary lay-off and short-time work, which arose as a result of COVID-19, will be extended until 31st March 2021. The Government also agreed to fund outstanding applications to the now closed Restart Grant Plus Scheme.

The €2billion COVID-19 Credit Guarantee Scheme (CGS), launched in September 2020 was brought in to provide low cost loans to businesses from €10,000 to €1million. The Scheme was originally due to close at the end of the year, but with an average of 180 businesses now drawing down loans each week, applications will remain open for another six months. This extension has been made possible due to a change in the rules under state-aid at EU level.

The Tánaiste and Minister for Enterprise, Trade and Employment Leo Varadkar T.D. said:

> "The COVID-19 Credit Guarantee Scheme is the biggest state-backed loan guarantee in our history. It is part of a larger package of grants, wage subsidies, tax reductions and other low-cost loans, we have put in place to help businesses during this exceptionally difficult time.

“We are now seeing an average of 180 businesses drawing down loans each week, starting from what was a fairly low take up. The extension of the Scheme will give business a level of certainty that if they need liquidity, the Government is here to help. We will also see some new, non-bank lenders, including many Credit Unions, coming onboard in the coming weeks which should increase the accessibility and visibility of the Scheme.”

The suspension of the redundancy provisions has been extended until the 31st of March to help avoid further permanent job losses at a time when some 350,000 people are in receipt of the Pandemic Unemployment Payment (PUP) and 41,200 employers have registered for the Employment Wage Subsidy Scheme (EWSS).

The Government agreed an extension of the end-date was required as crystalising a large number of redundancy claims now could cause hundreds of businesses to fail thus causing even more jobs to be lost. It also means that the redundancy extension date will be aligned with the date on which the PUP and EWSS is due to end.

The Tánaiste said:

“I want to acknowledge how difficult this year has been for businesses and their staff. I know this news will be really disappointing for some staff who were hoping to take redundancy before the end of the year. This was a really difficult decision for the government to make and not one which was taken lightly. It was taken in the best interests of society as whole in order to avoid the triggering of further business failures and job losses.

We know that the first quarter of 2021 will be particularly challenging for many businesses which apart from dealing with considerable trading difficulties due to Covid-19 will also be facing the added disruption and uncertainty of Brexit. We want to help businesses to survive this period so that we can protect as many jobs as possible and get people back to work as soon as it is safe to do so.”

The Government also agreed to fund outstanding applications to the closed Restart Grant Plus Scheme, which has now been replaced by the Covid Restrictions Support Scheme (CRSS). The Government has approved a total of €685 million for over 117,000 applications, at an average payment of €5,800, since the scheme was launched in May. Approximately 11,000 applications are outstanding to the Scheme and the Government has allocated a further €33m to meet this cost.

The Tánaiste said,

“This is about being as fair as possible to eligible businesses who have had a huge amount to deal with over the past year. These remaining applications will be paid out soon so businesses will have cash in hand to help them re-open and stay open across the Christmas and New Year period."

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Notes for Editor

The original suspension of Section 12 of the 1967 Act to May 31st 2020 was given statutory effect by the insertion of a new Section 12A in the 1967 Act by way of Part 8/Section 29 of the Emergency Measures in the Public Interest (Covid-19) Act 2020.

An extension of Section 12A to the end of March 2021 will ensure coherence with other initiatives, such as the extension of the Pandemic Unemployment Payment, the Employment Wage Subsidy Scheme and the new CRSS programme.

The right to claim redundancy has not been permanently removed. Employees who remain on lay-off or short-time work for the requisite period when this emergency measure expires will be entitled to exercise their right to claim redundancy from their employer.

All other redundancy provisions remain unchanged and in force. If an employer is going to make an employee redundant, protections such as notice periods for redundancy and the payment of a redundancy lump-sum to the affected employee still apply and the existing suite of employment rights legislation remains in place.

The Workplace Relations Commission (WRC) remains fully operational and can provide advice to employees if they believe their employment rights have been breached. As part of its functions the WRC provides information relating to employment entitlements and obligations, equality and industrial relations matters by means of their telephone service on 1800 992 221.

Features of the COVID-19 Credit Guarantee Scheme

The recommended features have been chosen with the objective of maximising the impact of the scheme for borrowers in the short to medium term and addressing their liquidity requirements. The main features are as follows:

- This is a scheme for SMEs, Primary Producers and small Mid-Caps (defined as businesses with up to 499 employees). SMEs are expected to be the main beneficiaries.
- In order to qualify for the Scheme, the borrower will have to declare an adverse impact of minimum 15% of actual or projected turnover or profit due to the impact of COVID-19.
- The amount available under the COVID-19 CGS is €2 billion.
- A guarantee rate of 80% for the State with the lenders retaining 20% of the risk of the loan.

- No portfolio cap for individual lenders. A portfolio cap has been a feature of previous CGS. However, the removal of the cap for the COVID-19 CGS is essential in order to ensure lenders provide an interest rate reduction to borrowers and also comply with the Capital Requirements Regulation.
- The current standard facility size of €10k to €1 million under the current Acts will remain for the COVID-19 CGS.
- The products covered under the scheme will include a broad range of credit facilities including overdrafts, working capital and term loan facilities.
- The new Scheme has been prepared in order to comply with the terms of the European Commission's Temporary State Aid Framework. In particular:
    - Primary agricultural, fisheries and aquaculture producers may be included.
    - A guarantee premium on each loan under the Scheme is required to be paid in addition to interest rate costs (For SMEs it is 0.25% in the first year, 0.50% in years two and three and 1% in years four, five and six).
    - The scheme will be timebound and will be available until 30 June 2021.
    - The rollover of loans will be facilitated but no loan included in the Scheme can extend beyond 31 December 2026.
    - The size of the loan is linked to business turnover (25% of 2019 turnover) or wage costs (double annual wage bill in 2019). The borrower and lender must demonstrate that the loan is compliant with this.

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