

SME Loan

Important Information



Contents

Important Information about the SME Loan

Who can apply?	2
What supporting Information do I need?	2
Which measures are eligible?	4
Are there any measures which would not be eligible for funding?	6
What's the Interest rate?	6
Can the SME Loan be used with other finance?	7
Can I apply for both the SME Loan and Smart Export Guarantee?	7
Is the SME Loan considered to be aid under the EU-UK TCA?	7
How long will the application process take?	7
Who can sign the application form?	8
Who are the fund administrators?	8
Why is a credit check required?	8
I want to check my credit rating before I apply - how can I do this?	8
When will I receive the loan?	9
Who should I contact if I have a query about an existing application?	9

SME Loan Fund cashback offer

How can I apply for the cashback offer?	10
I'm planning to make more than one loan application - will I receive cashback for each application?	10
I previously applied for cashback - can I apply again?	11
Can I just apply for the grant?	11
When will I receive the cashback?	11
I've been offered a loan but have yet to draw down any money - will I still be eligible to receive cashback?	11
I already have a loan. Can I apply for a second loan to fund another project and claim cashback?	11
I'm planning to match-fund my project with other Scottish Government grant funding - am I still eligible for cashback?	11
Is the cashback element of the SME Loan fund counted towards aid under the EU-UK TCA?	12
Are there any measures which are not eligible for the cashback offer?	12

Acceptable quotes and invoices

Example of an acceptable quote (at application stage) / invoice (at claim stage)	13
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SME Loan – Important Information

Who can apply?

The scheme is aimed at providing loan funding for Scottish businesses that fall within the European Commission definition of Small and Medium-sized Enterprise (SME), not-for-profit organisations and charities.

To be eligible, your business must:

- Be based in Scotland.
- Have been trading for at least 12 months and be able to supply at least one set of annual accounts if requested.
- Have fewer than 250 Full Time Equivalent employees.
- Have a turnover not exceeding €50 million (approximately £42 million) and/or a balance sheet total not exceeding €43 million (approximately £36 million). (Calculated in accordance with European Commission Recommendation 2003/361/E).
- Be less than 25% owned by one or more other enterprises and itself has a holding of less than 25% in any other enterprise.
- Have a satisfactory credit score and be able to afford repayments.
- Agree that repayments will be made within 8 years for all measures.
- Be eligible for funding within the context of aid under the EU-UK Trade and Cooperation Agreement.
- Be applying for a loan of between £1,000 and £100,000.
- Not start work prior to the loan offer being made.

Private sector landlords are **not** eligible for the SME Loan. If you are a private sector landlord, please contact Home Energy Scotland team on **0808 808 2282** for information on schemes available for the private rented sector.

What supporting information do I need?

For the measure(s) that you are applying for, please ensure the following conditions are met:

- A qualifying report must be obtained which details the measure(s) you wish to apply for, along with the cost and carbon savings. All businesses applying must have a report from Zero Waste Scotland or from Scottish Enterprise.

- The installed measure(s) is listed as eligible for support*.
- Quotes must be supplied for all work being applied for. For any measure where the funding being applied for is more than £25,000, at least two quotes must be supplied.
- Quotes must be provided in the right format (the last page of this document contains an example of what is required within the quote).
- The installed measure(s) will have an estimated payback period of 20 years or less (based on the financial savings in your qualifying report and the quoted cost minus your eligible cashback).
- If you are installing a heating system, you must have made all reasonable and practical effort to improve the building fabric.
- If you are intending to apply for funding to install eligible measures in a new build or extension, the value of loan available will be equal to the difference between installing standard measures (i.e. those typically installed in this type of new building when build costs are minimised or required to meet current building regulations) and enhanced measures (i.e. those that will realise additional carbon and cost savings). For example, a standard build or extension may be heated by a gas-fired heating system and radiators, costing £15,000, but an alternative would be to install a heat pump and underfloor heating, costing £30,000. In this example, a total of £15,000 could be applied for.”
- Movable measures must remain in the property of the business until the loan is fully repaid.

For renewable measures, please ensure the additional conditions are met:

- The main energy efficiency measures recommended in the qualifying report are either already installed or will be installed before the renewable measures.
- All renewable systems must be MCS (Microgeneration Certification Scheme) certified and must be installed by an MCS accredited installer**. This does not apply to renewable heat technologies that are over 45kW or renewable electricity technologies that are over 50kW. For heat pumps that also provide cooling we recommend that installers and products are MCS certified but this is not mandatory.

