HOUSE OF COMMONS

# Treasury Committee

## Oral evidence: Lessons from Greensill Capital, HC 151

Tuesday 11 May 2021

Ordered by the House of Commons to be published on 11 May 2021.

Watch the meeting

Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Dame Angela Eagle; Emma Hardy; Julie Marson; Siobhain McDonagh; Alison Thewliss.

Questions 84-294

Witnesses

I: Alexander Greensill CBE.

# Examination of witness

Witness: Lex Greensill.

Q84 **Chair:** Good afternoon and welcome to the Treasury Committee evidence session on the lessons from Greensill Capital. We are very pleased to be joined by one witness this afternoon, Lex Greensill. Lex, welcome to the Committee. For the public record, could I ask you very briefly to introduce yourself to the Committee? I believe that you have a short statement that you would like to make to the Committee, so can you make your brief introduction and statement, please?

***Lex Greensill:*** My name is Lex Greensill. Thank you for the opportunity to participate in this important hearing and to answer your questions, and I hope to provide clarity and greater understanding of the issues before us. Please understand that I bear complete responsibility for the collapse of Greensill Capital. I am desperately saddened that more than 1,000 very hard-working people have lost their jobs at Greensill. Likewise, I take full responsibility for any hardship being felt by our clients and their suppliers, and indeed by investors in our programmes. It is deeply regrettable that we were let down by our leading insurer, whose actions ensured Greensill's collapse, and indeed by some of our biggest customers. To all of those affected by this, I am truly sorry.

Q85 **Chair:** Thank you very much for that. Could I take you back to a very specific moment in time—12 July 2019—when you had a meeting in your offices just off the Strand, I believe, with Lord Myners? This was a meeting that he described as being about an hour and a quarter, but whatever length it was, it was a fairly lengthy meeting. When he gave evidence to this Committee, he left us strongly with the impression that he had a meeting with you in which he had expressed disquiet about the business model that you were following. He told us that when he had left the meeting, and when he had gone down in the lift afterwards and was thinking about it, into his mind came the idea that what was going on here was—I am paraphrasing him—tantamount to a Ponzi scheme, as he described it. Could you tell the Committee a little bit about that meeting? What kind of concerns did Lord Myners raise with you about the structure of the business and the model of business as it was, and what answers were you able to provide him to try to reassure him that, actually, Greensill was a viable and sensible business?

***Lex Greensill:*** I would say at the outset that I was very surprised to hear the evidence that Lord Myners provided to this Committee two weeks ago, and it is not consistent with my recollection of the events. My recollection of the events—I have checked my records before addressing you today—is that Lord Myners was the chairman of Edelman UK, which is a communications firm that represented my firm. Through them, he requested an appointment with me, and you are correct that he met me on 12 July 2019. That was in response to questions that he had raised in the House of Lords concerning the way in which certain open-ended investment vehicles operated, the liquidity that they provided and the mismatch between those and the underlying assets. We had that meeting. Obviously, it was a meeting that we took extremely seriously, given Lord Myners' position and the positions that he previously held. I felt that we had a constructive discussion where I was able to discuss and explain the differences between the assets that he had been talking about in his questions that he had raised in Parliament and those of working capital finance or supply chain finance assets, which have, importantly, different characteristics largely because the duration or the period of time that the assets are outstanding is very short. They match receivables, which get paid very, very quickly and so self-liquidate.

I thought we had a constructive discussion. We talked about the fact that as we grew we were going to move into ever more regulated spaces. He noted, as I told him about our plans for the future, that we really did not have any advisers or directors with any substantive regulatory experience. I suggested to him that we could benefit from his experience, and he seemed very amenable to that. I said that he clearly would want to do more work to understand our business, and indeed that was followed with a subsequent meeting that he had together with my chairman on 3 September. An important detail—

Q86 **Chair:** Can I stop you on that point? On the meeting of 3 September with the chairman, are you saying that Lord Myners attended that specifically for the purpose of discussing potentially joining your board or joining as an adviser of Greensill? Was that the reason?

