

Public Accounts Committee

Oral evidence: Lessons from Greensill Capital, HC 1368

Thursday 22 April 2021

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Members present: Meg Hillier (Chair); Gareth Bacon; Shaun Bailey; Olivia Blake; Dan Carden; Sir Geoffrey Clifton-Brown; Barry Gardiner; Peter Grant; Sir Bernard Jenkin; Nick Smith.

Gareth Davies, Comptroller and Auditor General, was also in attendance.

Questions 1 - 68

Witnesses

I: Sir Tom Scholar, Permanent Secretary, Her Majesty's Treasury; and Charles Roxburgh, Second Permanent Secretary, Her Majesty's Treasury.



Examination of witnesses

Witnesses: Sir Tom Scholar and Charles Roxburgh.

Q1 Chair: Welcome back to the Public Accounts Committee on Thursday 22 April 2021. We will now ask questions of our Treasury witnesses about their contact with Greensill Capital. The witnesses we are questioning are Sir Tom Scholar, the permanent secretary, and Charles Roxburgh, the second permanent secretary at Her Majesty's Treasury.

A simple first question to you both—first of all to you, Sir Tom: how many times did you meet with Greensill Capital?

Sir Tom Scholar: Thank you, Chair. I had no physical meetings at all. I took part in one conference call on 7 April, which is a matter of—

Chair: In 2020.

Sir Tom Scholar: In 2020, which is a matter of public record following a Treasury release, following a freedom of information request. We had a further freedom of information request asking us to set out all contact between, I think, senior Treasury officials, Treasury Ministers and Greensill. We are, as a Department, currently working through all our records, so I do not have the complete final answer on that, but I can certainly say that Mr Cameron spoke to me on the telephone and sent me some text messages at around about the same time—the end of March, beginning of April 2020. As far as I know from the records I have seen to date, I had no further contact after that phone call on 7 April.

Q2 Chair: There was that one conference call, but you had had conversations with Mr Cameron as a representative of Greensill, on the phone and by text before that point, to be clear.

Sir Tom Scholar: Yes. At that point, the conversation was drawing to our attention the proposal that Greensill had made and asking us to look at it, which we were doing.

Q3 Chair: Were these phone calls to your office or to your mobile phone?

Sir Tom Scholar: To my mobile phone, but it is an official mobile phone. I was not in the office, because we were working from home at the time.

Q4 Chair: Presumably Mr Cameron had that telephone number because he had been Prime Minister.

Sir Tom Scholar: Correct, because I used to work for him.

Q5 Chair: Okay. Charles Roxburgh, how many times did you meet with Greensill Capital? I should advise viewers that we are having problems with the Zoom link. Mr Roxburgh, can you hear me?

Charles Roxburgh: Yes, I can now.

Q6 Chair: Thank you. How many times did you meet, Mr Roxburgh, with



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Greensill Capital?

Charles Roxburgh: Perhaps it would be helpful if I explained the nine meetings that I had with Greensill Capital—

Q7 **Chair:** Nine meetings. Can you explain what you did in those nine meetings?

Charles Roxburgh: Yes, I will set out the context. Those discussions were spaced out over four months from March to June 2020. The discussions fell into three distinct phases. The first phase, in March 2020, concerned Greensill's application to join the Covid Corporate Financing Facility, the CCFF. We considered that application, and after two phone calls in late March we rejected that application.

Q8 **Chair:** Can I ask who those two phone calls were with in late March?

Charles Roxburgh: They were with Mr Greensill and Mr Crothers, and I was—

Chair: We have lost the sound for some reason. Is it at our end? Sorry, Mr Roxburgh. You're going to have to pause, if you can hear us. He can't—this is not working very well, of all days.

Sorry, Mr Roxburgh, we lost your sound for a moment. You were just saying that the two phone calls were with Mr Greensill and, I think, Mr Crothers. Was that Mr Bill Crothers?

Charles Roxburgh: Correct.

Q9 **Chair:** Then, after those two phone calls, you rejected the application to the CCFF.

Charles Roxburgh: Correct.

Q10 **Chair:** Okay. Continue, please. Thank you.

Charles Roxburgh: The second phase ran from early April to mid-May. During that phase, we explored a number of ideas to improve the delivery of finance to UK small businesses active in the supply chains of large companies operating in the UK. You may remember that was a time when small businesses were facing acute challenges, and the initial roll-out of our loan programme, CBILS, was not—

Chair: We have lost your sound again, Mr Roxburgh. I am very sorry about the technical problems. Could you go back? We know the history of the problems with small businesses, and you were exploring options to support small businesses. We got that much.

Charles Roxburgh: I am sorry. I lost sound from the room.

Chair: Sorry, can you hear me now, Mr Roxburgh?

Charles Roxburgh: I can hear you now.

Q11 **Chair:** Thank you. We got to the point where we had heard that you were



exploring options to support small businesses, on which we all know the history. Can you then explain the contact you had with Greensill Capital on that issue?

Charles Roxburgh: I had three calls in April to explore a number of ideas as to how we could support finance to small businesses operating supply chains. Out of those discussions in April/May, we consulted on an industry-wide scheme that would have been open to all providers of supply chain finance to explore whether it would be a viable route to help small businesses.

