

Treasury Committee

Oral evidence: SME finance, HC 27

Monday 23 January 2023

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Members present: Mr John Baron (Chair); Dr Thérèse Coffey; Dame Angela Eagle; Stephen Hammond; Drew Hendry; Danny Kruger; Keir Mather; Anne Marie Morris.

Questions 150 - 239

Witnesses

[I](#): Mark Grimshaw, CEO, Business Banking Resolution Service, and Abby Thomas, Chief Executive & Chief Ombudsman, Financial Ombudsman Service.

[II](#): Louis Taylor, CEO, British Business Bank.

Examination of witnesses

Witnesses: Mark Grimshaw and Abby Thomas.

Q150 Chair: Welcome to this Treasury Committee evidence session on SME finance. As Harriet Baldwin is unwell—she sends her apologies—I am taking the Chair for today’s evidence session, and I draw attention to my entry in the Register of Members’ Financial Interests. May I ask our witnesses today to introduce themselves?

Abby Thomas: Hello, I am the CEO and chief ombudsman of the Financial Ombudsman Service.

Mark Grimshaw: Good morning, I am Mark Grimshaw, the chief executive officer of the Business Banking Resolution Service.

Q151 Chair: Thank you, and welcome to you both. We have a bit of a packed session this morning so I will cut straight to the chase, if I may?

There is some discussion about the nature of the SME dispute resolution landscape, and there have been complaints about what resources are available to businesses at present—you will be fully aware of those. Given that it is sometimes not easy to distinguish between which service SMEs should approach, and the fact that there has been a timetable put on the Business Banking Resolution Service, could you briefly tell us how an SME in my constituency that had a grievance with their bank would go about initiating a dispute resolution service?

Mark Grimshaw: Yes, certainly. I hope you will excuse me, but I have a bit of a cold. The customer will have received a final resolution letter—an FRL—from the appropriate bank. They will either be directed towards the Financial Ombudsman Service or, if they meet the financial turnover levels, they will be directed towards the Business Banking Resolution Service, which I am obviously happy to have referred to as the BBRS.

Chair: Do you have anything to add, Abby?

Abby Thomas: We take our role in supporting the SME community very seriously. We monitor the awareness of our service among the decision makers in those businesses that might feel they need to raise a complaint. We ran a survey with YouGov in October and found that awareness of the Financial Ombudsman Service is currently around 74% in that community. We feel that most—not all, and there is always more to do—of the decision makers in that size of business know that they can come to us if they have a problem. As Mark has said, the fact that we are referenced not only in the final response letters from the banks and insurers, but often on their websites and on our own website as well, gives us more confidence that people can find us when they are looking for that help.

Q152 Chair: I would push back slightly, in the sense that the Committee has



received evidence that there is uncertainty around the future of dispute resolution services for SMEs in the UK. If I may come back to you, Mark, you were due to close last year, but you are still in operation. Can you explain the rationale for that and why there is uncertainty around that issue alone?

Mark Grimshaw: Certainly. The BBRS was originally designed to close at the end of December 2023. A number of activities took place, not least of which has been the Treasury Committee review into SME banking, and the activity undertaken by the FCA in terms of the review that they carried out. That extended the time that the BBRS was able to take complaints from eligible customers. It is down to the seven banks to determine when they will actually serve notice on the contemporary scheme—the scheme we are operating currently. At the moment, we have not received notification of intention to close the scheme, so the banks are continuing to fund us until said decision is made.

Q153 **Chair:** Can I put it to you, Abby, that the closure of the BBRS—which feels as though it is going to be happening sometime this year—would leave the FOS as the sole arbiter for SME banking services? Does that change your organisation’s role to a certain extent or not?

Abby Thomas: As Mark mentioned, this was recently reviewed by the FCA, who are responsible for reviewing our perimeter and ensuring that we are assisting those that need our help. When that survey was conducted, we found that 99% of businesses in the UK are eligible to raise their complaint about a financial services product to the Financial Ombudsman Service, so we do offer good coverage today. There will be a cohort of businesses that the BBRS is currently able to support that we would not be able to with our current jurisdiction, because the turnover threshold will not have been met. I think there are other options available to those businesses; the courts are an option, and arbitration is a further option, but it is really in the remit of the Treasury and the FCA to determine if our jurisdiction should be extended and, to date, that has not happened.

Q154 **Chair:** But is it in the mix as far as the discussions go?

Abby Thomas: The FCA’s review was fairly conclusive that they felt our perimeter was appropriate at present.

Q155 **Chair:** Can I come back to you, Mark, if you do not mind, and raise a few questions about the level of service provided by the BBRS and its track record? The service was initiated a few years ago, in 2021. According to the notes I have here, over 1,000 cases have been registered. The service has resolved 137 cases in that time, and you will be closing shortly. That record does not sound good to any outsider: 137 cases resolved, over 1,000 registered. Given the cost of the service, can you defend the record over the last three years?

Mark Grimshaw: Thank you for the opportunity to respond to this particular question. It is very important that I take the Committee’s time



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to explain the background to the BBRS and some common misconceptions about the areas in which we can offer service.

I would like to go on record and say that we are here to support the SMEs, which we believe, and I firmly believe, are the backbone of business activity in the UK. Anything that we can do, within the remit we have, we will endeavour to do.

It is essential that the Committee understands that the BBRS has a very tight remit, and that remit was agreed unanimously by the implementation steering group, the ISG, that set up the BBRS. We have to operate within said guidelines; there is no flexibility.

One of the challenging issues—the evidence would suggest that this should have been reviewed some time ago, and it was reviewed by the BBRS at my behest—is that the original volumes that were forecast for BBRS involvement, which was 6,000 cases over three years, have never materialised. That is on the back of us running four very detailed social media and outreach campaigns. We have achieved just over 98 million opportunities to see, so we believe we have reached all the cohorts that we are responsible for engaging with.

You are absolutely correct to say that, as of the end of December, we had received 1,014 cases. But what is really important is the breakdown of those 1,014: 32 are still open, so they are still on a desk being dealt with; 36 were transferred to our colleagues at the Financial Ombudsman Service because they fell within the FOS's area of remit; 373 were either abandoned or withdrawn by the customers; 111 were what we would deem to be erroneous registrations, mainly coming in from bots, spams or duplicate registrations; and 325 were found not eligible for the BBRS because of the eligibility constraints that are applied.

Q156 Chair: I am going to cite one or two bits of evidence that we have received which, in a way, substantiate one of your points.

Paul Wilson, policy director of the FSB, said: "The eligibility criteria have been drawn far too tightly. The banks have had too much control over that. We are disappointed that the SME liaison panel has not been listened to in the way that it could have been."

I accept that, but we have received some other evidence from the SME Alliance, which said that, "Unfortunately"—excuse the term—"the BBRS is a sham. The banks control it through the Bank Appointed Member Limited Company which the stakeholders were not aware of until the service went live on 15 February 2021."

I put it to you that there is deep frustration out there in the SME community that the BBRS has not lived up to expectations, and certainly the figures would suggest that. I think you are suggesting, in a way confirming this, that the criteria has perhaps been set too tight.

I put it to you that there is deep frustration in the SME community that



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the system—and you are part of that system, whether you like it or not—is failing. What would you say to that?

Mark Grimshaw: I would say that the rules of engagement—the eligibility rules for the BBRS—were agreed unanimously by the implementation steering group, which was made up of representatives from many of the groups you have just cited, and including the seven banks. It is worth being aware that the banks paid for the legal support for all those organisations, and there was also coverage from a number of broader—

Q157 **Chair:** I do not want to spend too long on this but, with respect, that might be the history; what I am describing to you is what is happening now. There is deep frustration at the way the dispute resolution landscape—the system, if you like—is operating when it comes to SMEs. I personally have been approached on this issue by SMEs saying, “It’s not good enough. The system is failing us.”

SMEs are the lifeblood of this economy. They employ most people in the private sector. We look to them for a disproportionate amount of the economy’s growth. Yet, when they run into a bank and have a dispute, it is, as many have described it, like hitting a brick wall. Some have gone on to say that, because of the involvement of the banks, the BBRS has been “marking its own homework” in the time that it has been operational. I do not want a history; I do not want to know who, individually, signed up to the idea, although we know that the seven banks have been there from the start. I want to know what, in the limited time you will be operational, will be done to improve the situation, if anything at all.