***Lex Greensill:*** That and clearly continuing his diligence and understanding our business and our activities. I would like to read to you, if I may, Mr Chairman, a statement that was sent to me, prepared by Lord Myners after our meeting on 12 July, which he proposed to make, but in fact we collectively decided not to publish that statement simply because the reality was the matter was practically closed. However, I think it is now relevant for me to read you that statement that Lord Myners provided to us in writing. This was provided on 13 July: "My question in Parliament was linked to open-ended funds and illiquidity. I have asked many other questions on the same issue in my time in Parliament. In the light of press commentary, I took it upon myself to meet with Lex Greensill to discuss his business. I found him very open, and, following the meeting, I am comfortable with the business and its operations. I heard and saw nothing that would warrant the use of the word 'fraudulent' or anything similar."

He then met with my chairman and me on 3 September. He subsequently attended what I believe was a breakfast with just my chairman on 18 September and wrote a very complimentary note directly to me afterwards, which I can share with the Committee if required. Then on 7 October, Lord Myners wrote to my chairman and me, and I will read that short email to you if I may: "Dear Lex and Maurice, congratulations on securing further backing from SoftBank—a powerful endorsement from a global investor of standing. Last week I had a coronary angiogram at Hammersmith Hospital. The consultant surgeon has advised me to reduce my workload. In the circumstances, I think I must decline your interesting idea and not waste your time by commencing any detailed diligence. I wish you well. Regards, Paul."

Q87 **Chair:** Okay. Can I go back to the statement that you read us from Lord Myners? Just to be absolutely clear, is that a statement that he produced and provided to you? In other words, it was authored by his own hand in one form or another?

***Lex Greensill:*** It was sent to me by Edelman, and they said that it was sent to them by Lord Myners.

Q88 **Chair:** Can you tell us who this middle person is?

***Lex Greensill:*** Yes, I would be happy to provide that in writing subsequent to this discussion.

Q89 **Chair:** Okay, fine. Going back to that meeting on 12 July, was anybody else present in that meeting other than you and Lord Myners?

***Lex Greensill:*** No, the meeting on 12 July was simply Lord Myners and me.

Q90 **Chair:** On 2 November Lord Myners, I notice, submitted another written question in the House, this time about bounce back loans, also probing the issue of GFG Alliance, et cetera. He certainly at that point, which of course is after 7 October when he broke off discussions with you, I guess, was back to being concerned about it.

***Lex Greensill:*** Is that 2019?

**Chair:** I beg your pardon. You are quite right. It was not 2019; it was 2020.

***Lex Greensill:*** I think you will find, Chair, that Lord Myners did not actually submit any further questions concerning Greensill Capital until 22 June 2020, so 11 months after he met with me.

Q91 **Chair:** When he met with your chairman, Lex, on the 3rd and I think again on the 18th for the breakfast, do you have minutes of those meetings? Did the chairman keep a record of what was discussed? Do you have any correspondence around the setting up of that meeting, particularly in respect of what the purpose of the meeting was? I think you are suggesting it was for further discussions about Lord Myners potentially becoming involved with Greensill in some form.

***Lex Greensill:*** I can certainly look and see what correspondence and minute material we have available and come back to you in writing on that.

Q92 **Chair:** All right. Thank you for that evidence. Can I ask you a more general question? What, in your view, went wrong? Why did Greensill fail, at the end of the day? What were the reasons for that?

***Lex Greensill:*** The ultimate failure of Greensill was for one reason, but as ever there are always associated reasons. The reason that Greensill ultimately failed is that a material portion of our funding is provided by investors who require insurance, together with the asset that they purchase, to protect them against the default of the underlying receivables. Our principal insurance provider decided not to renew their insurance, despite being in discussions around renewing their insurance up to the hours before, ultimately, Credit Suisse determined that they would no longer fund our business, which was roughly a week before we went into administration. It was that withdrawal of insurance capacity that resulted in our failure.

Of course, I am sure that you will ask me what the reason was for the withdrawal of that insurance capacity. I think that really comes down to three things. First, Covid had an impact on the entire insurance industry and on specific customers of ours. Indeed, I recognise that this body is considering what changes may be necessary to regulation. I have some views that you may wish to—

Q93 **Chair:** On what precise date was the insurance cover terminated within the arrangement?

***Lex Greensill:*** It expired at the beginning of March 2021. The first is that Covid had an impact both on the insurance industry itself and on many of our customers. Secondly, as you will be aware, we did have some concentrations—indeed, those are a source of regret to me—with respect to some of our larger customers, which no doubt you will want to talk about. Thirdly, the actions of the regulator of Greensill Bank in Germany created uncertainty with respect to our ability to continue to support and provide liquidity for a key customer that relied upon us.