During that consultation and after that consultation, Greensill made representations to the Treasury. I had three calls with them in mid-May, again with Mr Crothers and Mr Greensill. We decided not to go ahead with that proposal. I communicated that decision in writing—

Q12 **Chair:** I am sorry, Mr Roxburgh. You can't hear me, I think, but we have lost you again. I really apologise for the technical problems that are causing us to lose you. It is a problem at the Parliament end.

You had got to the point where you had had three calls in mid-May with Greensill—with Mr Crothers and Mr Greensill—about supply chain financing and you were then telling us that you had written to them. That is as far as we got. What did you say in the letter that you wrote to them?

Charles Roxburgh: I said that we would not go ahead with that scheme. We had consulted, and we had decided not to proceed with the scheme on which we had consulted. That was in an email dated 18 May.

The third and final phase concerned another approach that Greensill put to us on that same day, 18 May, in the evening, which they argued would fully address our concerns and would command support from at least two other major supply chain finance providers. Over the next few weeks, we and the Bank of England evaluated that proposal. Again, we decided not to go ahead with that proposal, and I communicated that to Greensill in our final call on 26 June.

Q13 **Chair:** Can I be clear? Were these calls coming to your work phone or where they at any time calling your mobile phone?

Charles Roxburgh: At no time did they call my personal phone. All communications were on my work phone. The meetings were a combination of conference calls, which I conducted from my landline—

Q14 **Chair:** Sorry, we have lost you again, Mr Roxburgh. Can you hear me now? I think we have lost the connection for some reason. For anyone who is watching on parliamentlive.tv, the witnesses cannot hear us at the moment, and nor can half the Committee.

I think we are back now. I am so sorry, Mr Roxburgh. This is the first time we have had such problems with IT at this end. It seems that the gremlins are in today.

To be clear, we got to your final calls. Is it normal for you to have



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speculative conversations with a single company that was coming up with what one might call novel ideas about how to solve matters? Normally, would they not go through a more junior route, if you like, to put forward their suggestions? How come they got access to you so quickly?

Charles Roxburgh: At the time, and you will remember it was an extraordinary time, I was the senior official leading on the development of the Covid Corporate Financing Facility, which was put together jointly with the Bank of England in early March. Greensill had approached the Bank of England to make an application for that, which they did not think met the criteria. Greensill also then copied my colleague, Sir Tom, on the application. I was leading the work on the CCFF, and it made sense for me to pick up the conversation. The first calls that I had with them, I picked up. Because I had started, I completed those calls, and they then came back to me.

As you can see from my transparency returns, I talk to a lot of companies. It is a very important part of my job. I often talk to companies. During this period, I was talking to a lot of companies about the situation that was facing them, the crisis and how to respond. There were other consultations on different areas that we worked on, some of which saw the light of day and some of which did not.

It is quite a normal process of policy making to talk to companies. Oftentimes, you get an idea from an individual company, you then consult with a range of companies and you decide to go ahead with it or not. That is a very normal way of making policy.

Q15 **Chair:** Sir Tom, did you take these calls more readily because they were made to you from a former Prime Minister?

Sir Tom Scholar: If a former Minister that I have worked with asks to talk to me, I will always do that. The call I took from Mr Cameron was not a substantive discussion of the proposal. He knew that I had had the proposals sent to me; I had been sent a copy of the original proposal, and I knew from that letter that Mr Cameron was an adviser to the company. I should say that, once we have our freedom of information release ready, this will be clear from the record. It was simply a call to draw it to my attention.

In the call, I said, "Thank you very much. This is something that we are looking at and Charles Roxburgh is the person leading it." It was not a call with any more substance than that. In terms of the actual discussions with the company over their application to the CCFF, as I said earlier, I just joined one phone call—I think it was less than half an hour—and that was the entirety of my involvement in it. Otherwise, it was all Mr Roxburgh who led it, as the senior official responsible for the CCFF.

Q16 **Chair:** If it had been another staff member of another organisation or a lobbyist who had not been a former Prime Minister, would you have been ready to take that call?



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Sir Tom Scholar: I have also from time to time had calls from other senior people, maybe senior private sector people I have previously worked with in another capacity. When somebody you know asks to speak to you, it is quite natural to take that. If I may take you back 25 years to the Nolan Committee on Standards in Public Life—

Chair: Good to hear that being mentioned in Whitehall.

Sir Tom Scholar: If you go back to their very first report in, I think, 1995, on lobbyists, they say the following: “It is the right of everyone to lobby Parliament and Ministers, and it is for public institutions to develop ways of controlling the reaction to approaches from professional lobbyists in such a way as to give due weight to their case while always taking care to consider the public interest.”

That is in the first report of the Nolan Committee. I think that is what the Treasury did in this case. We were approached quite persistently from this company, and we listened to what they said; we analysed it, we tested it, and in the end, despite them submitting a series of successive proposals, as Mr Roxburgh said, we decided to reject them all. I think that is a completely appropriate way of dealing with the matter.

Chair: It seems as though some people have perhaps more access than others. I will move on to colleagues, who I know have some points to raise.

Nick Smith: Chair, can I come back on that?

Chair: Very briefly, Mr Smith.

Q17 **Nick Smith:** Mr Scholar, how many times have you been approached by Mr Cameron on Greensill since he took up his post with that company?