Mark Grimshaw: In terms of improving the situation, we have a number of recommendations, both for the Government and the banks, which I am happy to share with the Committee today. One of the interesting points, and something we cannot get away from, is that, having conducted our own research through an organisation called Public First, where we approached 522 senior business decision makers at companies that fall within our remit, we found that 86% of them were satisfied or very satisfied with their banks. From where the BBRS sit, if we receive eligible complaints from customers who have received a final response letter, the likelihood is that we will be able to reach a satisfactory resolution with said customer. It is the eligibility constraints that make life difficult for us.

Q158 **Chair:** I am sure other members of the Committee will want to follow on from this, but can I just quickly ask you, Abby, one final question? Given what we have briefly discussed—as I say, I am sure Members will want to expand on these issues—it does concern me that there does not seem to be a more proactive conversation with the FCA as to the situation and how it can be improved. Can I ask you to take that thought away with you and to try to see if the FCA can be stirred to have a look at this?

I leave with you the thought that there is deep concern, as I have said before, about the way the dispute resolution landscape is operating at the



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moment, and that it is disadvantaging smaller businesses. The feeling is that the system is too weighted in favour of the big banks, and we need to try and make sure that there is greater fairness in the system.

Abby Thomas: Of course. If I may briefly respond to that, there is ongoing dialogue between ourselves and the FCA. As I said, they reviewed the threshold—the turnover requirements—that would change our eligibility criteria. We are always in dialogue to make sure that the products, services and types of complaints we can handle are also appropriate. There are some small examples, which do not drive many inquiries to our service, but where I feel we could perhaps help small businesses a little more, and those are under active discussion with the FCA. I would be happy to provide the Committee with a list of these examples of areas where our perimeter does not permit us to support the investigation into a complaint, but it would seem quite similar to work we already do on behalf of those small businesses. We would be happy to share that.

Chair: Thank you. Angela.

Q159 **Dame Angela Eagle:** Mr Grimshaw, if I had not known where you were giving evidence from, I would have thought you sounded like a PR man for the banks just then, yet you are there to arbitrate in situations where there is a dispute between banks and small businesses. When that happens, we know that the small businesses concerned are at a disadvantage to begin with because of the sheer scale of the bank that they are dealing with. You seem to be very identified with the banks. Why is that?

Mark Grimshaw: I do not recognise that relationship; we are independent.

Dame Angela Eagle: You just said that 85% of customers were satisfied with the way that banks work, but your job is to deal with those areas where there is a dispute. Normally, when someone is advocating in areas where there is a dispute, there is some insight into what is going wrong in some of the arrangements. So what is your insight into what is going wrong in some of these arrangements? Criticise the banks for me for a little. Where do they get it wrong?

Mark Grimshaw: As I said to the Chair earlier, we do have some recommendations, and I am more than happy to go into these in relation to the banks.

Just to clarify, what I referred earlier to earlier was some independent research that we did looking at business banks within our cohort to see if there were other areas we could target to try to find cases that simply did not appear to us to be available.

To specially answer your question, one of the four areas that we would recommend the banks look at in much more detail is personal guarantees, to make sure that people who engage in personal guarantees



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have a full understanding of the obligations they are signing up to and of the duration of those obligations, and practical clarity on release from those obligations. We have already prepared a paper on our findings, which has gone to the banks, with recommendations from the BBRS's chief adjudicator. We are more than happy to make that material available to the Committee.

Q160 Dame Angela Eagle: Are there any other ways in which you think banks are treating their customers unfairly?

Mark Grimshaw: There are other areas in which we have made recommendations and where the banks could perhaps improve the level of service they are offering to their customers in relation to the cohort we are responsible for, which is very small.

One of the other areas we would recommend the banks look at further is clarity of communication and using language that is easy to understand. We have found that the bank's information is occasionally a little less clear than perhaps it ought to be.

Q161 Dame Angela Eagle: I think we all know about how misleading the small print can be.

You are not going to be around much longer, as you are essentially exiting soon, aren't you? There is now a gap between the maximum amount of moneys lost, which forms the perimeter for the Financial Ombudsman Service, and the nuclear option of going to court, which can be very expensive. What should fill it?

Mark Grimshaw: Are you addressing that to me?

Dame Angela Eagle: Both of you.

Abby Thomas: From my perspective, we offer coverage to the vast majority of businesses in the UK. There will be a proportion of businesses—

Q162 Dame Angela Eagle: But there is an issue of size of loss, isn't there? Your maximum award is under £500,000.

Abby Thomas: That is correct.

Dame Angela Eagle: So any business that has lost more than that has the very narrow, and obviously not used, option at the moment of going to the British Business Resolution Service, which is soon going to be off the scene, or risking spending lots of money at the High Court, where the backlogs are massive. That is a gap in protection, isn't it?

Abby Thomas: It points to a difference between the type of cases that we currently receive from the cohort of businesses that are eligible for our service, and the cohort of cases that the BBRS would typically handle. The significant majority of our cases result in awards that are lower than £25,000.



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Q163 **Dame Angela Eagle:** But that is your perimeter. I am talking about the people that are outwith your perimeter. Once the resolution service has gone, there is going to be nothing except the High Court for those businesses, is there? Should there be another model? This Committee has always said that tribunals could arbitrate in this case, and that is what we recommended in 2018. But there seems to be a reluctance to think about tribunals, so it is the High Court or the high road, isn't it?

Abby Thomas: From my perspective, the reason why I drew attention to that disparity between the awards that we give and the awards that BBRS is entitled to give, is that it points to a genuinely different type of case—a more complex case that potentially takes longer to resolve. That is why it is not a straightforward answer of saying that our jurisdiction should be extended to cover those broader cases as well.

Q164 **Dame Angela Eagle:** I am not suggesting it should be. I am asking you to comment, not only on your service, but also on the gap that exists when the awards are above what your maximum is, and the nuclear option, which could be very expensive, of having to go to the High Court. Should there be anything else? The Committee has suggested tribunals.

Abby Thomas: I understand that that is an option that has been considered before. I would not be able to say with a great deal of confidence the best route for those cases to be resolved. You have mentioned courts. There is also the option of arbitration.

Q165 **Dame Angela Eagle:** Mr Grimshaw, do you have any view on this?

Mark Grimshaw: Yes, I do. The data that we have around case volumes—I said at the beginning that I would like to come back to this—suggests, and we are seeing, between eight and 10 cases a month coming to us, at least half of which are not within our eligibility criteria. So it is fair to say that you would be looking at around 60 cases a year in our particular space. The evidence would suggest that a stand-alone capability is not cost-effective at that level. Of course, this is a decision for lawmakers and decision takers within Government.

Q166 **Dame Angela Eagle:** You could of course widen the criteria. You are quoting the narrowness of the criteria that you have established as a reason why nobody is interested, but if you widen the criteria to try to fill the gap, you might get more cases. This is not a set number; it is just a function of the narrow criteria that your organisation set.

Mark Grimshaw: From a BBRS perspective, you are absolutely right. I am pleased that you recognise that the criteria is tight and that we have to operate within it. It is also important to recognise that, as an organisation, we are wholly funded by the banks. Not a single penny of public money is used in the funding or operation of the Business Banking Resolution Service. It would be down to lawmakers and policymakers to determine what should happen next.

Dame Angela Eagle: That is what we are trying to do with your insights,



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but it is like wading through setting concrete. Thank you very much, Chair.

Chair: Thank you, Angela. Drew, and then Danny.

Q167 **Drew Hendry:** Thank you, and good morning. Mr Grimshaw, you said that you have carried out research and reviews, and you just talked about the funding of the BBRs. You have spent over £40 million so far and delivered less than £2 million in settlements. In addition to those reviews and research, have you carried out a value-for-money assessment and, if so, what did it tell you?

Mark Grimshaw: Again, it is worth remembering that all our funding comes from the seven member banks. The seven member banks had to set up a brand-new organisation from the ground upwards in order to offer a high level of service to potential customers, and it is the potential piece that is relevant here. When we were established on the back of the unanimous agreement of the ISG, it was forecast that we would receive 6,000 cases over three years, based on some forecasting work done back in 2020. As it turns out, and I have already mentioned the figures, we have received 1,014, of which over 70% were not eligible for our service or have been withdrawn. The banks have continued to invest in the service and to invest in social media.

Q168 **Drew Hendry:** Has it been value for money? Let me flip the question: is it value for money for the banks? Has it saved them a lot of hassle?

Mark Grimshaw: That question would have to be addressed to the banks.

Q169 **Drew Hendry:** What is your view?

Mark Grimshaw: I am not in a position to determine whether or not they consider it value for money.

Q170 **Drew Hendry:** So a value for money assessment has not been carried out, basically?

Mark Grimshaw: Not by the BBRs; that is something that the banks would have to carry out.

