

Business and Trade Committee

Oral evidence: [Financing the real economy](#), HC 1220

Tuesday 18 November 2025

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Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; Alison Griffiths; Justin Madders; Charlie Maynard; Mr Joshua Reynolds; Matt Western.

Questions 174 - 207

Witnesses

- Richard Davies, Chief Executive Officer, Allica Bank;
- Ben Barbanel, Chief Lending Officer, OakNorth Bank;
- Andy Gray, Managing Director (Mid-market lending), NatWest;
- Louis Taylor, Chief Executive Officer, British Business Bank.

Examination of witnesses

Witnesses: Richard Davies, Ben Barbanel, Andy Gray and Louis Taylor.

Q174 **Chair:** Welcome to this second panel in today's hearings on access to finance here in the UK. Thank you so much indeed to our witnesses for sparing the time and the expertise this afternoon.

Louis, perhaps I could ask you to kick off, as somebody who has worked in this area for a long time. When we look at the overall figures for lending to SMEs in particular, it feels like we have had quite a precipitous fall over the last five to 10 years. Before we get into some of the policy specifics that we have and some of the great work that you are doing, as an industry expert, give us a sense of why you think this decline in funding has unfolded.

Louis Taylor: Thank you, Chair, for having me here today. The landscape of lending to small businesses has transformed over the last 10 years in the UK. Quantum is one thing. My colleague Andy would probably have more to say on why the bigger banks are lending less, perhaps, to SMEs, which may be more authoritative than me.

While there were huge regulatory changes after the financial crisis that made the capital impact of lending to small businesses more punitive, and additionally some compliance requirements that were very expensive for traditional banks, there spawned a range of new challenger banks and alternative finance providers whose business models were somewhat less proven. The bank has helped some of those to really prove their business models and to actually replace some of the capacity lost from the major banks.

The volume is as much down to investment ambition on the part of borrowers as it is on the part of lenders. At the moment we have a situation where demand for credit and supply of credit are pretty much in balance, but in an atmosphere where there is quite a lot of suppressed investment ambition. Were small businesses to really want to invest, we would need to find out whether the credit would be available.

Q175 **Chair:** That demand for credit may of course be because it is so excruciatingly expensive now. Banks make all of these terribly unreasonable demands that people put their houses down as collateral and they cannot get anything other than very expensive overdrafts. It could be that the price is simply wrong.

Louis Taylor: In terms of historic interest rates, while they are certainly higher than they have been in recent years, they are not particularly high. This is more of a normal environment, I would argue, on the basis of my 30-year career than it is on the basis of quite a lot of current bankers' 10 to 15-year careers.

In terms of the requirements of banks, in terms of personal guarantees and those sorts of things, some of that is driven by some of the



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microprudential regulatory provisions. At the same time as those requirements are there, other forms of finance that are much more attractive from that point of view have come up. The Finance and Leasing Association membership, for example, will allow you to borrow against an asset where the security is against the asset. For a company, rather than having a floating charge over the whole of the corporation or putting your house up, that is a much more attractive form of finance. There are swings and roundabouts in this.

Q176 Chair: Richard, you have published some important research about the sheer scale of the lending gap; £65 billion, I think, was the number that you used. Why do you think we have had these changed pictures and changed availability of capital for small businesses in the last 10 to 15 years?

Richard Davies: The comparison we made is against the late 1990s, when we had the last sustainable period of good economic growth in the UK. You have seen a shift to a services economy in the UK; 81% of the economy is now services-driven. Partly due to some of what Louis mentioned around accounting and regulatory changes, there is definitely a strong preference among lenders for hard assets, property assets, attached to loans.

The combination of those two things is not particularly good, because you have seen the economy move away from having hard assets, while lending perhaps increasingly prefers hard assets. That has led to this shortage of £65 billion that you mentioned we believe exists on what we call productive credit. That is credit for growing companies, either for longer-term finance or for working capital, where they do not necessarily have cranes, offices or warehouses to put as collateral for those loans.

Q177 Chair: Ben, is that an analysis you share?

