

Affordable Credit Fund: FAQs

What is the Affordable Credit Fund?

The aim of the Fund is to support the development and growth of affordable personal credit, through not for profit lenders by the availability of flexible loan capital backed by Carnegie UK Trust & the Scottish Government.

The Fund will seek out providers operating within the most disadvantaged communities of place and interest in Scotland; ensuring that affordable credit provision is not stifled by a lack of access to flexible loan capital.

The Fund initially had a value of £2m and £1m remains for investment.

Who is eligible for the loan?

The primary eligibility criteria relate to the legal form of the proposed borrowers from the Fund. We are looking for:

- Companies Limited by Guarantee
- Community Benefit Societies (e.g. an Industrial and Provident Society)
- Credit Unions
- Scottish Charitable Incorporated Organisations (SCIOs)
- Community Interest Companies (CICs)

The overriding principle when assessing eligibility should be that the organisation has in place an appropriate “asset lock” in place demonstrated via two main characteristics:

1. That profits earned are reinvested within the organisation or in the beneficiary community: they are not distributed to owners, directors or shareholders (except where shares are wholly owned by a charitable organisation or CICs limited by shares where a maximum aggregate cap of 35% is allowable by the Regulator);
2. That in the event of dissolution, the assets of the organisation, following repayment of outstanding debts, are reinvested either in another organisation with similar aims or objectives or some other alternative that avoids distribution to owners, directors or shareholders.

What if I do not meet these criteria?

Please have a conversation with us before submitting an expression of interest. If you are invited to submit an EOI then this might still not mean that your application is going to be considered and would be subject to further consideration by the investors in the ACF.

Do I need to be based in Scotland?

Organisations eligible for Funding must have a clear and demonstrable impact in Scotland.

This impact might take a range of forms but may include:

- net financial gain against higher cost commercial alternative;
- loans to households below median poverty line;
- loans to households where children are living in workless households;
- loans to households where impact on increased social capital can be quantified;
- loans to households where retention in work or within community can be identified;
- loans to lone parent families or other recognised disadvantaged groups;
- loans to households which can subsequently articulate or quantify reductions in stress, anxiety or depression and generally improve mental health;
- loans to households where greater access to employment or employment opportunities results;
- loans to households that improve life chances or choices;
- loans to households that reduce social isolation and increase community cohesion.

What other eligibility criteria are there?

There are a range of other criteria in place that we will ask you for evidence of, should your application be taken forward.

What are the terms of the investment?

Investment from the Fund is intended to be as flexible as possible, and a bespoke investment package will be developed in partnership with you. However, as a guide, investments will have the following terms:

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| Amount: | Minimum - £200,000 Maximum - £1,000,000 |
| Arrangement Fee: | 1% of total loan amount. This fee is payable regardless of loan amount or interest rate charged. We do not envisage that there will be any other SIS fees charged as part of the investment process, although you may have your own legal fees to pay. |
| Interest Rate Range: | Up to 6% fixed, charged daily and payable monthly/quarterly/annually as appropriate. The interest rate will be recommended by the Investment Manager based on a range of considerations including security, track record, governance arrangements, sustainability, and social impact. |
| Term: | Minimum investment period of 5 years. Maximum period not to extend beyond 30 th December 2027. |

Repayment: Bullet repayment at the end of the agreed term or amortisation over the period of the loan. Capital holidays will also be considered in the initial 3 years of the facility.

Security: Security for the loans should be taken where available however, Funding can be provided on an unsecured basis.

Can I bring in other Funding?

Yes, absolutely. Co-investment will be looked on favourably as part of the application process.

How much information do I need to provide?

Alongside the application form, it would be useful to receive the latest set of annual accounts and your most recent management accounts or information e.g. most recent quarterly management accounts or Prudential Regulation Authority quarterly return. We will also have a chat with you to understand a bit more about your organisation as part of the application process. It will also be useful to see, if you have them, some financial projections or a business plan.

Will I have to speak to anyone?

Yes. One of our Investment Managers will call you to discuss your application and how this investment could support you.

What happens if our organisation cannot afford to repay this investment?

When you take a loan from SIS you receive regular advice and support from an Investment Manager who will keep in touch with you to make sure things are going to plan. If things don't, then we will do all that we can to support your organisation to get through its challenging time and agree a suitable repayment plan.

Will any of my trustees lose their house if we are not able to pay back our loan?

No. We take no security from the trustees and they will have no personal liability.

How long does the process take?

Dependant on the information you are able to provide up front, then our Investment Managers should be able to give you an idea of how long the process will take.

What other support is available?

As part of the arrangement with the Scottish Government, up to £20,000 of grant funding is available to support marketing activity. Further information on this award will be provided by the Investment Manager and the grant is approved at the same time as the investment. The grant and the investment will be made available at the same time.

Where can I find SIS's Data Protection Notice?

You can find SIS's [Data Protection Notice](#) on our website [here](#). By submitting an application for this Fund, you confirm that you understand and accept our obligations under the General Data Protection Regulation (GDPR) set out in [Data Protection Notice here](#).

Where can I get more information?

You can find more information on our webpage, the guidance document or by emailing brianm@socialinvestmentscotland.com.