



## COVID-19 ICO BANK LOANS

### BANK LOANS FOR BUSINESSES AFFECTED BY COVID-19

The Spanish state supports businesses via the Government financing agency, the **Instituto de Crédito Oficial (ICO)**.

Recently, the tourism sector was struck hard by Thomas Cook ceasing business and the Government made available loan guarantee facilities enabling banks to offer favourable terms to their customers.

On 26 March new ICO loans were published to cover all businesses generally affected by Covid-19, in line with the Real Decreto-ley 8/2020, 17 March.

#### Nature of ICO loans

##### *Purpose:*

Usually these loans can be for any business purpose.

However, in relation to the Covid-19 crisis, the majority of loans will be needed to cover short term cash flow problems caused by a sharp drop in business income. Many businesses costs are fixed, e.g. rent, salaries, utilities, which may need to be financed in the short term, until business income recovers.

##### *Format of loans:*

1. ICO finance can be in the form of a fixed term loan, a credit policy (a variable loan facility), leasing for vehicles and other assets.
2. To manage cash flow during the Covid-19 crisis, many businesses will opt for a credit policy as the loan can be drawn down and repaid, as required by the day to day cash needs of the business. At the end of the credit policy period, typically one year, it can either be renewed or converted into a fixed term loan. Banks tend to prefer conversion into a fixed term loan.
3. Fixed term loan repayments can be between one and twenty years, with a capital repayment holiday of up to four years for long term loans. Repayments are typically monthly or quarterly.
4. Interest rates can be fixed or variable. Banks charge between 2% and 5% (according to the ico.es website) but Covid-19 loans are expected to have a maximum rate of 1,5% TAE, including the bank's opening commission.

Worth considering a credit policy instead of a fixed term loan

Very low interest

Miembro de

  
Asociación Española de  
**Asesores Fiscales**

Spence Clarke & Co., Chartered Accountants, Tax and Legal Consultants  
Edificio Los Pinos L1, Calle Jacinto Benavente 32, 29601 Marbella, Málaga, Spain  
www.spenceclarke.com Tel: (+34) 952 82 29 43 Email: [website@spenceclarke.com](mailto:website@spenceclarke.com)

**ICAEW  
CHARTERED  
ACCOUNTANTS**





## COVID-19 ICO BANK LOANS

### BANK LOANS FOR BUSINESSES AFFECTED BY COVID-19

Simple loan security should be possible

5. The total loan limit for the ICO Covid-19 'linea' is 1,5 million euros. Past experience shows that most ICO loans are below 25.000 euros but no minimum is mentioned by the regulations, leaving the banks to decide on this.

#### **Security:**

Given that the state is guaranteeing up to 80% of the bank's loan to a business, the bank should not require security over assets, although they will usually require director/shareholder personal guarantees.

#### **Applying for a loan**

Any bank will consider granting a loan although, it makes sense to approach the bank that the business normally uses for its day to day business.

The bank will require:

- ⇒ A completed application form or letter, that contains the reasons for the business requiring the loan and explaining how the business will repay it. Also required will be a description of the steps taken to mitigate the effects of the Covid-19 crisis, e.g. ERTE for employees (see this [link](#)), negotiations with suppliers to defer payments including rents, negotiations with financiers to delay loan repayments, and finally, an analysis of how the business will cope if the crisis lasts many months.
- ⇒ For companies, copies of recently filed tax declarations including the 2018 corporation tax (M200 filed in 2019) and the 2019 IVA (M390 filed in January 2020). Possibly also the 4 quarters IVA declarations for 2019 (M303).
- ⇒ For the self-employed, all four quarters of the 2019 income tax declarations (M130) and the 2019 IVA (M390). Possibly also the 4 quarters IVA declarations (M303).
- ⇒ Personal income tax declarations for 2018 of the owners/directors (M100). These will give the bank a view of the status of the owners of the business.

Don't delay in applying

The Covid-19 ICO loan facilities can be applied for up to 30 September 2020 but bear in mind that they will be granted on a first come, first served basis.

Miembro de



Spence Clarke & Co., Chartered Accountants, Tax and Legal Consultants  
Edificio Los Pinos L1, Calle Jacinto Benavente 32, 29601 Marbella, Málaga, Spain  
www.spenceclarke.com Tel: (+34) 952 82 29 43 Email: [website@spenceclarke.com](mailto:website@spenceclarke.com)