Ben Barbanel: Yes. The primary issue remains supply-side. On the demand side, there are some cultural issues in the market. Perhaps entrepreneurs are put off by economic headwinds. Overall, propensity to borrow money, sentiment-wise, is down as well.

Q178 Chair: You mentioned supply side factors. What are those factors?

Ben Barbanel: As the other two have mentioned, some of the larger mainstream banks have retrenched from lending and focused on other less capital-intensive products, which has meant that there is a bigger void. Regulatory changes in their balance sheet have led them away from SME lending. General economic uncertainty leads them to wholesale pull out of certain sectors.

Q179 Chair: Andy, NatWest is obviously a traditional bank. What is going on?

Andy Gray: To contextualise, I recognise some of the forces, but we lend £80 billion into the SME and mid-corporate sector in the UK. We have lent nearly £16 billion in gross new lending this year to date. We have



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significant capital and liquidity set aside to increase that lending. What has happened since 2008 is a combination of regulation and risk appetite. To Louis's point, it increased the cost in capital to the banks to provide. Like Louis, I have been in this market for 30-plus years. It led to a bit more risk aversion from entrepreneurs.

To some extent, the combination of robust regulation and a bit of risk aversion has actually stood us in quite good stead in terms of how business and the financial sector has coped through Brexit, covid and Russia-Ukraine. There is a balance between the resilience and the amount of risk appetite.

Q180 **Chair:** Did the regulators overcook it?

Andy Gray: I am not going to say. In 2008, there was a definite need for financial services regulatory reform, no doubt. The regulators in this country have done a pretty good job. The strong regulation, with a stable and predictable financial system, is a competitive advantage of the UK economy. However, I would also suggest that perhaps the pendulum has swung a little bit far. There is opportunity for relatively modest adjustment to regulation to improve the efficiency of the way capital flows into the business.

Q181 **Chair:** It has been put to us that the capital adequacy arrangements are now in the wrong place. Do you think that they need adjusting?

Andy Gray: I am not sure who put that to you.

Chair: We talk to all sorts.

Andy Gray: The capital regime is complex, and there are various pieces that are being looked at that could help banks. We have Basel III coming up, which potentially increases the capital we have to set aside to small business lending. There is an intent to provide a workaround to that, but it is complicated.

Being thoughtful about the impact of the regulatory regime is important whenever we change it, but we do not need a wholesale ripping up of the regulation, which I genuinely think has served us pretty well for the last 15 years.

Q182 **Chair:** It needs fine-tuning at the margins, perhaps.

Andy Gray: Yes.

Q183 **Mr Reynolds:** This question is to everybody, but I suppose we should start with the British Business Bank. Who should own the job of providing scale-up equity to businesses?

Louis Taylor: In a vibrant market, it is many owners, but it should primarily be the private sector. At the moment, the British Business Bank is the largest limited partner in UK venture and growth equity funds. That is a fact, but it is not necessarily something that we take pride in or seek. We want to make sure we are crowding in private sector money, not



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crowding it out. We are increasingly of the view that we are so far from crowding private money out that that is not necessarily a concern that should be uppermost in our minds all the time.

We were talking a little bit earlier about risk appetite on lending. We have managed to squeeze out a lot of risk appetite from our investment institutions in the transition from a predominantly defined benefit pension system to a predominantly defined contribution pension system. The issue that we have in the UK around the people who should be providing that scale-up capital is not the quantum of money that they have to manage; it is the way they allocate it and the fact that they are not allocating it to that purpose.

Q184 Mr Reynolds: Andy, where are the gaps at the moment in the funding cycle between the British Business Bank and the private sector banks?

Chair: I should explain that one of the things that we have to try to do is to build a product map of the UK capital market and pinpoint where we think the gaps are either in terms of products or—

Andy Gray: Are you asking about equity?

Q185 Mr Reynolds: When you look at that funding cycle, where are those gaps? Where does the British Business Bank stop and the private sector start? Is there a gap in the middle that needs filling and by whom?

Andy Gray: There is a point about where equity or debt are appropriate. Yesterday, I was speaking at the ScaleUp Institute's conference. There is a challenge around the balance between where venture capital runs out and where you raise the next round of capital. There is not a big systemic issue. There are lots of relatively modest inefficiencies.

