



# Undertaking in Difficulty (UiD): A Guide

## Undertaking in Difficulty (UiD): A Guide

Based on the answers you have provided so far in the supplementary application form, your business may be within the scope of the Northern Ireland Protocol.

The European Union state aid rules, which apply to businesses within scope of the Northern Ireland Protocol, limits lending to those businesses which either: a) are not undertakings in difficulty today; or b) are undertakings in difficulty today but were not on 31 December 2019.

The test is determined on a per undertaking basis. An undertaking is a single economic unit having a common source of control – so if it's a single company, it is that company; If there is a group of companies all under common control and the "parent company" has decisive influence over the group, then the group is a single economic unit.

**Atom recommends that borrowers consult their broker to navigate the Undertaking in Difficulty declaration.**

## Micro and Small Businesses

### (Simplified UiD Test)

Smaller businesses with fewer than 50 employees and less than £9,000,000 in annual turnover or annual balance sheet are not considered undertakings in difficulty unless they are:

- a. Subject to collective insolvency procedure under national law, or;
- b. in receipt of rescue aid (which has not been repaid) or restructuring aid (and are still subject to a restructuring plan) at the time they apply for an RLS Facility.

From a practical perspective, the following UK proceedings are categorised as 'collective insolvency proceedings' under the Insolvency Regulation:

- Winding-up by or subject to the supervision of the court;
- Creditors' voluntary winding-up (with confirmation by the court);
- Administration, including appointments made by filing prescribed documents with the court;
- Voluntary arrangements under insolvency legislation;
- Bankruptcy or sequestration.

The 'voluntary arrangements' listed above include company voluntary arrangements and individual voluntary arrangements. Receiverships, members' voluntary liquidations and schemes of arrangement under Part 26 of the Companies Act 2006 are not included in the scope of the Insolvency Regulation and therefore fall outside of the definition of "collective insolvency proceedings".

Businesses will know if they have received rescue or restructuring aid, as they will have been informed of this at the time of a grant and this type of aid is normally the subject of a specific State aid approval from the European Commission. For the avoidance of doubt, aid provided under the RLS, or any of the Other Schemes is not rescue or restructuring aid. Note also that the test here is whether the business is currently in receipt of rescue aid or currently operating under a restructuring plan. Where aid measures are entirely historic this is not a barrier to participation in the RLS arrangements.

## Medium and Large Sized Businesses

### (UiD Test)

Businesses with more than 50 employees or more than £9,000,000 in annual turnover or annual balance sheet are subject to the 'Undertaking in Difficulty' test as defined by the European Union.

A business or undertaking in difficulty includes:

- Individuals or companies that have entered or have fulfilled the criteria to be put into collective insolvency proceedings;
- Limited companies which have accumulated losses greater than half of their share capital in their last annual accounts (this does not apply to SMEs less than 3 years old);
- Partnerships, limited partnerships or unlimited liability companies which have accumulated losses greater than half of their capital in their latest annual accounts (this does not apply to SMEs less than 3 years old);
- Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan;
- Have (where the undertaking is not an SME – i.e. it is a Large Enterprise), for each of the last two sets of annual accounts: i) book debt to equity ratio greater than 7.5; and ii) EBITDA interest coverage ratio below 1.0.

In respect of the solvency ratios, it is necessary for a company to meet both of these ratios to be classified as 'in difficulty'. If the company meets only one of the ratios, then it will not be classified as 'in difficulty' under this limb of the definition. 'Debt' is defined as any interest-bearing financial liabilities. When calculating, you should not net off cash first. Equity means share capital plus share premium plus all reserves (less any minority interests). SMEs are not required to meet these solvency ratios.



# Undertaking in Difficulty (UiD): A Guide

"Atom bank", "Atom" and "Digital Mortgages by Atom bank" are trading names of Atom bank plc, a company registered in England and Wales with company number 08632552. Registered office: Rivergreen Centre, Aykley Heads, Durham DH1 5TS. Atom Bank plc is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA. Our Financial Services Register number is 661960.

The Recovery Loan Scheme is managed by the British Business Bank on behalf of, and with the financial backing of, the Secretary of State for Business, Energy & Industrial Strategy. British Business Bank plc is a development bank wholly owned by HM Government. It is not authorised or regulated by the PRA or the FCA. Visit <http://www.british->