

# Bounce-Back loans

## Pay as You Grow options

**You may have received, or are about to receive, a letter from your bank if you took out a government-backed Bounce-Back Loan (BBL) last year. You may remember that in the first year of the BBL no repayments were required, and the government picked up the tab for any setup costs and interest charges.**

Banks are therefore writing to remind account holders that BBL repayments are about to commence if the first year has expired. They are also including details of certain relaxations that are available following the Chancellor's Pay as you Grow announcements last month.

### Repayment options. Pay as you Grow (PAYG)

If you need to reduce your monthly repayments, you can advise your bank that you want to take advantage of one of the following PAYG concessions:

- Reduce monthly payment for six months by paying interest only. This option is available up to three times during the course of your BBL.
- You could take a payment holiday for six months. This option is available once during the term of your BBL.
- You could request an extension of your BBL loan term from six to ten years. This would reduce your monthly repayments. For example, on a £5,000 loan, monthly repayments would drop from £88.74 per month to £51.75 per month.

You can use certain combinations of these options together, but as the banks will point out, all of these options will increase the overall interest costs of your loan.

### How might this affect your credit score?

If you ultimately fail to meet your obligations to repay your BBL the government has fully guaranteed your loan. However, your bank will point out that failure to repay may affect your credit score.

Rather cryptically, correspondence from High Street banks we have seen regarding the take-up of PAYG options, also includes the following remark:

*Using these options [PAYG] won't affect your credit score, though it may influence how we assess your creditworthiness in the future... [our underlining]*

You would be forgiven if you were confused by the two contradictory remarks in this sentence.

### Should you take advantage of the PAYG options?

If you have concerns that you need all the help you can get in the coming months and yes, you would like to make the most of the PAYG options, please call so we can discuss your options including any likely consequences for your credit worthiness.

Higginson & Co (UK) Limited