To Richard's point about lending into the intellectual property sector, we have developed a product. It is relatively small-scale, but we have lent to about 40 businesses. It is leveraging their IP. It is not taking guarantees or relying on tangible security. That means they can get bigger, generate more cash flow and create more jobs before they have to go through the pretty onerous process of raising their second round of capital.

We absolutely welcome the expansion of the growth guarantee scheme. That has had good take-up, but it was just too small to build momentum. That helps to grow businesses that do not quite have the collateral or cash flow profile that makes them appropriate as a conventional lend for us. The benefit of a guarantee from the BBB enables us to lend into those firms. There are lots of small initiatives such as that, which together will smooth the path over the journey of growth.

Ben Barbanel: There is a still fundamental mismatch in expectation between debt and equity in the entrepreneurial community. It is completely juxtaposed. On one hand, we take retail consumers' deposits and lend them out. Clearly, we want to lend them out, as responsible lenders, within the regulatory framework as debt propositions. This



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morning we saw the announcement to increase the compensation level for depositors. It cannot be a risk transfer of burden.

There is a mismatch between debt and equity. It is very easy to bash the banks on non-lending, but lots of the propositions that come across all of our desks are in fact equity propositions, not debt.

Richard Davies: In terms of specific product gaps, the one that I point to most of all is overdrafts. In 2000, small businesses had access to around £18 billion of overdrafts, in real terms. Last year, that was £2.7 billion. That is an 85% collapse. That sort of working capital, which can be quite key for a growing business, has really evaporated. A lot of that is to do with regulatory and accounting changes.

I would agree that there definitely are businesses that need equity rather than debt. It is about both solutions. There are some clear failures as well, such as overdrafts.

Q186 **Chair:** Andy, why is that happening? Why is the availability of overdrafts shrinking?

Andy Gray: Overdrafts are available. We provide a large number of overdrafts to small businesses. One of the distorting factors is that there is still somewhat of an overhang from all the covid schemes. There is still a significant amount of borrowing, particularly in small business. Schemes were stood up very quickly and very effectively. We lent £14 billion through the three key covid loan schemes. Off the top of my head, about £4 billion of our lending is still outstanding.

A lot of that went to very small businesses that could borrow up to £50,000 under the bounce back loan scheme. They have kept that on their balance sheet as a rainy day fund. That is a distortion in the data. As I say, we provide overdrafts to customers of all sizes.

Q187 **Chair:** Do your competitors?

Andy Gray: I believe they do. The competitive landscape has materially shifted. I would not have sat with these gentlemen 10 years ago. There is a good amount of competition. That probably gives large and small players a bit more optionality about where they choose to play. That does not lead to a shortage of funding. Across the whole spectrum that I compete in, it is a very competitive market, whether that is the mainstream competitors or the OakNorths, the Allicas and others like them. We will not always compete against the same competitor group in every market, in every nation of the UK or in every sector.

Q188 **Chair:** Louis, you were nodding when Ben said that many of the propositions crossing his desk needed equity rather than debt.

Louis Taylor: I am not sure they need equity, but they need an equity-type return because they represent almost equity risk. Very early-stage businesses that have limited cash flow want to borrow



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because they do not want to dilute ownership. That is effectively an equity proposition, really, but the owner does not want equity. That is also part of the pricing issue that you raised earlier on.

Q189 Chair: Does that imply that there is a gap in the market in terms of the availability of finance?

Louis Taylor: There is much less of a gap in the debt market than in the equity market. The provision of debt is pretty proportionate to where GDP is generated around the UK. The branch networks of the large banks and the online nature of the challenger banks mean that the availability of debt is pretty open across the UK.

Equity is a very different proposition. A disproportionate amount goes into London and the south-east. Part of the bank's mandate is to try to address that, which we do through not only our national programmes but a series of regional interventions, whether it is our nations and regions investment funds or our regional angels programme. Coming up post spending review is a focus on innovation clusters, of which there are 10 around the UK, and the opportunities there.

Chair: I will pause you there because I want to bring in Antonia Bance on that point.