Sir Tom Scholar: I did not know he worked for Greensill until the letter we got in March. As I said, it was very limited engagement, over probably about two weeks, and, to the best of my knowledge, after the 7 April phone call I had no further engagement with him.

Q18 **Nick Smith:** Have you spoken to Mr Cameron since he left office other than about Greensill?

Sir Tom Scholar: I have seen him probably two or three times, but never to discuss Government business.

Chair: Thank you.

Q19 **Sir Bernard Jenkin:** I have two things to raise, one of which I will come to later. The first question is about how the Treasury conducts due diligence on institutions or companies with which it is potentially going to have financial dealings.

Charles Roxburgh has been very clear about the meticulous policy development process, but at what stage does the Treasury look at a business and say, “What sort of business is this?” Greensill Capital is rather a hybrid institution. At what stage do you make an assessment of the



inherent risk of dealing with that company?

We found with the Carillion inquiry, for example, that there was a very slender understanding of how risky Carillion was because there just was not the capability and capacity in the contracting Departments to understand how risky the business was. What capacity do you have in the Treasury to say, "Actually, this business is a bit odd and it's looking too risky, and we shouldn't have dealings with this company"?

Sir Tom Scholar: Mr Roxburgh is better placed than I am to explain why we rejected each of their applications under the scheme. In general, what we were doing over that period was exactly what you are saying that we should do.

We announced a support scheme, the Coronavirus Corporate Financing Facility. We published the criteria. The Bank of England operated as our agent. A number of companies applied to use it. A number of those were dealt with directly by the Bank. In this case, they came both to the Bank and to us. I do not think there is anything so far unusual in that. We got their proposals. We analysed them. We determined that they were not eligible for the scheme. They asked whether we could change the rules of the scheme, the eligibility criteria, in order to make them eligible. We looked at that. We decided not to do it.

As Mr Roxburgh said earlier, a series of proposals were made. In each case, we looked at the proposal, and we tried to determine where the public interest lay and what was the right course of action for the economy and for the fiscal position, balancing off all the normal things that we need to balance when reaching our advice. Time after time, we concluded that the public interest was best served in rejecting their proposals. Ministers rejected their proposals on several occasions and finally at the end of June, following which they did not come back to us with any further proposals.

Q20 **Sir Bernard Jenkin:** The Treasury had no role in the decision to accredit Greensill Capital for the CBILS scheme.

Sir Tom Scholar: No.

Sir Bernard Jenkin: That would be a question for the British Business Bank. I think I will leave it there, unless Mr Roxburgh wants to add anything.

Q21 **Chair:** Mr Roxburgh, did you hear that exchange?

Charles Roxburgh: Where there is a scheme running, where there is a Government programme, the British Business Bank can talk about CBILS and CLBILS, but in other programmes—say, those run by UK Export Finance or other Government schemes—if there is Government money being put at risk, there is very extensive due diligence. That does not apply in this case in relation to the CCFF because Greensill were not accepted to it.

Q22 **Nick Smith:** Mr Roxburgh, I am trying to understand why Greensill had so



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much heft, given that it was such a busy time for you and our country. I have a few basic questions about the company because it is hard, looking at the reporting, to get a sense of it. I am just trying to understand your understanding of the value of the company.

Could you let us know how big the business is? What is its annual turnover? The things that my constituents are concerned about are that they hear that this company had four executive planes or jets, but that it did not have a compliance unit to advise it on business ethics and best processes for its business. Give us your take, your due diligence, of that company. Can you try to answer those questions, please?

Charles Roxburgh: Was that directed to me?

Q23 **Chair:** Yes, Mr Roxburgh. Did you hear? We have been having problems with the sound. Do you need that repeated?

Charles Roxburgh: I only heard the end of the question. It was about what due diligence we did on Greensill.

Q24 **Nick Smith:** Mr Roxburgh, I am trying to understand why Greensill has so much heft and influence in the Treasury. I am trying to understand your take on the company and why it is so influential and why it mattered so much.

As part of your due diligence and your understanding of the company, how big is it? What is its value? What was its turnover last year? What my constituents are concerned about is that they hear that this company had four executive private aeroplanes or jets, but they also understand that it did not have a compliance team to advise it on business ethics and best processes in working. What do you know about all these things, please?

Charles Roxburgh: On your question about their influence, we had the discussions with them that I set out earlier, but at the end of each phase of those discussions we rejected the proposals. We did not take any of the proposals forward. We engaged with them. We listened to the ideas. It was a time when it was appropriate to listen to ideas about ways to help small businesses, but in this case we took none of the ideas forward. We were aware that Greensill Capital was a significant player in supply chain finance, and it had quite a large business serving a number of large UK corporations providing supply chain finance.

It would be completely disproportionate to conduct in-depth financial due diligence on a company simply before having a conversation with them. Had we extended credit to the company—which we did not, and would not have done—through the CCFF, that would have been the time to do due diligence.

As it happened, the CCFF was only open to companies that had been investment grade before the crisis. That is the approach we took with the Bank on the CCFF. We were aware that they were a major player in the supply chain finance business, but as we had rejected the application to



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the CCFF and did not take forward any of the further proposals, there was no need to do further due diligence into the company.