Q171 **Drew Hendry:** Let me ask you a different value question, then. Your organisation has concluded less than one case a week since its creation; I will come to eligibility in a second but, apart from that, why is output so low?

Mark Grimshaw: It is the eligibility challenge. If we do not receive sufficient cases, regardless of the quality of the service that we are able to offer, we cannot reach resolution in cases that quite simply do not exist.

For me, this is one of the big challenges of the BBRs. There was considerable commentary at the point of the ISG around the 6,000 cases or more that would be uncovered, and there being a latent demand for



the service. I would propose that what was determined to be the tip of the iceberg at the time was, in fact, the iceberg.

As I said earlier, we have spent over £1 million on four separate social media campaigns. We have contacted all MPs, and we have been involved with many well-known organisations in getting our message out there. If you or I had a final resolution letter from the bank, and an option to bring it to the BBRS, I am pretty sure we would address that. The cases simply are not out there.

Q172 Drew Hendry: Let us look at eligibility. Some 90% of your referrals are rejected, for the reasons that you have laid out. You have talked about the eligibility criteria being too narrow. Is that a sign that the system was set up deliberately to be too narrow?

Mark Grimshaw: No, I do not think that is the case. As I have said a number of times, the system—

Q173 Drew Hendry: How did that eligibility criteria come about then if that is not the case?

Mark Grimshaw: The eligibility criteria was reached by discussions between the SME community, banks and various representatives from much broader business organisations, and with some input from policymakers within Government. The key here is that the decision to go forward with the eligibility criteria that was created at the time was unanimous—everybody signed up to the eligibility criteria, on the view that there would be the yet-to-materialise 6,000 cases.

Q174 Drew Hendry: How quickly did it come to your attention that that was not going to be achieved, and what did you do about raising the alarm?

Mark Grimshaw: I joined the organisation back in April 2021, and later that same year we began the detailed research through Bayes Business School of the cohort that we were responsible for engaging with. I am more than happy to make the research available to members of the Committee. Bayes Business School came back and said that they felt that there had been some over-optimism—you might want to call it optimism bias—in the original figures, and that their detailed estimation was that we would receive no more than 1,600 cases. At the run rate that we are experiencing at the moment, we will probably have received around 1,250 cases in the next 18 months. At that point, we engaged with the banks to advise them that we were going to be running more detailed and wider social media and client engagement campaigns, but bear in mind that our cohort is very small.

Q175 Drew Hendry: Ultimately, because of the evidence you have given us, that would have been a waste of time anyway, because you already knew that the eligibility criteria was too narrow. Would it be fair to say that that was basically chasing shadows?



Mark Grimshaw: It would be fair to say that the customer base is simply not out there and, for those customers in the contemporary scheme—the scheme we are running at the moment—if we can find them, the likelihood is that they will have a successful resolution. Over 77% of our eligible customers receive a satisfactory resolution.

Q176 **Drew Hendry:** I have to say it sounds more like a PR exercise than a genuine ability for people to get resolution, but out of those small and medium enterprises that managed to get a resolution, did any have an alternative route they could have taken to get to that resolution?

Mark Grimshaw: They could have gone to the courts. So in order to come to—

Q177 **Drew Hendry:** That was their only option?

Mark Grimshaw: They could have gone to independent arbitration or mediation but, once they have received their final resolution letter from the banks, which means the banks are not prepared to take the case any further, they have the opportunity to come to us, or it might be the case that they are smaller and can go to the FOS.

On the assumption that they then come to us, we will look at the case. If they meet the eligibility criteria—which is laid out in detail on our “How can we help you?” page on the front of our website so that customers that do engage with us know whether they are likely to be eligible—we will then help them through the process. As I mentioned at the beginning, we have seen 137 cases resolved by the BBRS out of the relatively small—

Q178 **Drew Hendry:** Do you feel that that is enough cases resolved in total?

Mark Grimshaw: I feel that that is a good level of resolution for the volume of cases that we receive. I will always come back to the fact that—

Drew Hendry: But the volume is too low?

Mark Grimshaw: The volume simply is not out there.

Q179 **Drew Hendry:** Briefly, because you have given us a lot of detail about what you have encountered, but, if you had to give them, what would you say the lessons are that you have learned from your last three years?

Mark Grimshaw: Thank you for the opportunity. I have mentioned two of the recommendations for the banks. In terms of recommendations for Government, we have three that we believe are key. A case for future independent ADR activity should be built on data, and well-researched data, and it should avoid optimism bias, which is something that has perhaps led us to the situation we find ourselves in at the moment.

We also believe that vested interests should be avoided—organisations that perhaps have a vested interest in the outcome and can generate a



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sufficient amount of noise and make the whole iceberg look like just the tip of the iceberg. The perception of independence is also vital to the credibility of whatever is set up, and our recommendation would be that it is set up independent of the banks.

Q180 Drew Hendry: A statutory body?

Mark Grimshaw: I am not going to go so far as to say a statutory body; it is down to policymakers and decision makers within Government to decide if that should be the route forward. But we would all recognise that it is unlikely that the banks will continue to fund stand-alone ADR capability where there is such a small demand for it.

Q181 Chair: Before coming to Danny, can I press you on something you said? A theme so far has been the restricted eligibility criteria. I think I am right in saying, Mark, that you said that the SME community had bought into the scope of that criteria.

Mark Grimshaw: Yes.

Chair: We have had evidence from the SME Alliance that says, "The banks control it"—the BBRS—"through the Bank Appointed Member Limited Company which the stakeholders were not aware of until the service went live on 15 February 2021." Is that correct from the SME Alliance?

Mark Grimshaw: No, that is a wrong perception. We are not controlled by the banks at all. We have had two independent post-implementation reviews. If I can quote from the findings of the first implementation review—

Q182 Chair: If I may, I am not doubting what you are going to quote, but the point they were making is that they were not aware of the bank-appointed member limited companies until the service went live. Is that correct or not?

Mark Grimshaw: I am reliably informed that the SME community, along with all other members of the ISG, were aware of the process that the BBRS was going to have to go through, but this is pre-implementation of the BBRS, and all the ISG were unanimous in signing into live the BBRS plan.

Q183 Chair: Together with the other bits of documentation that you have kindly offered—we will take you up on that offer if you could send this to us—

Mark Grimshaw: Sorry, could you say that again? It is quite noisy outside, and I did not hear what you said.

Chair: You have referred to various documents and information which you have said you could send to the Committee if we would like it. I am saying to you that we would like that, please, so could you please send that in? However, could you also, within that, specifically address that point and confirm what you have just relayed to us in the Committee?



Mark Grimshaw: Yes.

Chair: Thank you. Danny.

Q184 **Danny Kruger:** Thank you very much for what you have been saying today. I am interested in the document we received from you dated August last year, which is written evidence submitted by the BBRS.

It seems from this document and from what you have been saying today, Mr Grimshaw, that you regard the BBRS as a bit of a disaster as well and that the original design was wrong. The document you submitted suggests that the establishment of the BBRS and its design were heavily influenced by interested parties—by querulent litigants, as it were—who had conflicts of interest.

You said today, and you say in this document, that it turns out that there was in fact no case to answer, that there was no systemic problem with the way banks treated SMEs and that, despite great efforts to communicate the service, there simply was not the demand for it out there—as you say, the tip of the iceberg turned out to be the whole iceberg.

You suggest that the whole organisation was heavily “over-engineered” and over-resourced for the job it had to do but that, given all this, it has done its job very well, just within extremely restricted criteria. You also suggest that it has been very successful, but that it is impossible to quantify the value of that success because you do not always understand what awards have been made to SMEs.

From a slightly different perspective to some of us, and to me, you seem to think that the whole organisation was a costly mistake. Following on from Mr Hendry’s question to you, I think you said you joined in April 2021. Did you come into the organisation believing that the iceberg was bigger than the tip? Given that that turned out to be a mistake, in your view, who do you think is to blame for the establishment of the organisation and this very expensive mistake that has been made?

Mark Grimshaw: First, let me go on record to say that I do not believe that the BBRS has been a failure. The people in the BBRS work incredibly hard to get positive outcomes for the relatively small number of eligible customers that come through our doors. I also do not believe it has been a costly mistake. This is something the banks have invested in, in order to make sure that, were the cases available to us, we could offer a very high level of service to customers. Those of you who are running businesses, or have run Departments before, will recognise that there are standard costs you have to have in order to be able to run a business. You cannot get away from them.

It is also important to recognise that the banks invested incredibly heavily in data security to make sure that, in the set-up of a brand-new service looking at customer data, there was no possibility of cyber-attacks or anything like that.



Q185 **Danny Kruger:** On that, the banks themselves are happy with the expenditure—they think £40 million has been well spent?

