

The Rt Hon. Mel Stride MP
House of Commons
London
SW1A 0AA

24th April 2020

Dear Mel Stride MP

Thank you for your 22nd April letter to accredited CBILS lenders, requesting daily lending updates. The CDFI sector, which represents approximately one third of accredited lenders, is happy to provide this data to the British Business Bank. We are working hard to make CBILS work well for small businesses, and have supported over 100 businesses with £7 million in loans in the first three weeks of the scheme. I have enclosed a case study of one of the first CBILS loans made after the scheme launched, which was by a CDFI.

CDFIs exist to support small businesses, and help them thrive. They are experts at assessing risk in businesses that banks have already said 'no' to. CDFIs stepped in during the financial crisis when banks withdrew credit from small businesses to protect jobs and strengthen communities. Without their support, thousands of independent, small and micro businesses could close, costing thousands of jobs and devastating towns, cities and communities.

The current small business climate presents a challenge for banks, as many enquiries will be outside the scope of what banks lend for – both in terms of risk profile and loan size. We estimate a £100 million gap in the market over the next 6 months for businesses seeking less than £50,000 in working capital.

In your letter you asked for comments for scheme improvements. **We are proposing a £30 million government funded CDFI fund, to be used alongside CBILS.** A £30 million grant is a relatively small amount within the government's bold Covid-19 response, yet would have disproportionate impact. It would allow the sector to leverage investment from banks and other investors that otherwise would not have invested into higher risk Covid-affected small businesses, to meet the £100 million gap.

Once repaid by borrowers, the grant can be used by the CDFIs to leverage further funding and re-lend. As a precedent, the government's CDFI Regional Growth Fund (RGF) grant of £30 million has catalysed £100 million in lending through leveraging bank investment and recycling into new loans.

The CDFI sector already has the infrastructure in place to deliver funds immediately, and RGF, SULCo, NPIF and MEIF, and the Big Society Capital Community Investment Enterprise Facility all demonstrate our sector's success at providing access to finance to businesses banks cannot reach.

We are now reaching a critical time for small businesses who need capital to survive. I would be happy to discuss how this could work in more detail and in the meantime we would appreciate your support in bringing this workable solution to practice.

Sincerely,



Theodora Hadjimichael
Chief Executive, Responsible Finance

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Case study - H.T.E.S (Northern)



One of the first companies to benefit from the Coronavirus Business Interruption Loan Scheme (CBILS) is Hartlepool-based H.T.E.S (Northern), which specialises in providing training and assessment services to the engineering, petrochemical and construction sectors.

The business has received a £60,000 CBILS-backed loan from the Business Enterprise Fund (BEF) which is backed by the Northern Powerhouse Investment Fund.

Since the covid-19 crisis hit, sales have dropped by 75 per cent. The CBILS loan, along with BEF's support, is offering a lifeline during tough trading conditions and the firm hopes to raise additional support from BEF to help with its growth plans once things get back to normal.

Established in 2012, H.T.E.S (Northern) offers accredited and in-house training courses to local, national and international companies. Training courses include a mix of NVQ/QCF/RQF qualifications through their accreditations with ECITB, CSkills and Proqual. The qualifications range from Level 1 Certificates through to Level 7 Diplomas.

Brian Goodlad, Director of H.T.E.S (Northern) said: *"We have seen a significant drop in sales following the start of the coronavirus outbreak. The CBILS support provided by Business Enterprise Fund provides a boost to our cashflow which ensures certainty and stability in very difficult circumstances. It is an important lifeline that will help us survive and safeguard 15 full and part-time jobs"*

Stephen Waud, CEO of BEF said: *"As our health workers are striving tirelessly to save lives, we are working hard to save livelihoods. As a responsible finance provider our mission is to support and help communities; and SMEs are critical to those communities, especially now as jobs and livelihoods are at risk. The CBIL Scheme provided through the British Business Bank is an effective and essential lifeline for small businesses – the demand for funding backed by CBILS is unprecedented and we are working hard to satisfy those clients."*

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