*Measures not included on the list may also be considered by the Scottish Government for inclusion in the scheme if they are accompanied by one of the qualifying reports listed above or if Zero Waste Scotland or Scottish Enterprise provide a clear recommendation as to why the measure should be included. No additional measures will be included in the scheme without prior consent from the Scottish Government.

** In cases where an installer wishes to become MCS accredited, with your permission they may use the example of your installation to evidence their application for certification with MCS.

Applicants allowing their installer to use the example of their installation to evidence MCS certification are eligible to apply for the SME loan if the following evidence is also provided:

- A statement from the applicant that they understand the risk that their installation may not be MCS certified and that full funding will only be released on submission of an MCS certificate (and all other valid claim docs).
- Evidence from the installer to show that this will be their MCS accreditation installation.
- Evidence from the installer that they are a member of a consumer code (Renewable Energy Consumption Code, Home Insulation and Energy Systems Quality Assured Contractors Scheme etc.).

Which measures are eligible?

What resource saving project do you have in mind? A wide range of measures are eligible for the SME Loan. If the measure you are considering is not listed, please get in touch as other measures can be considered on a case-by-case basis by the Scottish Government.

Heating, ventilation and air conditioning

- Condensing, combination, modular and steam boilers
- Boiler - Burner replacement
- Boiler - Burner management
- Warm-air units
- Radiant heating units
- Combined heat and power (CHP) with gas
- Under-floor heating
- Air curtains
- Cooling system replacement/upgrade
- Heating and cooling controls
- Building management systems
- Heat recovery units
- High efficiency fans (destratification, ventilation system fans etc.)
- Commercial hot water systems
- Electric Storage Heaters

Building fabric

- Cavity wall insulation
- Loft insulation
- Flat roof insulation
- Internal wall insulation
- External wall insulation
- Draught proofing
- Floor insulation
- Heating system insulation (cylinder, pipes etc.)
- High performance external and internal doors
- High performance window coverings
- Double glazing
- Secondary glazing

Renewables

- Solar PV
- Wind turbine
- Micro-hydro system
- Solar Thermal
- Biomass boiler
- Biomass room heaters (with radiators)
- Air source heat pump
- Water source heat pump
- Ground source heat pump
- Combined heat and power with Biomass
- Anaerobic digestion

Other equipment

- Measuring, monitoring and control equipment
- Lighting systems, fitting and controls
- Voltage optimisation
- Variable speed drives
- Energy efficient motors and controls
- Air compressors
- Commercial cooking and baking equipment
- Commercial cleaning equipment e.g. washing machines, dryers, dishwashers

- Commercial fridge and freezer units
- Multi-glazed refrigeration doors/covers
- High efficiency hand dryers
- IT equipment
- Swimming pool covers

Are there any measures which are not eligible for funding?

Measures that result in no carbon savings, or result in carbon increases, are ineligible for funding.

If the technology you wish to install has a payback of more than 20 years, it will not be eligible for funding. Similarly, if the payback period appears as a negative number, then the proposed measure would result in a cost increase when compared to the current measure and so it would be ineligible for funding.

If an organisation applies for a package of linked measures which have a payback of less than 20 years (but where a measure(s) has a payback > 20 years) then it will be eligible. For example, an organisation could apply for funding to install insulation with a 25-year payback and a new heating system with a 6-year payback, where the combined investment has a payback of less than 20 years.

Linked measures with a combined payback period of less than 20 years will receive the full amount of funding for all measures. Linked measures should be dependent on each other, for example heating and insulation or lighting and lightning controls.

Oil and LPG heating systems are ineligible for funding. The Scottish Government has ambitious climate change targets and wants to reduce carbon emissions from Scottish businesses. Oil and LPG boilers produce more carbon emissions than alternative heating systems, so the Scottish Government grants and interest free loans can no longer be used for those heating systems.

In addition, applications from businesses looking to sell heat or energy to third parties – other businesses or domestic properties – would not be eligible for funding. The SME Loan was not set up to cover this type of activity and as such the administrator has no mechanisms in place to confirm that the proposed energy supplier is suitably trained or experienced to ensure a secure and reasonably priced service. Applicants with these type of projects in mind should consider the current [District Heating Loan](#) available from Energy Saving Trust.

What's the interest rate?

All loans are interest-free. The repayment term for all loans is 8 years.

Can the SME Loan be used with other finance?

Applicants are actively encouraged to identify all finance options available to them including match funding/co-funding opportunities with the SME Loan.