Mark Grimshaw: As I said to Mr Hendry earlier on, you would have to ask the banks, but one thing I do know is that the banks continue to invest in the BBRS and fund the social media and comms campaigns that we are undertaking. Even now, today, we are running a national campaign to try to find these elusive customers that quite simply do not exist.

Q186 **Danny Kruger:** It is interesting that the banks are so happy with your service and are continuing to fund it. You did not answer the question about who is to blame, but I think I infer from what you have said that it was everybody involved in the original design, which I suppose to a degree includes the banks themselves, although it turns out, according to you, that there was in fact no case to answer.

Can you tell us what happened to the SME Liaison Panel that was part of the structure in the beginning? What was the story there, and why did it cease to exist?

Mark Grimshaw: The SME Liaison Panel was closed in about the middle of 2023 on the back of a letter that the board received from the chair of the panel. I will just quote from part of his letter, where he said, "I think it better if the debate about how to improve matters takes place in a different forum"—the full statement of his resignation is on our website for everybody to read. At the time—mid-2023—the BBRS board knew that it would probably take the best part of three to four months to recruit a new chairman, and we were slated to close at the end of 2023. So the decision to close the panel was taken by the BBRS board, essentially in conjunction with the chair of the SME Liaison Panel, who was saying the debate should take place elsewhere.

Q187 **Danny Kruger:** It would be interesting to understand why the chair thought that. One of the members of the panel, Cat MacLean, had resigned the year before, saying that to continue would risk being "complicit in a cover-up". It is clear that the SME panel effectively collapsed itself because it did not have faith in the BBRS.

Can I go on to another piece of evidence that we received when we had a group of bank senior executives before us at the end of last year? When Andrew Harrison from NatWest was challenged about the BBRS and the role of the banks in overseeing it, he said the BBRS was absolutely independent of the banks. I was going to ask you about that, but I think you have asserted your own agreement with that in evidence today.

The Chair has referenced this, but can you talk a little bit more about the role of the bank-appointed member? As I understand it, in February 2021—just before you joined—there was a board meeting at which new members were appointed and a mem and arts were adopted. These mem and arts allowed the board to appoint this new director, called a bank-appointed member, who would have the power of veto over further



changes to the scheme. The bank-appointed member is not an individual but a company called the Resolution Service Appointed Member Ltd and, as I understand it, that is controlled by the seven participating banks. Can you confirm that that is indeed what happened and how things work? Given the role of the BAM in the board of the BBRS, can you explain to me how you continue to say that the BBRS is independent of the banks and why it is that the role of the BAM is not registered at Companies House as a person with significant control over the BBRS?

Mark Grimshaw: There are lots of questions in there, so if I miss any, please bring me back to them. The situation with the bank-appointed member is that we do have the RSAM, as we recognise it, which has a director from each of the member banks sitting on it. The BAM does not have a representative who sits on the BBRS board, so this is separate to the BBRS board. They have what are known as reserved rights. Their reserved rights are essentially around safeguards with respect to the funding we get.

To give you some examples, the BAM ensures we stick to the rules and purpose of the BBRS, so we cannot go off and buy a potato farm in Norfolk—

Q188 **Danny Kruger:** Or expand the eligibility criteria?

Mark Grimshaw: The BBRS cannot change the criteria—you are absolutely right on that point.

Q189 **Danny Kruger:** But does the BAM have a role in vetoing any changes?

Mark Grimshaw: In terms of changes, the rules we operate within say that the banks collectively, and the SME community collectively, have to reach agreement; they have to determine what the change to the eligibility is going to be, and unanimously present that to the BBRS to be put into action. Both sides have to get together and agree a way forward.

Q190 **Danny Kruger:** Indeed, and I am interested in why that did not happen. I understand that, again back in February 2021, there were suggestions made at a board meeting that the eligibility criteria could be expanded if certain conditions were met, including the fact that not enough people were coming forward. It was slightly before your time, but are you aware of that and can you explain why the criteria were not expanded, given there was a clear commitment on the part of the board to do so?

Mark Grimshaw: I am not in a position to comment on that, because I was not at the meeting but, as I said, there would have to be unanimous agreement between the seven banks and the SME community, and I imagine that that was never reached.

Q191 **Danny Kruger:** I can imagine that too. It is not that surprising that it turns out the banks did not want to expand the criteria, so that you could continue to exclude 85% of referrals on the basis that they do not meet the criteria. On that basis, the banks are very happy to continue to spend



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millions of pounds a year for a service that was not actually causing them any trouble.

Mark Grimshaw: You have asked me a number of other questions, which hopefully we can come back to, but we have not talked about eligibility, and Chair, if you don't mind I have a couple of comments about eligibility. Quite clearly, in order to be eligible to—

Chair: Can I just clarify that, in your answer, you will be addressing Mr Kruger's question?

Danny Kruger: I appreciate that I have asked lots of questions.

Mark Grimshaw: I will do my best to answer the ones I have written down.

In terms of eligibility, the case has to be against one of the seven banks we are funded by. That is not always the case, and if you are with one of the other banks, we cannot do anything for you, because they are not part of the scheme. The case also has to be brought within six months of receiving a final response letter—there is a little flexibility around that that leads to concessionary cases, which we will press the banks to take on board if we feel there is validity in doing so. And, quite clearly, the case has to relate to a banking service.

This is where it becomes really quite important: the complainant cannot be part of an excluded scheme, they cannot have had a settlement from the banks historically and, most importantly of all, they cannot be involved in, or have been through, judicial proceedings. That may well be where the concept of a tribunal comes into play, but the BBRS is not in a position to overturn a judicial decision. We are also not in a position to overturn a decision that has been taken by colleagues at the Financial Ombudsman Service.

Chair: Thank you, Mark, for that clarification. Danny was there anything else you wanted to ask?

Q192 **Danny Kruger:** Referring back to the discussion that was held on 9 February at the implementation steering group, agreement was reached on the design of the scheme—that if it was demonstrated that the eligibility criteria were too narrow, they could be changed, and that there would be ample scope for cases that fell outside the eligibility criteria to be considered on a concessionary basis. It does look like there was the opportunity to expand the eligibility criteria, perhaps without the permission of the banks. Why do you think that that was not done?

Mark Grimshaw: As I said earlier on, there had to be unanimous agreement between the parties.

Q193 **Danny Kruger:** So do you think the banks vetoed it?

Mark Grimshaw: I do not think that at all, no. I suspect there was not unanimous agreement. I am not even convinced in my own mind that the



parties got together to have the detailed discussion. I do not know because I was not there, but it is quite clear to me, and I am sure it is clear to many members of the Committee, that the BBRs is not, has not been and never will be given permission to overturn a judicial outcome.

Q194 **Chair:** That brings us back to that clarification that I have requested, and that Danny expanded upon, with regard to the BAM limited company issue, because there is a clear divergence of views between the SME Alliance as to knowing about the appointment and what you understand the position to be, so I look forward to receiving that clarification. In looking back at the exchange with Mr Kruger, if there are any questions that have not been answered—I would ask the Clerks to just check on this, please—you may be hearing from us about what we would require by way of additional information.

Mark Grimshaw: Yes, that is fine.

Chair: Thank you. Thérèse?

Q195 **Dr Coffey:** Thank you. I will turn to Ms Thomas. Colleagues have already talked about thresholds and the fact that the BBRs is likely to come to an end soon. Meanwhile, the FCA has already made a decision, and it is within the remit of the Committee to make an alternative recommendation for the FCA and Treasury to think again. There is gap of 55,000 businesses, so could you share with us whether your organisation would have the capability and the capacity to be able to handle what is currently being handled by the BBRs?

Abby Thomas: First, I would like to say that I think we do a good job for the complainants we already serve.

Dr Coffey: It is about 99% of businesses.

Abby Thomas: Yes. We would think carefully about expanding our jurisdiction, to ensure that we could continue to serve well the additional complainants, or additional types of companies, who wanted to raise a dispute to us.

There are a number of factors to consider that are different between the remit of the Financial Ombudsman Service and the BBRs. We have spoken quite a lot about the threshold—the turnover eligibility criteria—and Mr Grimshaw has mentioned the difference in coverage: the BBRs covers seven banks today, but our remit allows us to take complaints from across the banking spectrum and also from insurers—so, small to medium enterprise work—and approximately a quarter of our cases are insurance cases. I also mentioned earlier the differing levels of our awards. That means that our two organisations have a very different remit.