Q25 Nick Smith: Mr Roxburgh, did you know anything about the four aeroplanes that the company used to take its staff and supporters around, and did you know about the fact that they did not have a compliance unit? I understand it was a business with a turnover of \$200 million-plus a year. Were they really that significant for you to spend this much time with them, and why didn't you have a better understanding of what was really going on at Greensill?

Charles Roxburgh: We were aware from press reports that they had four aeroplanes. That was in the press reports. We were not regulators. We were talking to them about an idea. We decided not to take that idea forward three times, as you heard from my earlier accounts.

We were extraordinarily busy on a whole range of policy matters. This was not a major part of my work at the time. I was leading work across a whole range of the Treasury's response to this large pandemic and this major economic crisis. It would have been completely disproportionate to start doing due diligence. We do not have the authority to do due diligence into private companies. It would have been wholly disproportionate to do detailed due diligence into a company whose proposals we rejected.

Chair: Thank you. We will pick up some threads in a moment.

Q26 Sir Geoffrey Clifton-Brown: Good morning, Mr Roxburgh. Could you tell us precisely what the reasons were why you rejected Greensill's application for CCFF?

Charles Roxburgh: The CCFF was established to provide support through the purchase of commercial paper from companies that had been investment grade before the crisis started. It was intended for non-financial companies. The terms of the scheme, which were set in a market notice from the Bank of England—the Bank of England operates the scheme and the Treasury provides an indemnity for the scheme—are designed to support non-financial corporations that had been investment grade.

The reason we rejected Greensill's application was that they were proposing that special purpose vehicles could have access to the scheme, and that was not consistent with the scheme's design. They were suggesting that the CCFF should buy commercial paper that had non-standard terms. Again, that was not consistent with the design. Because it had been designed to support non-financial corporations, we did not want to admit what is the equivalent of a financial firm. It was a clearcut decision. They did not meet the terms of the scheme, and that is why they were rejected.

Q27 Sir Geoffrey Clifton-Brown: Is there a failure of designation? You have several times in your answers said that Greensill was an investment grade company.



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Charles Roxburgh: No, I did not say that.

Chair: No, he did not. I don't think Mr Roxburgh has used that phrase.

Q28 **Sir Geoffrey Clifton-Brown:** It was not an investment grade company. Let's be absolutely clear about that.

Charles Roxburgh: The CCFF was designed for companies that had been investment grade before the crisis started. Greensill was not applying to join the CCFF as Greensill Capital. They were applying to ask that the CCFF accepted commercial paper issued by one of the special purpose vehicles, and they argued that the commercial paper issued by that special purpose vehicle, which would have been backed by invoices from investment grade companies, would have been investment grade.

We looked at that. It was not Greensill applying for the CCFF as Greensill; it was Greensill applying so that its special purpose vehicles could issue paper into the CCFF. That was not consistent with the terms of the scheme, because they were non-standard. That was not the way the scheme was set up, so we rejected it.

Q29 **Sir Geoffrey Clifton-Brown:** I am only a layman. There is an awful lot of technical stuff in that answer. As a layman, my judgment is that the more I heard you give that answer, the dodgier this whole scheme sounded. Why did you, as a very senior official in the Treasury, spend so much time investigating the scheme?

Charles Roxburgh: The proposal that Greensill put to us in March, which was that the CCFF should accept commercial paper from the special purpose vehicles, we considered and we rejected at the end of March. That was not a disproportionate use of time at all. The subsequent proposal was one that we consulted on, and we issued a consultation to over 10 supply chain finance firms active in the market. In the end, it did not prove workable, but had it proved workable it could have been a way to support a large number of small businesses at a time of crisis. That was appropriate to look at.

It was one of a number of options that we were looking at, at the time, to support small businesses; in parallel, teams in the Treasury were also working up others. We had to make course corrections on CBILS, which we did to make that work more effectively. We were working up ideas to extend CBILS when we launched CLBILS, which you will remember, and most importantly for small businesses we were working up options around the bounce back loan scheme that launched later that month.

We were working on a number of schemes, and supply chain finance was not an unreasonable area to look at. In fact, Andrew Bailey had said, in his Treasury Committee appearance in early March, that there might be a need to look at supply chain finance as an area for potential intervention. It was quite reasonable to look at whether there was an intervention in supply chain finance. As it turned out, we did not get involved, so we did not take it forward.



Q30 Sir Geoffrey Clifton-Brown: I think we got the gist of that, Mr Roxburgh. As you say, the Treasury extended CBILS to CLBILS because it recognised that CBILS was not covering large companies. Were you aware at any stage that Greensill, as well as applying for the CCFF from the Treasury, was applying for CLBILS which was under the control of BIS, but the due diligence was done by the British Business Bank? In fact, the guarantee was given by the British Business Bank. Were you aware of those parallel discussions?

Charles Roxburgh: Their application to the CCFF had been rejected at the end of March. As I explained in my earlier answer, in the second phase, in April, we had discussions about potential alternative ways to move forward on whether there was a solution in supply chain finance. In one of those conversations, they mentioned to me that they had applied. I simply noted it, because the Treasury had no role in their application. They mentioned to me that they had applied.

