

**E.L.I. LTD.**  
***EAST LOTHIAN INVESTMENTS Ltd.***

*Developing a modern East Lothian*

**East Lothian Investments Ltd (ELI Ltd)**  
**Interest Free Loan Fund**

Financial Assistance for Small Businesses

# Guidance for applicants

Board of Directors approval date	August 2015
Reviewed date	August 2022
Review date	August 2023
Review lead	Manager ELI Ltd

[www.eastlothianinvestments.com](http://www.eastlothianinvestments.com)

*East Lothian Investments Ltd, Registered in Scotland No:187674, Registered Office,  
John Muir House, Haddington, East Lothian EH41 3HA.  
Authorised and regulated by the Financial Conduct Authority*

## **A. The company**

East Lothian Investments Ltd is a limited company by guarantee with no share capital that is a not for profit organisation. It is an “arms length” company of East Lothian Council. The board of directors comprises of two East Lothian Councillors and three private sector business people who provide their time free of charge to the company. Employees of East Lothian Council manage and administer the fund on the board’s behalf as part of their day to day council work.

## **B. What is the ELI Ltd Interest Free Loan Fund?**

The ELI Ltd interest free loan fund offers loans of up to £25,000 over terms up to 60 months. It operates in conjunction with other commercial lending agencies and applicants should demonstrate and provide evidence that part of the project cost is being provided by such agencies.

## **C. What is the purpose of the ELI Ltd Interest Free Loan Fund?**

The ELI Ltd loan fund provides small businesses with financial assistance and aims to alleviate access to finance. The company’s aim is to develop a modern East Lothian.

## **D. Who will manage the fund?**

The fund is managed by employees of East Lothian Council. It is promoted along with other sources of commercial funding by ELC business advisers delivering the Scottish Government Business Gateway start up and growth contract. Advice and support will be given by the Business Gateway advisers but they **will not** complete any of the required documentation on behalf of any applying business.

## **E. Who can apply**

Start ups and existing businesses can apply and it is open to all sectors and types of business. (Sole trader, limited company etc).

## **F. The Loan - details**

Applicants can apply for amounts from £500 up to a maximum of £25,000. The normal repayment term is between 24 and 60 months – this may be reduced by the Board when they deem it appropriate.

In certain cases a higher loan amount and longer repayment period may be awarded depending on job creation and economic benefit to the county.

A repayment holiday of up to 6 months, where approved by the Board of Directors, may be put in place immediately following the actual date of the loan being paid to a successful applicant.

The interest rate on the loan is 0%.

An arrangement fee is required to be paid prior to the loan release no later than 28 days from the loan award date. Failure to make payment within this time will result in the loan award being withdrawn and the arrangement fee being returned.

The arrangement fee payable under this paragraph will be:

- (a) 5% of the total loan amount, where we are a limited company or other incorporated body, or
- (b) the lesser of (i) 5% of the total loan amount and (ii) the maximum amount payable under paragraph 4(1)(c) of the Consumer Credit (Exempt Agreements) Order 1989 (as amended or re-enacted or as the application thereof is modified by other provisions from time to time) and which would cause the agreement to be exempt under the Consumer Credit Act 1974, where we are a sole trader, partnership or other unincorporated body.

The loan will be paid by bank transfer once arrangement fee is paid and any caveats are met.

A personal guarantee will be required for all limited company applications.

## **G. The process**

- Initial enquiries should be made to [elinvestments@eastlothian.gov.uk](mailto:elinvestments@eastlothian.gov.uk) or by telephone 01620 827177 / mobile 07854 191597.
- Your enquiry will be forwarded onto the ELI Ltd Companies Manager, Richard Baty who will either respond directly or assign a Business Gateway adviser to contact you.
- You will be signposted to the ELI website where all the relevant document can be found - <https://www.eastlothianinvestments.com/> (The documents will also be available on ELC website under business advice section.)
  - Application form
  - Personal declarations form
  - Guidance notes
  - Required document checklist
- It is anticipated that applicants may seek advice and guidance from Business Gateway advisers as part of the application process particularly in the areas of business planning and cash flow projections.
- The Companies Manager will meet all applicants at least once to confirm application details, clarify areas on application and ask for additional information if required and to develop the application as fully as possible so as to give each applicant the best chance for approval and gives guidance to the board.
- ELI Board of Directors, who have all signed confidentiality agreements, discuss applications only at the board meetings and will make the decision as to whether to award the loan or not on what is provided by the applicant. *Note – having a poor credit history does not exclude you from applying / being awarded a loan – the business idea, viability, market research and whether you can service the loan repayments are more important.*

- Please note - Loan applications can be **refused** — **40%** of applications are currently **not** successful.
- Unsuccessful loan applications will be confidentially shredded / deleted 7 days after the board meeting unless they are requested to be returned.

## **H. Repayments**

Loan repayments will begin 1 month after loan drawdown takes place except where a repayment holiday (max. six months) has been agreed during the application process.

The loan will be repaid in equal amounts, monthly, over the course of the term. For example, for a loan of £1,000 being repaid over 36 months, the monthly amount will be £27.78 per month. Indicative loan repayment schedules can be provided for reference, on request.

Repayments will be by Direct Debit on the 1<sup>st</sup> day of each month.

Early repayment and/or part payment to reduce the amount of the loan will be accepted with no penalty.

Repayment holidays and a reduced payment amount can be requested if a valid reason is provided. Note – approval of either a holiday or a reduced payment amount will result in the loan taking longer to be repaid in full.