Q190 Antonia Bance: Yes, I was going to ask exactly that question about the London bias in business finance and lending. How can banks encourage growth outside London and the south-east? Was there anything that you wanted to add on that point, Louis?

Louis Taylor: As I said before, the provision of debt is pretty equitable, but the provision of equity is not equitable at all. We are really trying to address that.

Q191 Chair: Why is that? What is your take on why that is?

Louis Taylor: It is a combination of things, but fundamentally there has been a hollowing-out of the investor community in the regions. We are trying to build up regional equity investors. In the nations and regions investment funds we have, we have local investors with feet on the ground. We are not only trying to provide cash, in form of equity and debt, to companies; we are trying to demonstrate to the investor community that there is good money to be made outside of London and the south-east.

I was in Newcastle last week for an outstanding event. We took some of our London fund managers up to Newcastle to meet some of the digital and tech companies up there. I was talking to my colleague Charlotte just before. Maven, which is one of our biggest fund managers with many regional officers, met 10 companies that they did not know existed. They were really good leads.

Q192 Chair: In Newcastle, we met entrepreneurs who told us that they had to



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go to London on a train for an event in the afternoon to find investors.

Louis Taylor: We brought the investors to them at the instigation of Dame Chi Onwurah, who chairs the Science and Technology Committee here.

Q193 **Antonia Bance:** I will ask the same question about the regions. Andy, would you like to take that?

Andy Gray: Of the £80 billion that I have described, 75% of that is outside of London and the south-east. We are a very big regional player. I have 1,000 relationship managers across the whole of the UK from Inverness down to Plymouth and across Northern Ireland, Wales, et cetera. They are tasked to lend to businesses in their communities and to be part of those ecosystems.

Q194 **Chair:** You would not dispute the reality that it is easier to raise money in London and the south-east.

Andy Gray: To Louis's point, for equity there is a greater centre of gravity in London. A lot of effort has been made. There is the work of the BBB. The business growth fund, which we invest in, has regional offices and works with the regional teams of banks such as NatWest.

We should not knock London. London's centre of gravity is hugely important to the UK economy. In the equity business, that centre of gravity has probably been to the detriment of the health of regional equity economies, certainly once you go above the angel and VC point.

Ben Barbanel: Some 30% of our business is in London and the south-east. From day one, we have had an office in Manchester. We have offices in Leeds, Birmingham and Glasgow. The one observation that I have is that the larger banks have centralised some of their more local business managers down to London, back down to HQ. That probably accounts for some of the perception of a lack of local access to finance.

Richard Davies: More than 80% of our lending is outside London. Rather than talk about us, there is a point here that links back to capital. Currently, if you are a lender, a significant part of your capital actually attaches to your geographic diversity. That is currently measured as, "Are you outside the UK or not?" I have raised this with the Bank of England, but it feels somewhat illogical that you get lower capital for lending outside the UK, particularly as UK macroeconomic conditions are taken account of elsewhere in the capital position.

Our own view on that is that it should measure geographic diversification within the UK and that lenders should be measured on whether they are well diversified in the UK. That is essentially putting a capital measure behind what you are driving at here.

Q195 **Dan Aldridge:** This question is for you, Andy. You have recently launched your intellectual property-backed finance product. How



successful has it been and what role can it play for UK growth?

Andy Gray: I touched on this earlier as an example of how we look at market imperfections and try to find ways of solving small problems. Effectively, where a business is generating revenue from intellectual property but it would not be a traditionally bankable lending, we have a process where we will get an external valuation of that intellectual property and we will then lend against that as collateral, clearly within a prudential basis of the customer's ability to service the debt.

We have lent to nearly 40 customers in that respect. It is relatively modest. It is £40 million so far. It is popular for a niche of customers who have high IP and do not want to dilute their equity stake yet and go through the process and pain of raising more capital. It is slightly more expensive than classic secured senior debt, but it is very attractive compared to the cost of equity. That has been popular. We think it gets businesses a bit further up the growth curve before they then have to go and raise capital again.

Q196 **Dan Aldridge:** Is there an appetite for it to gain legs and become a significant driver?

Andy Gray: Yes, I hope so. These things never go fast enough for me. It has landed well. It has grown well. It has performed well, but I would like to see it more widely deployed.

