

Innovate UK



Innovation loans

**An overview of Innovate UK's
loan programme for SMEs involved
in late-stage innovation projects**

Introducing innovation loans

Different stages of innovation often need different types of funding support, depending on where they are in the journey from initial idea to market success. Innovative businesses have also told us that they need the right sort of funding at the right time in their development to scale up their productivity and growth.

We are piloting a low cost, patient, flexible loan scheme aimed at supporting businesses with innovation projects that are near to market, where there is less risk involved.

A pilot programme of up to £50 million will be offered over 2 years. Loans will be made through Innovate UK Loans Ltd, a wholly-owned subsidiary of Innovate UK.

Through innovation loans, Innovate UK aims to give businesses support to gain the competitive edge and also grow the UK economy.

What are innovation loans?

Innovation loans are for UK businesses that want to scale up and grow through innovation, developing new or improved products, processes or services.

Innovation loans are aimed at UK-based micro, small or medium sized enterprises. Businesses will need to show that they will be able to afford the interest and repayments on the loan and that they cannot obtain appropriate finance from other sources, such as banks and equity investors.

Competitions for innovation loans will run over a 2-year pilot period.

What you can use a loan for

You can use a loan to finance a late-stage research and development project that meets the EC definition of experimental development.

Experimental development includes:

- producing plans, arrangements and designs for your products, processes or services
- developing commercially-usable prototypes and pilots
- experimental production and testing of products, processes and services

How an innovation loan works

You will need to successfully apply into one of the Innovate UK loan competitions to obtain an innovation loan. It is a competitive process. You could borrow between £100,000 and £1 million, to cover up to 100% of your eligible project costs. Interest will be charged on the amount you have borrowed. The interest rate will be fixed at the start of the loan competition and is currently 3.7% per annum. This is below the market rate for loans of this nature, so this will constitute State Aid for research and development.

The maximum loan period is 10 years. This breaks down as:



Availability period

This is the period in your project when you are drawing down money to carry out research and development. During this time, you will not need to make repayments, but you will need to pay interest on the money you borrow from the first quarter.



Extension period

This period in your project is to enable you to establish a clear route to market and commercialisation, with up to 2 years available before you need to start repayments. You will still need to pay interest quarterly.



Repayment period

This is when you will need to repay your loan. Payments will be taken quarterly. Interest will also be payable.

The actual loan period and amount that we offer will depend on our evaluation of your project proposal and your finances. We will expect to take security, including over assets financed through the loan. We will not require personal guarantees.

Who can apply?

To be eligible for an innovation loan you must:

- be an SME
- be UK-based
- be planning a project that fits with the defined scope of the specific loan competition to which you are applying

How to apply

To obtain a loan you need to apply through Innovate UK's competitive loans process. Only one successful application is permitted from a business in each loan competition.

apply-for-innovation-funding.service.gov.uk/competition/search

To apply you will need to complete a 2-part application. The application will assess you on the quality of your project and the ability of your business to repay a loan.

Find out more and apply online



On submitting your application, you will need to make a legally binding declaration that you are a body corporate and will use the loan for business purposes. The detailed terms and conditions of loans will be set out in a loan agreement. Please seek independent advice if you are considering applying.

Innovate UK

Innovate UK drives productivity and growth by supporting businesses to realise the potential of new technologies, develop ideas and make them a commercial success. Innovate UK is the trading name of the Technology Strategy Board, which is an executive non-departmental public body sponsored by the Department for Business, Energy and Industrial Strategy and incorporated by Royal Charter in England and Wales with company number RC000818. Registered office: Polaris House, North Star Avenue, Swindon SN2 1FL.

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