Should any of the following occur, this will be an event of default and the loan will be immediately cancelled and repayable to ELI Ltd:-

- the Head Office of the borrower is moved outside of East Lothian;
- any of the information provided by the borrower to ELI Ltd pursuant the application form or otherwise turns out to be misleading or incorrect;
- there is any material change in the nature of the borrower's business from that conducted at the date of the loan;
- the borrower is deemed unable to pay its debts within the meaning of s.123(1)(b) or (2) of the Insolvency Act 1986, a creditor attaches or takes possession of any of the assets of the borrower or any other lender calls an event of default (howsoever described) in respect of the borrower;
- it becomes unlawful for the borrower to perform any of its obligations under the loan agreement;
- the borrower fails to comply with any of the undertakings or representations given to ELI Ltd under the loan agreement or application form; or
- any litigation, arbitration or administrative proceedings have been raised against the borrower.

The borrower shall ensure that all payments made by it to ELI Ltd shall be made without any deduction or withholding (whether in respect of set-off, counterclaim, duties, taxes, charges or otherwise) unless the borrower is required by law to make any such deduction or withholding, in which case the borrower will pay to ELI Ltd such additional sums to

the extent necessary to ensure that ELI Ltd receives the sum which it would have received had there been no such deduction or withholding.

#### **I. Non repayment**

A copy of the debt management policies and procedures for ELI Ltd can be provided on request.

Repayments must be made promptly and in line with the repayment schedule provided with the Loan Facility Offer Letter.

An annual statement is provided to all loan recipients.

#### **J. Other criteria that will be required to be met.**

Certain conditions will be attached to any loans awarded:

- The Borrower must be located or have their headquarters in East Lothian.
- Individual (sole traders/ partnerships) applicants must be 18 years old or over.
- The Borrower must meet all legal requirements and regulations which relate to the operation of the business.
- The Borrower understands that any contact regarding the application made between the Borrower and the Directors of East Lothian Investments Ltd prior to the loan decision being made will result in the application's withdrawal.
- The loan cannot be used for the purpose of buying company shares, buying out members of a partnership, replacing existing loan and overdraft facilities, use the funds for illegal purposes or financing interest payments on other loans.
- No security will be requested on the loan however a personal guarantee will be required from at least 1 Director where the Borrower is a Limited Company.
- The Borrower must clearly demonstrate the need for funding in the application.
- The Borrower must satisfy the Board of Directors of ELI Ltd of the viability of the business over the medium to long term.
- For the duration of the loan, the Borrower shall:-
  1. Effect and maintain such insurance over its assets and business as is reasonable and customary for a business engaged in the same or a similar activity; and
  2. Supply current profit and loss accounts and balances sheets to ELI Ltd within a certain number of days of the end of each financial year
- The Borrower will submit proof, on request, of project implementation and / or expenditure
- The Borrower will agree to be reviewed by the manager of East Lothian Investments Ltd prior to the award and twice during the term of the loan and to make available on request all relevant documentation where deemed reasonable by the appointed person.
- The Borrower understands that East Lothian Investments Ltd will be bound by commercial confidentiality in relation to any information gathered.

#### **K. Credit checks**

The following references and checks will be made with each application:

- Check of outstanding debts (personal or business) with East Lothian Council and related bodies
- Checks to ensure that the business complies with planning and building control regulations and any other statutory requirements
- Credit reference agency checks may be used

#### **L. Other**

ELI Ltd reserves the right to publish details of any loan offer which is approved to publicise the programme but all material submitted in support of an application will remain confidential.

#### **M. How will the information you provide be used**

The information supplied must be available for verification by the Companies Manager of ELI Ltd and the Board of Directors of ELI Ltd, either prior to or after the loan has been offered, as required.

You will be expected to produce on request any relevant information. The financial information you provide will be used to inform assessment of your application and for monitoring purposes after a loan offer is made.

All information provided will be passed to the Board of Directors of ELI Ltd who will review and appraise the application. All Board decisions are final and there is no right to appeal. Outline reasons for the decision will be provided on request however detailed feedback is not available.

The potential outcomes are:

- Non approval
- Deferral to request further information
- Partial approval (at a reduced amount or amended term)
- Full approval (approved as per application)

East Lothian Investments Ltd reserves the right to amend, suspend or withdraw the East Lothian Investments Interest Free Loan Fund at any time. All loans are subject to funding availability at the time of application.

#### **N. Your data – General Data Protection Regulation (GDPR)**

East Lothian Investments Ltd take your privacy seriously and will only use your personal information to administer your account and to provide the products and services you have requested from us.

We will not pass your details onto any other organisation.

The information you have provided for the preparation of this application and loan agreement, and any other information relating to your business, may be processed and disclosed in the ways described below.

Any sensitive information obtained will only be processed in order to provide the service requested.

## **O. Customer first policy**

*Definition: - for the purpose of this document the term “Retail Customers” covers and means all applicants for interest free loans to ELI Ltd (The Company)*

The company will act in the best interest at all times of its retail customers and have a clear focus on the impact of the company’s actions on consumers. This will include ensuring that retail customers have all the information in clear language to enable them to make decisions in their best interest.

This purpose of this policy will be underpinned by a range of cross cutting rules:

The Company must act at all times in good faith towards retail customers.

The Company must avoid foreseeable harm to retail customers.

The Company must enable and support retail customers to pursue their financial objectives.

The Company must focus on the diverse needs of their retail customers at every stage.

The Company must always put good retail customer outcomes at the centre of its business

## **P. Policies**

For full details of the GDPR Policy, GDPR Privacy policy, GDPR retention of records and Consumer Principle policy please go to the website:

<https://www.eastlothianinvestments.com/>

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