I feel that we are well resourced to handle the work we have today. Last year, we found that 54% of cases were resolved within six months for a small business; it is now 72%, or 78% if you include microbusinesses, so



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I think there is some evidence there that we are doing our job well for those customers that come to us. Again, I would want to take on further customers only where I felt we were really well equipped to serve them, and there are some open questions there for me.

Q196 Dr Coffey: You make the point about your remit being wider in that regard. It was increased from the turnover being, what, about £2 million to £6.5 million, and now Companies House uses about £10.2 million? So I think there is an element of how Government and the regulators can simplify and streamline what is quite a warren in terms of what people are looking for. I think that is where some of this is coming from.

Are there any other extensions to your remit in terms of providers—any finance providers, that you think could, or should, be covered by your organisation?

Abby Thomas: That is an interesting question. It is less about the providers we would feel well equipped to cover that might be beneficial to small businesses, and more about the type of financial activity we are able to address.

Q197 Dr Coffey: Can you give us some examples where you are not addressing it?

Abby Thomas: Certainly. With regard to commercial lending, as long as the provider is an FCA-authorized body, that is in our remit, even though it is not an FCA-regulated activity. But commercial hiring and leasing is not currently in our remit; we could not take a complaint from a complainant on that topic. Since 2019, we have had about 250 inquiries asking for support in that area, and we simply have not been able to investigate those cases. To me, that is an example—and there are others—of where I am not quite sure our perimeter is drawn in exactly the right way. There might be an argument for my service to provide support for those type of disputes.

Another one I would point to is around personal guarantees. I know this is a topic of great interest at the moment, following the Federation of Small Businesses' super-complaint. There are some anomalies in aspects of the personal guarantee that we could consider and aspects that we cannot. For example, if a small business is pursued for a personal guarantee that no director or decision maker in that business feels they took on, we cannot help with that type of complaint. We could if that were a consumer; if a consumer were the guarantor, or seen to be the guarantor, and was being pursued for a guarantee they had not taken, we would be able to take that case on. There are a few other examples like that, which I would be happy to share.

Q198 Dr Coffey: You talked about missing areas. Are there any legal powers that you need, in order to have a lever to address the anomalies you have talked about?



Abby Thomas: I think the legal powers we have are sufficient to carry out our function. Again, it is a matter that we keep under review. I would like to see some of those anomalies in our jurisdiction addressed: it is a matter we have raised to the FCA as well, and we are working with them on it. That would be the main area I would point to, rather than a further expansion of our powers beyond that.

Q199 **Dr Coffey:** We have had some written evidence that has not been quite so complimentary about FOS. In particular, it talks about the complexity of cases. It suggests that the FOS seems to be very good at doing quite simple, low-value claims but not some of the more challenging ones. What is your reflection on that?

Abby Thomas: We have set up our small business team specifically to handle the more complex type of complaint. I do recognise that, while there is a crossover between the type of complaints a consumer might bring to us and the type of complaint a small business might bring to us, ultimately we are more likely to be considering financial agreements that are longer, have bespoke terms and conditions and have more evidence, and that involve more negotiation between the two parties in the dispute before they come to our service.

We have invested quite carefully in making sure we have the right skills for that type of dispute. As evidence of that, I would point to our dedicated small business team—that is 55 individuals who were recruited for that expertise—and the fact we engage with our advisory panel, which is a portfolio of bodies that can speak really knowledgeably for the small business community to provide us with that guidance, like chambers of commerce or the FSB again.

Finally, we also have an expert panel, which is designed to provide us with specialist knowledge for the small number of cases where we might benefit from that. I am thinking of cases that hinge on accounting treatments or tax treatments of small businesses. We wanted to ensure we had that expertise available to us, even though the majority of our cases probably do not require it.

Q200 **Dr Coffey:** The FSB, in particular, seems to have concerns about disclosure, and they suggested in their evidence to us that while the complainant has to give full disclosure, the response of the bank does not get shared with the complainant. Why is that?

Abby Thomas: I would disagree respectfully with that statement. We give both parties in the dispute the opportunity to put their arguments and their evidence forward, and wherever possible we share that with the other party in order that they may respond.

Q201 **Dr Coffey:** You just said wherever possible?

Abby Thomas: Yes, I will clarify. There are some unusual but important circumstances where we cannot be fully transparent. That might be, for example, where there has been an allegation around financial crime and



we need to tread carefully in order not to trigger any form of tipping-off. So there is a very small percentage of our cases where, for very good reason, we would not be quite as transparent, but that is extremely rare. Our two-stage process is in fact designed so the arguments can be seen by both sides and the matter can be reviewed again by an ombudsman should either party not be content at the investigation stage.

Q202 Dr Coffey: For what it is worth, I think FOS markets itself well, but the APPG for ethnic minority business owners suggested that FOS needs a strategy of, "Proactive outreach to ethnic minority business communities to ensure that these communities are not under-served by FOS's services." How would you respond to that?

Abby Thomas: It is very important we make sure that everyone who could benefit from our service, be they a complainant or the business against whom the complaint is raised, is aware of who we are and what we do, and the fact that we are a free and impartial service for the resolution of financial complaints.

We are always working to improve that awareness. As I said earlier, we recently conducted a survey to understand where we stood, and we have reached out proactively to different small business groups in order to help them help us raise awareness. Along with the head of small business in my team, I was in Northern Ireland with some business leaders just before Christmas to understand the unique challenges that a small businessperson might face and why they might need our help.

I think our website works very well for us; we have a dedicated section on small business support, and we use social media extensively. But, again, there is always more to do.

Q203 Dr Coffey: Is it in your remit to help businesses when their banks have closed their accounts—the debanking?

Abby Thomas: Yes, we do receive complaints on debanking, from both consumer and small business complainants. To give you a sense of scale, last year we received about 360 complaints around debanking from business complainants. This year we have received more: in the first half of the year, we were looking at in the region of 250-plus complaints. It is an area we are focused on, and working with Treasury on, to ensure that everybody understands the appropriate treatment of a business in that situation.

Q204 Dr Coffey: Just thinking about learning organisations, I may have misheard or misunderstood you, but I think you mentioned that you were able to satisfactorily complete 48% of inquiries last year. How are you going to get to 100%?

Abby Thomas: No, sorry, there are actually only 30 complaints raised by small businesses with our service that are over 12 months old. That is 30 out of 1,600 complaints. It would be very rare for us to take that long to



resolve a small business complaint, and indeed some of those are actually held behind litigation, so we are not really able to address them.

Q205 **Chair:** Thérèse, thank you. Right, as this panel session draws to a close, very briefly, Abby and Mark, is there anything you are concerned we should have asked but have not?

Abby Thomas: I would like to return to the topic of personal guarantees because it has received a lot of attention, and I am well aware that, for a small business, it can be a really fraught moment when the bank starts inquiring about the status of that guarantee. Our observation is that the personal guarantees, broadly speaking, are well communicated at the point the loan is taken out and that the obligations are generally made quite clear.

What we would recommend some consideration on is the ongoing communication around the personal guarantee. Not infrequently small businesses come to us because the directors did not realise they were still responsible for the guarantee, did not realise that, on leaving their post, the guarantee moved with them because it is a personal guarantee, and did not realise the consequences of the loan remaining unpaid. I think that having some form of annual statement so that both the small business and the bank know exactly where they stand would be a low-cost and very helpful way to ensure that everybody understands the obligations that they are taking on and that they are requiring of others as well. That would be a useful area to consider.

Q206 **Chair:** Thank you for that, Abby. We will certainly take note and give that due consideration for inclusion in the report. Mark, is there anything briefly from you?

Mark Grimshaw: Yes, briefly, Chair. To Mr Kruger's questions earlier on, it is probably important to recognise some of the other attendees at the ISG. It was not just the banks and the SME community: the British Chambers of Commerce was there, as well as the FSB and the IoD, and that whole process was overseen by His Majesty's Treasury and the FCA, so these agreements were very high-level agreements.

I was also going to refer to the post-implementation reviews. Post-implementation review was a requirement set by the ISG of the organisation once it was set up. Rather than run just one, we actually ran two. The first—PIR 1—was to look at how well BBRS was working to the rules by which it was set up, which is quite clearly central to part of our discussion. The findings of an independent group were that the BBRS is independent, that there was a fair and reasonable approach, that we were working to, and continue to work to, the agreed scheme rules, that the number of eligible companies was overestimated at set-up, and that the BBRS does not, and should not, have the power to change the scheme rules.

Q207 **Chair:** Can I stop you there and say thank you for that clarification, Mark?



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You will be contacted by the Committee with regard to that line of questions. You did not have time to answer all the questions, and I also raised an issue initially. If you could see to it that that response is done in a prompt manner, I would be very grateful.