At the end of this process in June, 26 June, when I was telling them that we were not taking the process forward, they said that they had been approved at that point. They said that they had been approved up to the level of £50 million, and they wanted to be given the extended level of authorisation to lend up to £200 million.

I explained to them, and it is in one of the FOI releases, that there were additional criteria to be approved for £200 million, because that is a very significant exposure. Shortly after that meeting, I sent an email to Mr Greensill, which will be released as part of our next FOI release, in which I set out the process by which applications to the £200 million level were approved. That made it clear that that was a decision for the British Business Bank. It would only come to the Treasury for approval if the British Business Bank had approved the extension. They did not, so it did not come to us for approval.

Q31 Sir Geoffrey Clifton-Brown: Sir Tom, going back to the Chair's questions about what contacts were made with the Treasury, were you, as the civil service, aware of all the contacts that Mr Cameron had made with your various Ministers? Was that recorded?

Sir Tom Scholar: We knew from the original letter from Greensill right at the start of the process that Mr Cameron was an adviser to the company. We certainly knew that he had spoken to the Chancellor, because the Chancellor, immediately after taking that phone call, reported the contents of the call, through his private office, to the Department, completely correctly. It is exactly what he is supposed to do. We knew about that, too. I think the contacts with the Economic Secretary were around about the same time—I cannot quite recall; I don't know whether Charles does. I am sure we have records of it. I believe it was all recorded by his office too, but I cannot quite recall.

Q32 Sir Geoffrey Clifton-Brown: I think this is quite an important point. If Mr Roxburgh cannot give us a definitive answer, I think we would like a note,



Chair, of who knew what when, regarding contact.

Sir Tom Scholar: This will all be covered. Mr Roxburgh has referred to our next freedom of information release a number of times.

Q33 **Sir Geoffrey Clifton-Brown:** It will be covered?

Sir Tom Scholar: It will be. The freedom of information question that we will be replying to shortly asked for all contact between all senior Treasury officials and Ministers and all representatives of Greensill. That will be ready for release shortly.

Q34 **Sir Geoffrey Clifton-Brown:** When are you due to answer that?

Sir Tom Scholar: The deadline is not for some time, but we are looking to answer it as soon as we can. The work is nearly finished.

Q35 **Sir Geoffrey Clifton-Brown:** Can I ask a policy question? Given that most Government suppliers—the very high 90s—are paid within 30 days and many are paid within five days, what is the need for all this supply chain finance anyway? Why doesn't the Government perform this function itself?

Sir Tom Scholar: In respect of Government payments, you are quite right. The Government have a target for prompt payment. Greensill was not exclusively but was mostly, or largely, operating in the private sector. Obviously, there were some public sector contracts too, which have been the subject for other inquiries that will look into it. The Treasury has always been institutionally sceptical of that kind of proposal, for exactly the reason that you set out.

Q36 **Sir Geoffrey Clifton-Brown:** I will repeat the question that I asked Mr Roxburgh. It seemed to me that the more I heard Mr Roxburgh's answer on what Greensill was applying for, the more irregular it sounded. To me as a layman, it just sounded as though it was a scheme that really should not have been considered by the Treasury.

Can I ask you why you spent so much time considering this scheme, which was outwith all the parameters that you had set for CCFF? Why did you spend so much time considering it? What was it supposed to achieve? What did you want it to achieve?

Sir Tom Scholar: For the reason Mr Roxburgh gave earlier, which was that, at the time, businesses in general—small businesses in particular and supply chain businesses in particular—were facing very serious difficulties. There was immense pressure on the Treasury to do more to support and to provide credit to the private sector.

Everybody said we were too slow, not doing enough and should be more ambitious, so we were investigating a whole series of ways in which we could support the flow of credit to businesses, including small businesses and those in supply chains. It was seen through as part of the broad programme of work in what should be the Government's economic response to this extraordinary economic crisis. That was the reason.



Q37 Sir Geoffrey Clifton-Brown: But the Government were actually doing an awful lot to support businesses both large and small, weren't they? They had schemes from local authorities to support small businesses. They had the CBILS scheme, then the CLBILS scheme and the CCFF scheme. What was it that you felt as Government you were lacking that you needed to talk to Greensill about this scheme? I am sorry to use the word, but it sounds to me like a Ponzi scheme.

Sir Tom Scholar: A number of the schemes that you mentioned took a while to get off the ground and to provide the credit that they then subsequently provided. The first approach from Greensill was in the middle of March, before any of these schemes had been established.

If you look a bit later—I think this is relevant—by the time that all the schemes were fully up and running and delivering what they were intended to achieve, we were well past the time of looking intensively at these issues. The record is very clear on that.

The time when we were most looking at all this was at the end of March and into April, which was exactly the same time that policy development was going on across the board on a whole range of ways of supporting the economy. As Mr Roxburgh said, some of those were taken forward and some of them were not. The proposals from Greensill were not taken forward.

Q38 Sir Geoffrey Clifton-Brown: I have one more question. It is awfully easy to be wise with hindsight—I accept that. Had you known at the time that Greensill was not only doing supply chain finance but was leveraging the cash flow, in a similar way to Carillion, to lend to all sorts of businesses, sound or not, and that not only was it leveraging that finance to lend to those business but it was leveraging its future possible finance, which it had not even received from its supply chain finance, would you have even had a conversation with them?