We have just hired a number of people into an innovation economy team to try to grow our engagement with innovation businesses, through VCs and universities, and to add our expertise to encourage lending, appetite and growth.

Richard Davies: It is great that you have done that. However, it is a niche thing. This is not the solution for how we get widespread economic growth in the UK. I have had conversations with Treasury on this.

Q197 **Chair:** In particular, our concern is that the rate of intangible investment in the British economy is much too low. That is the key issue that has been flagged by the IMF as underpinning poor productivity performance. The question for us is, "How do we fix that problem?"

Richard Davies: Yes, agreed. I would totally agree with that problem. That is essentially the same problem that I am talking about when I talk about the productive credit gap around the lack of tangible collateral. The amount that can be sold via IP that you can value and lend against is very small. It is great we are doing it.

Q198 **Chair:** How do we begin to fix that problem?

Richard Davies: I would go back to what actually Andy referenced earlier, the British Business Bank's growth guarantee scheme. It is a good proven scheme, which has operated for quite some time, 30-odd years or more, in various guises in the UK. That should be exclusively used for this problem, so companies investing where they do not have



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tangible assets and they are growing companies. That is a much wider universe than just IP lending. It solves a much wider base of the UK economy.

You may have seen this research. By international standards, our scheme is very small relative to GDP. It is four times smaller than the US scheme and three times smaller than the schemes in Spain, France and Germany. We honestly think this is a no-brainer for the Government's growth mission, to look to address that intangible finance issue. The BBB has its own economics on this, but we did some work with Oxford Economics that we have just released today. Very good tax revenue generated out of these loans, more so than general lending. We see this being very productive in terms of generating growth and therefore tax revenues for the Government. It should be very self-financing.

Q199 Chair: Louis, the growth guarantee scheme is 0.05% of GDP in the UK, 0.2% in the US, 0.19% in Germany, 0.17% in Spain and 0.15% in France. It does not feel that the Government have equipped you with the right firepower to put in place a scheme that is as big as our competitors.

Louis Taylor: We have a strong and vibrant private sector, with banks such as Allica and OakNorth, which are newish players into the market. The diversity of those players is strong. Those players are now lending 60% of SME lending versus 40% for the big five banks. That is a real transformation. There has been a market shift.

In terms of the growth guarantee scheme, Richard is absolutely right. In one form or another, it has been around for over 40 years. It is really important, for a variety of macroprudential reasons, to have an operational guarantee scheme with reputable lenders operating at any time. That was the rail on which the covid schemes were built. Having that in place is really quite important.

The scale of it is a fiscal decision for the Government. Just like any loan portfolio, you have to assume an expected level of loss. That expected level of loss is a fiscal cost. The size of the growth guarantee scheme is a geared-up version or level of the expected cost. At the moment, the expected cost that the Government are willing to pay is £125 million a year, so we have £1.25 billion of capacity. To increase it four times to the levels that you are talking about in other countries would have a fiscal cost commensurate with that. That is a choice for the Government.

Q200 Chair: It sounds as cheap as chips, if we are thinking about the economic spin-off from that.

Louis Taylor: That is a decision for the Government to make.

Q201 Chair: I know you will feel constrained about what you can say here, but, as a Committee, we are genuinely debating the recommendations that we need to make to Ministers about how we fix the problem that the IMF has flagged, which is that the country is not investing enough in intangible investment.



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This is the question to you. If we were to increase the firepower that you had, could it have a material impact on solving the problem that the IMF has flagged as holding back productivity? Let me put the question like that. Answer it in an as ambitious way as you would like.

Louis Taylor: I will. We are at capacity on the growth guarantee scheme and there is surplus demand in the market. Because it is a fiscal issue, at every fiscal event we will be offering the Government the opportunity to increase the size of this. That is for the Government to decide.

I would just take a little issue with the idea that we are not investing in the intangible assets of our businesses.

Q202 **Chair:** That is not my view. That is the IMF's view.

Louis Taylor: Yes, I know. It is important because, on the equity side, as an innovation economy, we are absolutely outstanding at creating intellectual property. With our universities and our entrepreneurs, we are an incredible innovation ecosystem.