Mark Grimshaw: Of course.

Chair: Before we finally clear up, is there any question, particularly from those who might not have participated in this panel, that they would like to ask?

Q208 **Keir Mather:** Mr Grimshaw, may I ask you just one question? There were 3 million customers in the asset protection scheme that were targeted for asset stripping and culling, 70,000 fixed-rate loan victims who have not been reviewed, and thousands of victims of the Ulster Bank fraud. Can I ask you, quite directly: are you saying that there is nothing that the BBRS can do, due to this limited eligibility criteria, to help these victims?

Mark Grimshaw: Yes.

Keir Mather: Okay. Thank you, Chair.

Chair: Anybody else? No? Marvellous. That concludes our first panel session. I thank you both, Abby and Mark, for being with us today. We will suspend momentarily while we move on to our second panel of witnesses.

Examination of witness

Witness: Louis Taylor.

Q209 **Chair:** Could I ask our witness to introduce himself, please?

Louis Taylor: Good morning, Chair. I am Louis Taylor. I am the Chief Executive of the British Business Bank.

Chair: Welcome to this evidence session. I will hand you over to Stephen.

Q210 **Stephen Hammond:** Good morning and thank you for joining us. I would like to start with a very basic first question. The British Business Bank has been in operation for 10 years now; it was established in 2014. Can you set out how you think it has done its job in helping small and medium-sized enterprises access finance over that time?

Louis Taylor: You are right: this is our 10th year of operation. We are there to solve access to finance problems for small businesses that the private sector cannot. In terms of the bank's impact over those 10 years, if you look at the landscape for small business finance in the UK over that period, it has been absolutely transformed.

I went to the National Association of Commercial Finance Brokers expo last summer, at which there were 143 exhibitors, including a range of finance providers who did not exist 10 years ago. The bank has been able



to help with the creation of that landscape by enabling, in particular, new finance businesses that have unproven business models to get access to the funding they need on economic terms to prove their business models and then to operate.

I believe that one of your previous witnesses was Lisa Jacobs at Funding Circle. Funding Circle is an example of a business the bank supported, but they have proven their business model, and we no longer provide the same level of liquidity support. The biggest impact the bank has had is on helping transform the landscape of providers of debt finance for small businesses.

On the equity side, we saw the creation of British Patient Capital five years ago, with the intention of investing in a range of venture capital and growth equity funds that would invest in the businesses of tomorrow that needed equity capital to grow, and that has been an incredibly successful programme. There was an evaluation, or a stocktake, as it were, at the five-year mark of British Patient Capital last year, and a significant amount of money—almost £2 billion—has been committed to over 1,200 growth companies, supporting the creation of more than 5,000 jobs, and there is more to go.

As well as investing in those funds and businesses, the bank has always sought to magnetise private sector money alongside. For that £2 billion commitment to the British Patient Capital, another £10 billion of private sector money is committed to the funds and businesses alongside.

Q211 Stephen Hammond: Thank you for setting that out. Your written evidence says: “The bank mainly operates not by lending or investing directly with smaller businesses, but by deploying funding and support through over 200 delivery partners,” and you have just set out some of the hose delivery partners. When it says, “mainly operates,” does that imply how much direct lending or direct support the bank gives, in comparison to setting out access to support partners?

Louis Taylor: Yes.

Q212 Stephen Hammond: Secondly, have you ever done an evaluation of the economic cost to smaller businesses that take their finance directly through you or from one of your development partners?

Louis Taylor: In relation to the first point—how much do we do directly?—there are two programmes in which we provide money directly. One is through start-up loans, but that is a hybrid where we also have delivery partners. Those are personal loans of between £500 and £25,000 for people to start up a business, so we do some of that directly.

The other place we directly interact with businesses is through a programme called Future Fund: Breakthrough, which is now a £425 million programme. It is intended to invest in later-stage tech and science-driven companies, mostly life sciences and deep tech. We have now invested in around 19 of those companies through that scheme.



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That is what we do directly, but the vast preponderance of what we do is through delivery partners because the bank is not intended to be a bank in its own right but to be catalytic and to get performance in the private market, such that the bank can step back having had a successful catalytic impact.

In terms of an evaluation, let me clarify your question, if I may: is it cheaper to get it from the bank or is it cheaper to use delivery partners?

Q213 Stephen Hammond: Precisely. Is there a noticeable difference in the weighted average cost of capital or the cost of funding?

Louis Taylor: If the funding for the bank were to come from the Government, which at the moment it does, then we are probably the lowest-cost finance, with probably the lowest cost of funding that any institution would have.

At the same time, there is a range of private sector institutions that already have huge numbers of employees and networks. Were we to replicate and build those, that would represent a significant cost to the taxpayer. Far better is the thesis that we leverage other people's networks and ensure they end up providing what is needed by the market with our assistance in that catalytic way.

Q214 Stephen Hammond: In your written evidence, one of your colleagues from the bank said you are now "firmly established as the UK's economic development bank." But we have also had written evidence from the British Chambers of Commerce: "We would like to see more interaction, especially with the British Business Bank. They seem to sit a little bit outside the constellation of advice and support that is promoted." There has been also some written evidence from the all-party parliamentary group for ethnic minority business owners: "A key factor is a lack of awareness about the existence of the British Business Bank." And the London Chamber of Commerce and Industry said: "Members were mixed on the effectiveness of the British Business Bank."

Given your contention that you are now the leading economic development bank, could you give me your view on why we have had that written evidence?

Louis Taylor: The bank was created to be the economic development bank; that is a strapline that different countries fulfil in very different ways, maximalist to minimalist. At 10 years old, we perhaps have not been asked to do the fullest-throated articulation of that mandate. Nevertheless, we perform the function of a national economic development bank, and that was evidenced not least by what happened during covid, when the bank was the mechanism through which a lot of support was given to businesses nationwide in bulk, at scale and rapidly.

Some of the criticism you have talked about is fair; we are not finished, we are not a perfect institution, and we are always developing. Frankly, the market develops around us as well, and we need to keep adapting.



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In relation to the specific things you talked about outside the constellation of advice, we are not a regulated entity. We can give access to impartial information, which we do through our Finance Hub, but giving advice is a regulated activity. We can point people to regulated entities—the delivery partners we have—but if somebody is coming to us for direct advice on what finance they should have, that is trickier for us to give.

Q215 Stephen Hammond: I understand that. It was probably more the point that not enough people understood that you could point people to regulated entities.

Louis Taylor: We have the Finance Hub online. It is a repository of a huge amount of information for small businesses to help them understand what type of finance they need and where they can get that finance, but not to give them advice. Having been on the Finance Hub, 67% of people feel better informed and 70% feel better able to act on the information they have.

Q216 Stephen Hammond: How many people visited the Finance Hub in 2023?

Louis Taylor: Just under half a million.

Q217 Stephen Hammond: In the evidence, the British Business Bank said it supports about £12 billion of finance, reaching about 96,000 smaller financial companies and smaller businesses. There are roughly 5.5 million SMEs in the UK. Do you think you should be reaching more? Is that lack of awareness point therefore real, or does that number reflect that most small businesses are happy with the access to finance and do not need your help?

Louis Taylor: The 5.5 million includes a significant number of sole traders who will not be borrowers—they do not want to be borrowers and are not having an issue—and there is another chunk who are happily provided with what they need. The difficulty with access to finance is it ranges across needs. It is not a simple landscape; the spectrum of need is quite complex, from working capital through to long-term equity.

In terms of the lack of awareness of the bank, the fact we are delivering what we deliver through all those delivery partners means we have more concern generally that our delivery partners know about us and are able to utilise what we are providing for them to the benefit of the SME, rather than that everybody knows the British Business Bank is there. Even though they know we are there, we are not necessarily going to directly provide them with the financing.

Q218 Stephen Hammond: But given what you said a moment ago, if people are aware the Finance Hub exists, you are going to put them into the delivery networks, so it is important for people to understand how to get in touch with you via your Finance Hub. Do you think you need to do more about that?



Louis Taylor: We have a marketing budget. It is perhaps not as extensive as it could be, but we spend £200,000 a year directly promoting the Finance Hub, and we use other people's networks—the British Chambers of Commerce, the Federation of Small Businesses and the accounting bodies—to promote the use of the Finance Hub.

Q219 **Stephen Hammond:** A moment ago, you quite rightly said you do not think you are the finished article yet. There are also views in different parts of the world about maximalist and minimalist structures of economic development banks. In international comparison terms, where do you think we sit? Where are we at the moment in comparison to other European international development banks, and where do you think the British Business Bank is on its journey?