Sir Tom Scholar: Mr Roxburgh might want to add to this, but if you set up a scheme and publish the terms of the scheme and somebody wants to apply to it—

Q39 Sir Geoffrey Clifton-Brown: That is not quite the question, Sir Tom. The question is: if you had known what I have just set out about Greensill and about its financial strength, or not, would you have even had a conversation with them?

Sir Tom Scholar: We were learning about them.

Q40 Sir Geoffrey Clifton-Brown: That is still not quite the question. I am not blaming you. I am not seeking to apportion any blame. I am simply saying, if you knew at the time what we all know now, would you have even had a conversation with them?

Sir Tom Scholar: It is fair to say that if we knew everything there was to be known about them and we knew what the final answer would have been,



including all the other policies that we would have developed that would have meant that their proposal was not needed, then no, but—

Q41 **Sir Geoffrey Clifton-Brown:** That is still not quite the answer, is it? Would you have been wanting to actually allow them to participate in the scheme at all if you knew about their financial probity?

Sir Tom Scholar: I am not sure it is really for me to comment. We were not their regulator. We were being approached to assess—

Q42 **Sir Geoffrey Clifton-Brown:** Nevertheless, Government are responsible, and the Treasury particularly is responsible, for the probity of Government funds, taxpayers' money. I am simply saying to you, if you knew the financial probity of this particular company at the time—I am not blaming you, but we now know a lot more about it; everybody knows a lot more about it—would you have even taken the phone call?

Sir Tom Scholar: I think Mr Roxburgh might want to add something. As I say, it was part of looking at both the policy question and an application from a particular company. If we had known at the beginning everything we found out during that, we would have saved everybody a lot of time, but we did not know, so we had to work through it and we had to work through the analysis. We did all the analysis, and then we rejected their proposal.

Q43 **Sir Geoffrey Clifton-Brown:** The obvious question follows. I am not seeking to put any blame on anybody. Going back to Sir Bernard's questions, probably before anybody is allowed to apply for any of these schemes full financial diligence should be provided by those firms.

Sir Tom Scholar: The Treasury is not a regulator. We have regulators that are regulators. Public authorities need to carry out their work according to their statutory responsibilities. It is not the job of the Treasury to make assessments of private sector companies, except where necessary for the Treasury's responsibilities.

In this case, we were responsible for the CCFF, and we assessed their eligibility and we assessed that they were not eligible. They then asked us to consider changing the rules, and we considered and looked at whether that would be a good bit of economic policy and in the public interest. It was quite a complicated question, but we looked at it, and in the end we concluded that it was not in the public interest, so we rejected, and repeatedly rejected, their proposals. Maybe Mr Roxburgh can bring greater clarity than I have been able to bring.

Charles Roxburgh: To answer Sir Geoffrey's question, if an insolvent company applied for one of our schemes, I doubt very much that we would even take the call. Obviously, that—

Q44 **Sir Geoffrey Clifton-Brown:** If I may just stop you, Mr Roxburgh: what if you had known that the company was about to become insolvent? That is much more to the point.



Charles Roxburgh: That is an extremely hypothetical question. To expect Treasury officials to have perfect foresight and to be able to know that in 12 months' time a company that they are about to have a phone call with is going to go insolvent is an impossible standard. What we did here was that they applied to the CCFF, they did not meet the criteria, and we rejected the application. We cannot base Government schemes on perfect foresight into the future.

Q45 **Chair:** Sir Tom, do you think supply chain finance should be regulated?

Sir Tom Scholar: Business lending in general is not a regulated activity. I think a number of Governments have looked at that over the years and have concluded—that is a policy question.

Q46 **Chair:** It is a policy question. Given that this was very much embedded in public sector delivery and of course in a very big state operation to support, in this case, the private economy as well, do you think that maybe it is time to think about regulating that area?

Sir Tom Scholar: We certainly will be thinking about it. There is an inquiry going on into it. We will participate fully in that. There will be, I am sure, a long debate about it.

Chair: We will certainly look in more detail at supply chain finance as part of our work looking into some of the issues that have arisen from this.

Q47 **Nick Smith:** First of all, Mr Scholar, to clarify your FOI responses on who exactly Mr Cameron spoke to, do you know if Mr Cameron spoke to the Chancellor of the Duchy of Lancaster, Michael Gove? Do you know if he spoke to the Governor of the Bank of England?

Sir Tom Scholar: I don't know.

Q48 **Nick Smith:** Mr Roxburgh, do you know if Mr Cameron spoke to people outside the Treasury, given that you had these nine meetings with Greensill?

Charles Roxburgh: He did not refer to those meetings, from memory. Those questions would be best directed to the individuals concerned. I was aware that Mr Cameron was talking to Treasury Ministers.

Q49 **Nick Smith:** That leads to the question: which Treasury Ministers, please?

Charles Roxburgh: Because the Chancellor had referred him to us, I knew he had talked to the Chancellor and I knew he was talking to the Economic Secretary. As Sir Tom said, we will release the details of those interactions shortly.

Nick Smith: Okay. Mr Roxburgh, I was interested in your—

Q50 **Chair:** You said the details will be released. Were they listened-in conversations with a civil servant on the call, or did the Ministers pass on the substance of the conversation?