Can I apply for both the SME loan and the Smart Export Guarantee?

Applicants can apply for both the SME loan and the Smart Export Guarantee (SEG). Any loans for measures which are benefiting from the SEG will not attract interest.

SEG is an obligation set by the government for licensed energy suppliers to offer a tariff and make payment to small-scale low-carbon generators for electricity exported to the National Grid, providing certain criteria are met.

Is the SME Loan considered to be aid under the EU-UK Trade and Cooperation Agreement*?

Only the forgone interest of a loan is considered as aid.

For example, for an interest-free loan of £10,000 paid back over 8 years the aid would be £2,153.52 in forgone interest (based on a compound interest rate of 5%). Further information on aid can be found on the Scottish Government website.

*The previously known De Minimis State Aid regulations are now replaced with the provisions in Article 3.2(4) of Chapter 3 of Title XI of the EU-UK Trade and Cooperation Agreement (**the "TCA"**).

How long will the application process take?

Applications are processed on a rolling basis all year round, subject to the overall availability of loan funds. The fund administrators reserve the right, in consultation with the Scottish Government, to suspend or reject preliminary assessments of applications on the basis that there are insufficient funds available in any financial year to provide loans to all applicants.

Once the application is submitted to the fund administrators, providing they have all the information they require, and the loan is signed by an authorised signatory, they aim to make a decision within 10 working days.

If any additional information is required, the application process may take longer than 10 working days to process.

Who can sign the application form?

The person signing the form must be authorised by the business to enter into a loan agreement on behalf of the business. The person signing this form will be also required to sign all future loan documents. For limited companies this should be a person listed on Companies House for the business.

Who are the fund administrators?

Energy Saving Trust administers the scheme and are responsible for processing and assessing loan applications including undertaking the credit check. Applicants will deal with Energy Saving Trust for the loan assessment, offer and payment.

Why is a credit check required?

The SME Loan is financed by the Scottish Government with public funds and is unsecured. It is therefore essential that the fund administrator, Energy Saving Trust, is lending money to organisations that are in a robust financial position and able to support ongoing loan repayments.

Energy Saving Trust is also authorised and regulated by the Financial Conduct Authority and as such, have a duty to lend responsibly. A credit check gives an indication of an organisation or individual's financial position and their credit history, allowing us to gauge the level of risk that would be incurred as a lender. They will therefore also carry out affordability checks in certain situations to assess the impact of repayments.

I want to check my credit rating before I apply – how can I do this?

There are several credit reference agencies that can be used to check your business' credit rating. If your business is set up as a sole trader or partnership, then the credit check will be done on an individual, so it is important you are aware of your personal credit rating.

If you have concerns regarding the credit assessment, we are happy to discuss this further and, if possible, undertake a credit review at an earlier point than we may normally do.

If an initial credit check is unsuccessful then we will look to offer a route of appeal and allow for additional information to be submitted, such as company accounts.

When will I receive the loan?

The agreed loan amount will be released after the measure/s have been installed and, if required, a site inspection by a qualified advisor has been undertaken.

Up to 25% of the **offered loan** amount can be requested as a drawdown payment. To access this upfront payment the supplier quote, or partial invoice must contain the request for an early payment. The (up to 25%) drawdown payment is not processed automatically when the loan is offered but can be requested in the next stage of the process - the claim stage.

Who should I contact if I have a query about an existing application?

If you have an **outstanding application** and wish to contact a member of the loans team on matters relating to the application email SMEloans@est.org.uk or call 0808 108 9414.

For **new applications** please contact Zero Waste Scotland's Energy Efficiency Business Support Service on **0808 808 2268**.

SME Loan Fund cashback offer

Commencing October 2018, the cashback offer is only available while funds last, and from 28 October 2020 includes certain renewable technologies.

How can I apply for the cashback offer?

The only way to apply for the loan and cashback is by contacting Zero Waste Scotland's Energy Efficiency Business Support Service helpline on **0808 808 2268** or completing the [online registration form](#).

If you are contacted about the loan by a third party and have concerns about their authenticity, please call Zero Waste Scotland's Energy Efficiency Business Support Service helpline who will be able to advise you.

Cashback is awarded based on the **total value of eligible measures applied for within your loan application**.