Louis Taylor: You can measure that on so many different criteria. On pure employee numbers, KfW in Germany is 7,700, and Bpifrance is 3,600; we are 600. In different measures, we are there to be catalytic; other development banks are there to be significant market players. We are probably more at the minimalist end in terms of the mandate from the Government, which does not necessarily feel incongruous in an economy with an incredibly sophisticated finance sector.

Q220 **Stephen Hammond:** From where you are positioning yourself and the access you are giving to people, are you there for more niche SMEs rather than the whole market?

Louis Taylor: Not necessarily. Historically, there has been an issue for all small businesses in getting loans, particularly from the bigger banks. We put out a small business finance report for 2023, and 55% of bank finance for small businesses came from outside the Big Five, which goes to my point about the changing landscape and the sources of finance for small businesses.

A range of solutions have developed over the last few years that have helped address a very significant majority of business needs for finance. Where there is a gap—and it changes slightly with risk appetite—is particularly around equity, and there is an acknowledged imbalance in the provision of equity finance around the UK, with a heavy weighting towards the golden triangle of London, Cambridge and Oxford, and a disproportionately low amount of equity availability across other parts. Some of our interventions, such as our nations and regions investment funds, are really focused on addressing those particular issues.

Another issue we have been asked to focus on by the Chancellor is crowding UK institutional money—particularly defined-contribution money—into the growth economy in a way that it perhaps has not been. Those are the sorts of gaps we are looking to fill. In terms of whether they are niche or not, they feel pretty mainstream.

Q221 **Chair:** Before we come to Keir, I would like to emphasise the point Stephen made about awareness. For your information, we received over



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120 evidence submissions to this inquiry, but less than a third mentioned the British Business Bank. To help address that, can you please give us an elevator lift-style pitch for those SMEs watching this live session as to what you can offer them?

Louis Taylor: That spectrum of need I talked about is pretty broad. If you are looking to start up a business and you do not have rich friends and family, we can be your rich friends and family through the start-up loans scheme, with a loan of up to £25,000 for you to start a business.

If you need scale-up capital, we invest in a range of fund managers who can look at your business and look to invest in your business in terms of equity which has a long-term perspective behind it. We have a range of other alternatives that will help your bank or other banks to give you debt finance at later stages of your business.

Chair: Louis, that was absolutely superb, and no doubt they can find more information on the website.

Q222 **Keir Mather:** Thank you for coming in today, Mr Taylor. I would like to ask some questions that build on Stephen's questions about the British Business Bank as a data and open banking hub, and in regard to your online offer to SMEs. Some 495,000—almost half a million—users accessed the hub in 2022-23, but that is less than 10% of the SME population overall. You mentioned a figure of £200,000 when it came to financing the hub. Do you think that represents good value for money?

Louis Taylor: The £200,000 is the marketing spend we put behind the hub in the last year. The half a million visitors to the site is a pretty good number. If you look at the number of sole trader businesses that are non-borrowers and serial non-borrowers, you exclude a very large proportion of that 5.5 million. It is not as though the finance community is providing no satisfactory service to small businesses, even if it is not perfect. So half a million represents a really good level of interest among businesses in how to find the right finance for them.

Q223 **Keir Mather:** Do you see any regional disparities in how your online services are able to offer different forms or advice on SME finance to different SMEs around the country? Is there evidence that an SME in Yorkshire are more likely to use your online services to find that support?

Louis Taylor: I would need to come back to you about whether there is a regional disparity in the visitors to that site, but, conceptually, the types of finance available should not be dependent on region in terms of their usefulness. Their availability may be a different story, and I talked about equity.

Q224 **Keir Mather:** Could you give us a forecast of your plans in regard to drawing more attention to, and the user-friendliness of, the hub as you move forward?



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Louis Taylor: As I talked about, we have some element of limitation in relation to regulation and giving formal advice. Nevertheless, we do want to signpost people to the information they need.

We often get asked about the use of AI in our business. AI has a lot of potential to guide people much more precisely to the sort of information they are looking for and that is relevant to them on the site, which is something we will be looking at.

Q225 Keir Mather: The Federation of Small Businesses told us many lenders do not use the BBB's referral scheme, because of high platform fees and that this limits the number of finance options available for SMEs on the BBB's network. Do you agree with the assertion that your fees can be uncompetitive?

Louis Taylor: I am not aware we are charging fees to SMEs on anything. We might charge a challenger bank for providing a guarantee on some of the loans, but that is all at a wholesale level, and no charge is levied on the SMEs themselves. I am afraid I not aware of the situation you are talking about.

Q226 Keir Mather: To make the British Business Bank's hub a one-stop shop for SMEs seeking to access finance, do you think it would be an incentive to broaden access to the widest number of lenders and lending platforms possible as you look to engage more SMEs moving forward?

Louis Taylor: On that website, we have the logos of all our delivery partners, which you can click through to. The intention is to provide some information to people, to let them understand the type of advice they need and to point them in the direction of the providers of the type of advice they need, where they can get that advice. There is already an incentive for the providers we work with to be on the site, and that works pretty well. But you are right: if we could improve the traffic flow on to the site, that would probably lead to better outcomes still.

Q227 Keir Mather: In terms of how the site is tailored to offer comprehensive advice, and cognisant of the limitations on the advice you are able to provide to certain SMEs, are there any efforts to allow SMEs that might be a riskier option when it comes to funding to have a more tailored process through the hub to access that support? Is there recognition of the fact there will be a lot of SMEs who might be coming to use the hub specifically because they are a riskier proposition and therefore might need more comprehensive guidance?

Louis Taylor: The hub will guide different types of businesses to the information relevant to them, whether it is a start-up or a later-stage company, or whether you are looking for debt or venture capital. If you go through and read the right information, it will guide you to the right type of partner across a spectrum of financial provisions.

Q228 Keir Mather: Is there a way of making the BBB a data aggregation hub for SME finance by linking your systems with the Open Banking network



and providing the widest range of tailored finance options possible to small businesses? Is that the direction the BBB seeks to move in in the future?

Louis Taylor: It is a rare organisation that seeks to become a technology hub; that is quite a tech-heavy undertaking, and the core skillset of the bank is not necessarily to be running a technology platform, even though we would absolutely be willing users of the data because we provide a lot of insight to the market about the needs of small businesses, a lot of which is data-driven. It is unlikely that we would seek to be the central hub of data, but we absolutely have an interest in making sure data around SME finance is broadly available and comprehensive.

Q229 Anne Marie Morris: Covid loans may now seem like a doomed, distant memory, but, none the less, they are still here and still need to be resolved. The British Business Bank made about £80 billion of loans in a number of different ways; we had the bounce back scheme, CBILS, and its bigger, if you like, version for larger organisations.

Some commentators have said those schemes skewed the market and that some businesses that probably should have failed were artificially kept afloat at the taxpayers' expense. What is your perspective, and what work have you done to understand the impact of these loans on the market?

Louis Taylor: It is a complex picture. To assure you, these schemes are not just a memory for the bank; we are operating them and looking to seek the best value for money for the taxpayer, which we will do as long as they are extant. But you are right: they are all running down or closed.

In terms of whether they have skewed the market, it is difficult for me to say that a lot of businesses out there really should have gone bust; that is not a judgment that is fair for us to make. On the other hand, we have now done two evaluations of the covid loan schemes, and there will be more to come. The latest evaluation showed that up to 600,000 businesses and 3.4 million jobs were saved by the covid schemes. Of course, there were other elements, including fraud, but a balanced perspective on the schemes is really important.

Truthfully, only time will tell the value they did or did not deliver, but the schemes were set up in the way we were asked to set them up and addressed a perceived financing need, in what was thought the best way possible. Did some companies who did not need a loan get a loan? Potentially, absolutely. But, equally, there is some good data about the use of those loans, and a lot of companies are using them to develop new products and to do R&D.

I am afraid it is a very imperfect answer. It is unlikely the market was totally skewed. A lot of companies borrowed for the very first time during covid. There were up to £50,000 in bounce back loans. Those loans, at a 2.5% fixed rate of interest, look pretty good at the moment, and a lot of



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companies are perhaps sitting on some cash rather than paying that back, because why would you at this stage?

Q230 **Anne Marie Morris:** Given what you know now, what work have you done to think about how you might structure, and advise the Government on, another scheme that would be put in place to meet a similar crisis?

Louis Taylor: Each crisis is different, I am afraid.

Anne Marie Morris: Inevitably, and lessons often get forgotten, which is a shame.