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Sir Tom Scholar: I think this will all be clear from the record, but I think some were minuted conversations and some were unsolicited calls where the content was subsequently passed on.

Q51 **Chair:** But all the content of those informal calls was passed on.

Sir Tom Scholar: Yes.

Chair: Thank you.

Q52 **Nick Smith:** For completeness, how many calls were made altogether to Treasury officials or Ministers, that you know of, by Mr Cameron, please?

Sir Tom Scholar: As I said earlier, Mr Roxburgh and I were on one call that he was on. According to my records, I took one other call. It will be in our FOI release. There were also calls to the Chancellor and the Economic Secretary. I am not aware of any others.

Q53 **Nick Smith:** Mr Roxburgh, I want to pick up on this point about Mr Greensill trying to establish special purpose vehicles and coming up with what the Chair called novel ways to do business around supply chain finance and other ways of working. Did that ring any alarm bells with you?

Charles Roxburgh: To be clear, I am not going to comment on whether Mr Greensill's business was acceptable or not. It has gone into insolvency and the record is clear there.

Special purpose vehicles are a perfectly normal practice within the financial services world. Of themselves, that is not a concern. Supply chain finance, done properly in the private sector, can be a valuable way for small businesses to improve their cash flow, given that in the private sector large companies often pay their bills at 60, 90, or even 120 days.

Small businesses, particularly in a crisis, can face cash-flow challenges. Supply chain finance done properly is a helpful tool to improve small business cash flow. Special purpose vehicles per se done properly are a standard practice in financial services. Of themselves, that did not ring alarm bells, but I am not going to comment on whether Mr Greensill's wider business practices were acceptable because, as you can see, the business has failed.

Q54 **Nick Smith:** Mr Roxburgh, it seems to me that Mr Greensill came back to you time and time again. Did other organisations show the same resilience and tenacity to come up with these novel ways of working?

Charles Roxburgh: In that period, as you say, they were persistent. The second phase that I described was one where we genuinely thought it was worth looking at the opportunity to use an industry-wide solution in supply chain finance to help small businesses, and that is what we consulted on. We would not have consulted on it if we did not think that there was some potential. As it turned out, there was not, and we did not take it forward.



In the third phase, when they came back that evening—you can detect this from the tone of their emails—they were persistent. That would be an accurate adjective to use. They said that their scheme would address all our concerns and would command support from other providers. We looked at it, and we decided not to take it ahead.

Chair: Thank you.

Q55 **Sir Bernard Jenkin:** We all know that human business relationships or professional relationships are just the same as any other personal relationships. They function best when there is a high level of trust and confidence that you can say what you need to say without fear of being exposed. Very often we say things in private that we would not want to be made public. Therefore, the Freedom of Information Act provides for protection, and provides a safe space for conversations to take place between Ministers and officials.

Some Ministers fear that this safe space is being eroded, and it is now more difficult to have those conversations and to have an open extemporisation about a policy and people you have spoken to while evaluating whether a policy is a good policy or a bad policy with officials. If all the notes have been taken and every mention of an outside body or an outside business is recorded and then can be exposed, what effect will this have on the kinds of conversations that Ministers and officials can have in their Departments?

Sir Tom Scholar: Thank you. The question obviously concerns Treasury business but goes much wider than Treasury business. I go back to the public interest. The public have a right to know about various things, but the public interest is also crucially served by the effective conduct of business, including Government business. As you said, the FOI Act sets out to balance those two elements of the public interest, and we all try to act correctly within that.

Speaking of the way in which the Treasury does its business, it is indeed, as you say, absolutely essential that civil servants can give Ministers completely frank and clear confidential advice. I think that is the best way we can help them to discharge their duties as Ministers of the Crown.

As you say, the FOI Act has an exemption for the policy-making process. After the event, at some point there is obviously a question about historical records. At what point does the balance of public interest change from protecting the policy-making space towards disclosure? That is one of the things that will, in the end, be material to the various inquiries that are now going on. I do not want to get ahead of those.

Q56 **Sir Bernard Jenkin:** But I am asking you a question about the atmosphere. To what extent has this had a chilling effect on the nature of discussions between your officials in your Department and with Ministers about these sensitive matters?

Sir Tom Scholar: It is too soon to say. We are just at the very early stages of the inquiries. I understand the concern that you set out. I can imagine



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things that might lead exactly to that state of affairs, but I can also imagine things that would not.

Q57 **Sir Bernard Jenkin:** To clarify it for the record, how exactly did the Chancellor's own texts to David Cameron come into the public domain?

Sir Tom Scholar: He decided to release them.

Q58 **Sir Bernard Jenkin:** He volunteered them?

Sir Tom Scholar: Yes, he decided to release them.

Q59 **Sir Bernard Jenkin:** Would he have been under an obligation under FOI to release those texts?

Sir Tom Scholar: He decided to release them. The question of what the requirements of FOI are is ultimately a legal question that I am not well placed to answer. The reason they were released is very clear: he decided to release them.

Q60 **Sir Bernard Jenkin:** Yes. If there was a chilling effect on the relationship between Ministers and officials, to what extent would that be bad for the public interest?