Allocated on a first come, first served basis and subject to availability, cashback grant funding can be awarded as per below:

- **30%** of eligible costs up to a maximum of £10,000 can be claimed by qualifying applicant for **energy efficiency measures** (see list of measures on page 8 of the application form).
- **75%** of eligible costs up to a maximum of £10,000 can be claimed by qualifying applicant for **air/ground/water source heat pumps, biomass boilers, or solar thermal renewable technologies**.
- A maximum of £20,000 cashback can be awarded to a single business for eligible technologies and across all their SME applications (previous or current).

I am planning to make more than one loan application – will I receive cashback for each application?

An organisation can make multiple applications but up to the total cashback value of £20,000.

I previously applied for cashback – can I apply again?

The maximum cashback value for an organisation is £10,000 for energy efficiency measure(s) and £10,000 for renewable technologies. If your previous application was for e.g. £2,000 cashback you may apply again for the remaining £8,000 for further energy efficiency measure(s). Additionally, you can now receive 75% up to £10,000 for certain renewable technologies.

Can I just apply for the grant?

No, the grant element can only be accessed when you receive an SME Loan.

When will I receive the cashback?

The cashback element will be paid to you (along with the loan) after the measure(s) have been installed and evidence has been provided/a site inspection by a qualified advisor has been undertaken.

I have been offered a loan but have yet to draw down any money, will I still be eligible to receive cashback?

Yes, providing you have not commenced your installation, cashback will be paid to you (along with the loan) after the measure(s) have been installed and evidence has been provided/a site inspection by a qualified advisor has been undertaken.

I already have a loan; can I apply for a second one to fund another project and claim cashback?

Yes, assuming all other eligibility criteria are met, you would be able to apply for a second loan up to a maximum funding amount of £100,000 across the loans/grants, i.e. if you have a remaining budget of £20,000 on the first loan, the maximum you could apply for would be £80,000 which could be awarded as a £60,000 loan plus £20,000 cashback.

I am planning to match-fund my project with other Scottish Government grant funding – am I still eligible to claim cashback?

No, cashback is not available where other Scottish Government grant funding is being accessed. This includes current grants available from Zero Waste Scotland.

Is the cashback element of the SME Loan fund counted towards aid under the EU-UK Trade and Cooperation Agreement?

Yes, the cashback counts towards your Special Drawing Rights. For example, a £10,000 loan could attract cashback of £3,000 which would count toward your allocation in addition to the interest foregone.

Are there any measures which are not eligible for the cashback offer?

Yes, certain renewable technologies are not eligible for the cashback offer. These are: solar photovoltaic, wind turbines, micro-hydro systems, biomass room heaters (with radiators), combined heat and power with biomass, anaerobic digestion. The renewable technologies eligible for SME loan funding are listed in the Eligible Technologies list on page 3 and 4.

Acceptance of cashback offer disqualifies customers from also applying for and receiving the Renewable Heat Incentive (RHI) on renewable heat measures as only one funding can be accessed per renewable heat installation. Customers are however able to forgo this cashback offer in favour of applying for the RHI funding – by indicating this on their future application form – depending on which initiative suits best the customer business' needs.

Cashback funding will not be available to organisations:

- located in an off-gas area looking to upgrade their heating system with a more efficient conventional heating system (electric boilers) if their qualifying report recommends a renewable heating system;
- for energy storage systems (batteries);
- for gas heating systems; and
- for gas connections

All invoices/quotes must be similar to this format and include the information detailed. It must be clear as to whether the document is an invoice or a quote.

Company headed paper or company

30 North Colonnade
Canary Wharf
London E14 5GP

energysavingtrust.org.uk
tel +44 (0) 20 7222 0101

Invoice to:

Ms Energy Saver
The Green Company
1 Green Street
Green Town
Green City
Green City
GR3 3NI

Invoices must be addressed to the applicant at the correspondence address for the application. For SME Loans this must also include the business name.

Company address and postcode

It must be clear whether it's an invoice or a quote

INVOICE	Installation address:
Invoice date: 30 November 2021	1 Green Street, Green Town Green City, GR3 3NI
Invoice number: 12345	
Installation of cavity wall insulation	Net: £0.80 VAT: £0.20 Invoice total: £1.00

The date must be after the loan offer.

The installation address must be included.

The details of the measures installed must match the measures applied for, with a breakdown of the cost of the improvement.

The cost of the installation. This may be different from the quote. It must include the VAT break down.

Payment details:
The Piggy Bank
Sort code: 00-00-00
Account number: 12345678

Receipt
Date paid: 1 December 2021
Signed: I M Installer
Printed: I M Installer

Where a receipted invoice is requested, something like this is suitable.



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Company number