Louis Taylor: Lessons were absolutely learned. The Business Committee and the PAC held inquiries about the covid loans and the formal lessons learned, and we gave responses to those. The lessons learned included the criteria for awarding the loans and the degree of due diligence necessary relative to the speed of delivery, which was a tension. Also, the collation and availability of data in order to enhance credit decisions was a big lesson—for example, the availability of Companies House data in dynamic form, rather than static form or PDF form, would have been helpful. So lessons have been learned for next time, but it is difficult to know what the next crisis will be.

As was shown through the Silicon Valley bank crisis in March, it is probably a good idea for the Government to have some kind of guarantee scheme operational at any given time with a range of respectable lenders. At the moment, we have the third iteration of the recovery loan scheme, which has been outstanding for over 30 years and which is something that a lot of other countries also have. Having an operational guarantee scheme at a given time is quite a strong set of rails on which to build an emergency response.

Q231 **Anne Marie Morris:** What I am taking from what you say is that you would agree with the commentators who have said it should be extended beyond 24 June.

Louis Taylor: Yes.

Q232 **Anne Marie Morris:** Some commentators suggest the focus should be specifically on green finance rather than on all industry sectors. Do you share that limited view? Do you think that that specific area needs to be supported, or would you have something more general? Would you make any changes to this successor to the old covid schemes that would make it more sustainable going forward?

Louis Taylor: One of the bank's four critical strategic objectives is to help develop the modern green economy. While none of our programmes are designated purely green, they are all open to financing green activity. For the last 10 years, there has been a huge focus in the financial markets on creating green finance, but to my mind the focus should be on how much green activity is going on and on promoting green activity.



Sectorally, we are agnostic; we are available to finance green activity. In our experience, SMEs have three roles in the green economy. One is as innovators, and we are backing clean-tech companies through venture capital. Another is as enablers of others to go green—for example, if you think about the transition of gas boiler fitters to heat pump fitters, the bank has a role in supporting those small businesses, which are often sole traders. And the other is in the adoption of green technology—for example, companies having low-voltage lighting, insulation or green electric car fleets. That sort of financing is also a role for the bank.

We provide support through organisations such as the Finance & Leasing Association membership; there has been a big increase in the finance of small businesses through their membership in the last two or three years since the crisis. Does the bank need green finance? There is quite a lot of green finance satisfying a lot of green activity, but increasing the amount of green activity is much more important as a focus for policymakers.

Q233 Anne Marie Morris: I agree with you: the activity is the most important thing because that has to come first before you even look at the money. Given what we have seen in terms of how climate change has involved, do you think we need to extend this concept of green so we are looking at biodiversity at the same time as net zero? We have looked at the carbon, and that is absolutely front of mind, but there are other parts of the agenda to help us live with climate change. Do you think those have been overlooked to date, and are they something the bank would consider?

Louis Taylor: They are getting a lot more focus now than they did. The bank put out its first Task Force on Climate-Related Financial Disclosures in the last annual report, and we are looking at the Task Force for Nature-Related Financial Disclosures. We have a data issue around SMEs and the ability for them to report; nevertheless, we should not shirk our responsibility. In the agreements with our delivery partners, we are increasingly embedding the requirement on them to assess emissions and impacts and to report them in a transparent way.

SMEs are a huge part of the economy; they are going to have to go green and focus on nature-based solutions, but they are often not the leaders, and they will look to the people they are supplying—the big primes—to drive requirements and greening of the SME community.

We have not been asked by the Government to focus on that as a prime aim, and it is very difficult for us as a public body to refuse to finance certain activities if they are legal, and it is unfair if we do not finance those. While we seek to find green activity and are promoting that in the way we invest, we cannot say no to organisations that burn fossil fuels.

Q234 Anne Marie Morris: With climate change, we are focused on mitigation, which is what much of the net zero world is all about. But it is net zero, not—



Louis Taylor: Absolute zero.

Anne Marie Morris: Exactly. We then have a challenge for the country and businesses to adapt to climate change. With the recent storms, we have seen the consequence of flooding, and it is clear that those sorts of events are things we are going to have to learn to adapt to. There will surely be new businesses that come up with new ideas to deal with that. Is that also going to be important in your vision of the businesses UK plc needs to fund?

Louis Taylor: It absolutely is, and the UK has a huge part to play in discovering the technologies that are going to be scalable and to help adaptation very strongly. We invest in innovative companies with new technology. I will give you the example of Nova Pangaea in Middlesbrough, which has developed a technology to take organic waste from sawdust and offcuts from the timber industry and to turn that into two products: biochar, which sequesters carbon for hundreds of years in granular form, and ethanol, for sustainable aviation fuel. That proprietary technology is massively scalable; potentially, sustainable aviation fuel will be based on a lot of that. So we invest in businesses like that.

Q235 **Chair:** Louis, as this panel session comes to a close, in all humility, can I ask you if there is anything that we should have asked but that we have not had the insight to?

Louis Taylor: In the last three months, since the autumn statement, there has been some quite significant news about the bank. At the autumn statement, in a tight fiscal environment, not only did the Chancellor give us another £50 million for the Future Fund: Breakthrough direct investment capability, but he also set aside £250 million for something called the LIFTS programme—Long-term Investment for Technology and Science. We announced that we are in discussions with two private sector providers, alongside DC pension money, to invest in technology and science-driven companies.

The third announcement was the Chancellor's request for us to create a growth fund to bring private sector money—particularly DC pension money—alongside our commercial programmes to help them invest in growth companies in the UK. This has not been picked up very much, but he also said the Government will seed that with £7 billion—not £7 billion of new money, but £7 billion of money that previously was not recyclable and not permanent for the bank, and every time we got the money, it went back to Treasury and we had to re-bid. The Chancellor made that £7 billion permanent, recyclable and fungible, and has allowed us much greater flexibility to be able to respond to market needs and to accrete the fund and ensure its real value going forward.

Q236 **Chair:** Presumably that also enables the bank to take a slightly longer-term view of things, knowing that money is not being returned simply because it has not been spent in one year?



Louis Taylor: There is that perspective—absolutely, Chair. The other great news is that, in bringing in private sector money alongside us, we are not only able to support companies up to Series B financing, but potentially Series C and D and on to IPO. At point of development, there is a paucity of domestic investment. With other, overseas investments—particularly US venture funds—coming in, companies tend to gravitate to where their capital comes from and are lost to the UK at the point where they become really commercially interesting, employ more people and have other spin-outside. So retaining those companies in the UK is a prime aim of the Chancellor.

Q237 **Chair:** Particularly given recent developments. That is a very positive development; can we make sure we cover it in the Committee report?

Colleagues, are there any other questions you would like to ask? No? In that case, can I quickly come back on something that Drew raised? He talked, understandably, about SMEs paying fees, and you said that that was not the case. I would like to pose a question about fees for lenders as opposed to SMEs. There is a concern that the fees that are being levied put them off joining the bank's referral scheme. What would you say in answer to that?

Louis Taylor: The fees we take from lenders are generally for the provision of our guarantee and are priced in a way that relates to the bank's own cost of liquidity. When you combine the two costs, it allows them to lend to SMEs at a commercially economic rate. We feel we have a responsibility to make sure that that end goal happens.

We have healthy commercial discussions with finance providers about the fees they pay on the guarantees, but the methodology we employ is there to ensure not only that the taxpayer gets compensated for the guarantee we provide, but that the lender is able to provide SMEs with finance at a commercial rate.

Q238 **Chair:** I do not wish to prolong this too much, but the FSB has told us that many lenders do not use the bank's referral scheme because of high platform fees and that this limits the number of finance options available for SMEs on the bank's network. It sounds a little to me as though your fees are uncompetitive.

Louis Taylor: We have a regular dialogue with the FSB, and I am not aware that they talk to us about platform fees. When the recovery loan scheme iteration 3 came out, there was a cap on the interest rate banks could charge. With the rise in interest rates subsequent to the roll-out of that scheme, it became uneconomic for the banks to use recovery loan scheme 3. We addressed that at the time, with the help of the Secretary of State, and we went through £1 billion of offers under RLS3 to small businesses just last week. I know Martin McTague of the FSB very well, and I am very happy to have a robust discussion with them.

Q239 **Chair:** Would you mind me asking that you do have that conversation with the FSB and then write to us as to your findings, addressing that



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specific point? That would be great.

Louis Taylor: We certainly will.

Stephen Hammond: It has just occurred to me that I should have drawn the Committee's attention at the beginning of this panel session to my entry in the Register of Members' Financial Interests.

Chair: That is very kind; perhaps I should have as well, but I did that in the first panel session.

Louis, thank you for joining us for a very informative session. That concludes the Committee's evidence session today. Thank you to all our witnesses and to colleagues.