Sir Tom Scholar: I think the public interest is very importantly served by Departments being able to give clear and honest advice to their Ministers, and a confidential space to do that, which is fully recognised in the Act, is essential. It is very important, as you say.

Q61 **Sir Bernard Jenkin:** We know that Ministers are completely assailed by people wanting things, giving them advice and having ideas. It would be very odd if they were not. They would want to refer to people they had bumped into or had conversations with to inform a discussion about a particular policy. But does this mean that every person that they mention they have had contact with is now subject to scrutiny from outside, because otherwise it would turn that kind of conversation into a public interview?

Chair: It is a broad question. Short answers, please.

Sir Tom Scholar: It goes well beyond the Treasury. There is a legal framework on which lawyers are best placed to advise. I would go back to the reference I made earlier to the Nolan Committee; the Committee on Standards in Public Life report in the 1990s establishes an important principle. As they say, it is the right of everyone to lobby Parliament and Ministers, but it is the job of public authorities to deal with that in a way that promotes the public interest. I think that is a good general principle.

Sir Bernard Jenkin: I will leave it there. Thank you very much.

Q62 **Chair:** Do you have rules about WhatsApp and how that can be used by your officials?

Sir Tom Scholar: I do not recall whether we have rules on WhatsApp specifically.



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Q63 **Chair:** On various of the apps, some of which self-delete, do you have rules? If you worked for a bank, you would have everything regulated. What are the rules in the Treasury?

Sir Tom Scholar: We are not regulated in the same way.

Q64 **Chair:** No, the point is not about regulation. You head the Department, Sir Tom. What are the rules about whether people can have that kind of informal contact?

Sir Tom Scholar: We have very clear rules. All of our business needs to be conducted in the correct way and needs to be recorded. The audit trail is extremely important. If you are a Treasury official, you have in your head very clearly that you need to record conversations, the basis for decisions, advice for Ministers, and it needs to be recorded and retained on the record also to deal with the point of institutional memory, which Sir Bernard referred to earlier.

Q65 **Chair:** There is a danger of government by WhatsApp, so I think it was helpful to hear that. We will pursue these things, I am sure, between us and our sister Committees.

Q66 **Nick Smith:** Mr Scholar, we all accept the right of everybody to lobby, but I suppose what I am concerned about is the fusillade, the weight of lobbying, that seems to have been done by Greensill.

Mr Roxburgh, we hear that other Treasury Ministers were approached by Mr Cameron. After they were approached by Mr Cameron, did they get in touch with you? Was there a further weight brought on your shoulders through Treasury Ministers on behalf of Greensill through Mr Cameron?

Charles Roxburgh: I did not feel under any undue pressure or inappropriate pushing from the Chancellor or the Economic Secretary, who are the two Ministers I deal with most and who relayed to me their conversations with Mr Cameron. I did not feel under any pressure at all. I was following quite a normal process: to listen to representations, consider them, advise Ministers, and then, as you heard, reject them.

Sir Tom Scholar: I will give the same answer for the record: none at all.

Q67 **Sir Geoffrey Clifton-Brown:** Mr Roxburgh, I think this hearing will not be complete unless we understand what it was in the Greensill proposal to the Treasury that you thought could actually help small businesses receive money quickly. We have heard from Sir Tom Scholar in his answer that the Treasury needed to get money to small businesses that were in trouble quickly. What was it in the Greensill scheme that you thought would enable that to happen?

Charles Roxburgh: To be clear, the initial Greensill proposal was one that we rejected—their application to join the CCFF. The proposal that we consulted on was different.

In that proposal, the outline was that corporations that were eligible to participate in the CCFF could use some of their allowances—they could



have borrowed it in general under the CCFF, but this was a proposal to use some of their allowances—and, if they wanted to, dedicate those allowances to speed up payment to small businesses in their supply chains by working with whichever supply chain finance provider they wanted to. That is where, because it is standard practice in the industry, we would enable that money to go into a special purpose vehicle.

It was a proposal to facilitate the use of the CCFF by large corporations that qualified for the CCFF, working with their supply chain providers, to use the money from the CCFF to accelerate payments to their small business customers. That was the one we consulted on. We did not take it forward, but, had it worked, at that time it was not an unreasonable proposal to look at.

We decided not to go ahead with it because following the consultation we learned that it was complicated. It would have been quite costly. There was not interest from the industry because by that stage, in early May, the industry was telling us that any funding challenges in the market had passed, and therefore there was not a need for it, which is why, on 18 May, I informed Greensill that we were not taking it forward.

Q68 Sir Geoffrey Clifton-Brown: That is helpful. Thank you very much.

Sir Tom, one final question to you. Following the revelations about Bill Crothers, the Cabinet Secretary asked every permanent secretary whether any of their civil servants had outside jobs. Has that thrown up anybody in the Treasury who falls into that category?

Sir Tom Scholar: Nothing at all in the same category. We asked all our senior civil servants. As you would expect, we have quite a number who take on voluntary, charitable or otherwise unpaid roles, but we had nobody with any employment in any kind of commercial organisation.

Sir Geoffrey Clifton-Brown: Thank you; that is helpful.

Chair: Thank you very much. I know that that will be published in due course. I thank Mr Roxburgh, who will be leaving this session. We will be moving rooms. There will be a short pause so that we can sort out our technology. I thank our witnesses for that session.