The biggest frustration that I have, coming back to the point Mr Reynolds raised earlier on scale-up capital, is that our institutions do not appreciate the fact that we are spending so much money on research, generating all this IP and then we are putting it up for sale to US venture companies rather than investing in it ourselves.

Q203 **Chair:** You will have heard the pension funds talk earlier about the way in which they are privileging returns to pension savers. We can understand that. There appeared to be some reluctance to spend an awful lot more on the kind of investments that you are proposing. Therefore, we may have to beat a path that involves more co-investment from the state in order to encourage them to do more. If we expanded the growth guarantee scheme that you have available, in your judgment, would that increase the rate of intangible investment by UK companies?

Louis Taylor: Whether it is intangible or tangible, it would increase the rate of investment. There is surplus capacity on the debt side and on the equity side.

Ben Barbanel: We have had a great relationship with the BBB since we started in 2015. In 2017, we became the first challenger bank to join its Help to Grow scheme. We were also the first new entrant to the guardrails, which then became the covid scheme.

With that said, to answer your question, there are lots of challenges with the schemes that are in the market. There are lots of nuances and a feeling inside banks of, "This is great until it's not." When we have to approach the BBB and talk to it around making a potential claim, how does that play out? It is very self-policing on the way in, but on the way out it gets a lot harder. The rules are very convoluted. Navigating the rules can be a challenge. The whole regime could be significantly overhauled.



My other point is that at the moment—correct me if I am wrong, Louis—the BBB's current scheme caters for businesses to borrow up to £2 million. Our average loan size as a business is significantly above that. If there could be an extension of the loan size, that would help massively as well.

Chair: Ben, we will pursue this with you after this session, if you do not mind. We would benefit from your advice about scheme reform.

Q204 Justin Madders: We have this whole challenge around improving lending in IP and in regional areas. If the Government are looking at the levers that they have, could we do more in terms of procurement to improve the prospects for lending against some of these businesses?

Louis Taylor: Yes, fundamentally. Since the industrial strategy, we have held two or three roundtables around each sector to understand the needs of the market. While the provision of capital is one thing, for many small businesses getting a purchase order from Government is disproportionately powerful in driving customer reaction elsewhere, nowhere more so than in the responses from the defence industry.

It is not just getting a Government order. It is the way in which the ordering goes. It is about the way in which procurement happens. To get a purchase order for a few dozen is one thing. If the programme has multiple years to run, procuring on that programmatic basis gives a line of sight on to future cash flow that allows better access to finance from a lender.

Justin Madders: That is very clear, thank you.

Q205 Dan Aldridge: The only thing that I want to ask—it pricked my attention earlier—was around the potential innovation of combined authorities and those local growth funds. Is the operation of combined authorities in this area useful or not? Is that something that could be a driver? I am thinking about my own constituency that is looking to join the West of England Combined Authority. I do not know whether you have any thoughts on that.

Andy Gray: It is relatively early stages. The combined authorities are creating their industrial strategies at the moment. There will be benefits from that. They will be a convening force in regions to help drive focus and support and hopefully attract capital. It is early stages at the moment for certainly many of the newer combined authorities.

Dan Aldridge: Manchester has not seen that sort of—

Andy Gray: Manchester has done an incredible job over the last 10 to 15 years in terms of creating an ecosystem, a critical mass and a sense of identity. In many ways, that is the model that people probably aspire to.

Within the industrial strategy, it is important that we do not necessarily just focus on the eight focus sectors because there is an awful lot of jobs,



economic value and strategic importance in sectors that are not in those eight. That is a challenge. Everyone wants to be in life science and fintech, but we still need food, heavy manufacturing and hospitality. Do authorities' regional industrial strategies reflect the pragmatic economic reality and therefore that the whole will be greater than sum of the parts? That has to be the intention, acknowledging the tension between regional and national success.

Q206 Antonia Bance: Coming back to your partnerships with the British Business Bank, do the British Business Bank's products have enough flexibility? What improvements, if any, would you make to the product offering of the British Business Bank?

