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ARTICLE BY LAURA RABY

State aid could help firms buy premises

In recent years it has become common practice for companies to rent their business premises rather than carry the capital cost of the property on their balance sheet.

But Laura Raby, of Dudley law firm Hawkins Hatton, says there are increasing benefits to buying property outright, to take advantage of the inevitable future growth in the commercial property market.

"This is of particular importance if your business lease is coming to an end," said Ms Raby. "The drawback, however, is funding a purchase in the current economy.

"If you are considering purchasing your business premises the Enterprise Finance Guarantee (EFG) may be able to assist you. The EFG negates the need for additional security as it provides lenders with a government guarantee against default. The Government will guarantee 75 per cent of the loan to eligible businesses to ensure that they can get the working capital and investment they need, the commercial property being the investment.

"The £1.3 billion scheme will support bank lending to UK SMEs with a turnover of up to £25 million who are at present having difficulties accessing the finance required. The loans under this scheme are available for three months to 10 years and businesses will be able to secure loans of between £1,000 and £1 million. The EFG is available up to March 31, 2010."

She added: "Most businesses in most sectors will be eligible for the EFG however businesses in the coal, steel and agriculture sectors are excluded due to the State Aid rules which aim to ensure fair competition and a single common market."

For further information on any of the issues raised, contact Laura Raby at Hawkins Hatton on (01384) 216840 or lraby@hawkinshatton.co.uk.