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GRIST

UK restricts executive pay for companies taking COVID-19 loan

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Companies borrowing more than £50 million under the UK government's revised state-backed Coronavirus Large Business Interruption Loan Scheme are subject to restrictions on dividend and cash bonus payments, executive pay and share buy-backs during the loan period. On 19 May 2020, the government increased the scheme's maximum permitted loan to £200 million — up from a previous limit of £50 million — with the aim of helping firms that don't qualify for the Bank of England's COVID Corporate Financing Facility (CCFF). The restrictions apply to companies taking CCFF loans for more than 12 months, after 19 May.

Restrictions

Companies borrowing more than £50 million through the scheme face the following restrictions:

- Dividend payments. Borrowers cannot make any dividend payments that were not declared before the loan was taken.
- Share buyback. Borrowers must agree not to make any share buybacks.
- Executive pay. Borrowers can't pay cash bonuses or award any pay raises to senior management (including board members), unless the bonuses payments were declared before the loan was taken, or if the payments are similar to those made during the preceding 12 months and don't materially impact the ability to repay the loan.

Related resources

- [Larger businesses to benefit from loans of up to £200 million](#) (Government, 19 May 2020)
- [Information on Covid Corporate Financing Facility](#) (Bank of England)

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