Andy Gray: Richard has touched on this. On the debt side, we know the constraints, but greater certainty on the increasing quantum of capital available under the growth guarantee scheme would be very helpful. Under the current parameters, it is up to £2 million. If that could increase, it would be helpful. That is probably not our biggest bugbear, but it would be hugely helpful.

I listened to the pension funds in the previous session. There is also a point about how the British Business Bank can catalyse on the equity side to make it easier for investment, whether that is pension or other investment capital, to flow into relatively early-stage equity financing. One of the barriers is that—I am not thinking of the witnesses that you had earlier but many layers down—the effort of investing in this asset class is significant. You need expertise. You need people who understand the region and the sector and can originate in that space.

Ben Barbanel: We have deployed £15 billion since inception. In my mind, I am very clear on the expertise that we have built up in that relatively short space of time. If you look at some of the events that we have had during that period, our loan book has performed incredibly well. If we took some of the expertise that we have built and we worked constructively with the BBB, together we could build a custom approach to lending.

Somebody may say, "Yes, but that is not going to change the world," but structuring a product together, through which we could deploy £250 million of nuanced lending, which we have experience in doing, is going to be meaningful. There has not been enough engagement on both sides to make those individualised products and approaches happen.

Richard Davies: The British Business Bank is an excellent institution. Without it, we would be in a much worse place on SME finance. We have worked with BBB on multiple fronts. We have some loan portfolio guarantees. We have taken what is called tier 2 capital into the bank.

We just mentioned the growth guarantee scheme. For me, the thing that must happen is the expansion of the growth guarantee scheme. Ben is right. If it could be £5 million rather than £2 million, that would be



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helpful. The gap to where private credit starts is certainly £5 million or £10 million upwards. That would be helpful. Otherwise, we have nothing but praise for the BBB.

Q207 Chair: Just to wrap up, let us just zero in on the recommendations that you think the Committee should reflect on. The exam question that we have set ourselves is, "How do we improve access to scale-up finance?" This was something that came up time and time again when we did our tour of the country last year. That is why the Committee has prioritised this as a topic for inquiry. It could be that you want to follow up with us in writing afterwards. Please do.

Louis, looking at the system as a whole, where would the Committee be best advised to make recommendations?

Louis Taylor: First, the focus should be on scale-up equity. To reiterate my earlier point, it is not about the amount of money available; it is about the allocation of that money. It gives me some comfort that just yesterday we were presenting a product that we have developed for the pension funds, which will open up our track record for them to access venture capital in a diversified and low-cost way that overcomes some of the hurdles that they have claimed they have had in getting into that. There are a couple of other funds that are raising at the same time. Once those are all up and available, if institutions are choosing not to invest in them, I would start to question the bona fides of the commitments under the Mansion House compact.

We need to keep up the pressure on them and make it clear that the private equities that they should be investing in are not only in infrastructure, real estate and private equity itself but in venture as well. I would admit that it is the hardest asset class, but it is absolutely germane for growth in the economy and making the country worthwhile retiring into for retirees.

Andy Gray: Just broadly, stability and predictability for both investors and entrepreneurs is important.

Chair: You mean not speculating on 13 different tax changes in two months.

Andy Gray: I would welcome less speculation. We could have some modest and thoughtful adjustment to regulation, but we should not tear it up. That is regulation for both the financial services industry and the customers who we serve. The expansion of the growth guarantee scheme would be helpful. Crowding in pension funds would also be extremely important.

Chair: That is very clear.

Ben Barbanel: Post-crisis regulation has clearly made the financial services market safer, but it is a very one-size-fits-all approach. There could be some tweaks to standardised capital models, which would help.



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Richard Davies: You have heard my views on the growth guarantee scheme loud and clear. I would definitely say that on the debt side.

On the equity side, I would agree with the comments that have been made. The public market is key. VC and growth-stage equity is important. We are a growth-stage equity firm ourselves. There are still very few good examples of listed growth companies in the UK. That ultimately flows through the whole equity stack all the way back to seed rounds.

Chair: That has been incredibly helpful. Thank you for being so clear and candid. If you have follow-up thoughts, we would love to have them. For now, that concludes this panel. Thank you very much indeed. That was brilliant.