Q94 **Chair:** Let's look at what is out there, or was out there in the public domain—I am thinking now of 2019, basically—if you were looking from the outside for things that might cause concern about the business. On 18 March, the FT reported that Tim Haywood, who you will be familiar with, was fired from GAM, one of the investors providing finance to the business, and who provided hundreds of millions of dollars in financing. And I am looking at the links that Tim Haywood had with you and Sanjeev Gupta. We then have the various written questions from Lord Myners—we have one on 10 June. On 7 July 2019, Reuters reported that Greensill issued a false statement on Gupta bonds related to guarantees provided by the Scottish Government. On 8 July, analysts and bloggers Steven Clapham and Mark Rubinstein wrote a blog on Greensill entitled "Greensill, Softbank & Cooking the Books".

To skip forward to 2020, on 4 May, we then have FT reports that Greensill had suffered a raft of client defaults and that Greensill and credit insurers were having to cover losses in funds managed by Credit Suisse. Then, we have a number of additional questions —during June and, as we mentioned, during November, on the 2nd and on the 18th—from Lord Myners. What was your reaction to all of those things? At what point in that timeline did you think "There is something going here in this business that I am really getting quite concerned about"?

***Lex Greensill:*** Sure. If one were to think about the year of 2020, I guess there were a number of things that, at various points, registered concern with me.

Q95 **Chair:** I go back to 2019, though. What you were feeling back at the time that Tim Haywood was fired from GAM and there were suggestions of a close relationship between him, Greensill and yourself—you know the details. What were you thinking at that point, if I can take you back a bit earlier than 2020?

***Lex Greensill:*** I cannot comment on matters between Mr Haywood and his employers. What I would note is that, in fact, the re-investor in his funds received more than par, and there was no loss on any assets associated with Greensill Capital by GAM. Any matter concerning Mr Haywood himself, I cannot comment on specifically. I think you will find that that event did not actually take place in 2019, but before that.

Q96 **Chair:** I think he was dismissed, was he not, in March 2019, or thereabouts. Or actually in February—21 February—"GAM announces the firing of Tim Haywood for gross misconduct."

Let us go back to the question. The nub of the question was at what point, along this timeline from early 2019 onwards, do you start to think that this business is not really as stable as I would like it to be and I have growing concerns about it. At what moment in time did that come to your mind?

***Lex Greensill:*** The first event that gave me concern—although not through our company, because we had just recently received more than $1 billion of equity investment into our company—but I certainly had reservations and concerns about the state of the capital markets during March, April and May 2020. You will appreciate that. If you cast your mind back, you will remember that the capital markets at that time were roiled by the uncertainty of Covid, and none of us knew what was going to come next. As you are probably aware, although Greensill was funded by more than 50 banks and several dozen institutional investors, one didn't know what was going to happen in the future. As it was, we were able to continue to support all of the supply chains and meet every suppliers' requirement throughout the disruption that took place then, but we did not know—no one knew—what was going to happen next.

Q97 **Chair:** So during 2019, you were largely aware of various rumblings going on and of adverse press comments going on, some of which we have touched on—you were basically feeling positive about the business. It was really once the pandemic struck, around May—or a bit earlier than that I guess—that you start to think "Hold on a minute; this might not be as stable as I would like it to be." Would that be a fair summary?

***Lex Greensill:*** Actually, I would say that for our business, we require that liquidity. The liquidity that I am speaking of—and the conditions of the capital markets—affects our customers, and not Greensill but the company itself. Obviously, it is important that we continue to support those customers. The first concern that I had about the position of Greensill, the company, as opposed to whether covid would have an impact on the capital markets and, therefore, impact our clients, was in December 2020. In mid-December 2020, our German regulator proposed a reduction plan with respect to the amount of exposure that we held for one of our customers, which was going to be impossible for us to comply with.

Obviously, that position was disclosed to the investors. We were doing a capital raise for equity for our own company at the time to fund our continued growth. We disclosed that to the investors and that meant that we had to pause the capital raise, which was otherwise supported by two of the largest banks in the world, and was fully subscribed and looked set to close in late December or early January. As it happens, in January the BaFin agreed to a plan that we proposed, which dealt with that immediate issue. The next event was the failure of our insurer to renew, which was in March.

Q98 **Chair:** If we go back to the pandemic, you seem to be saying that there were problems in the capital markets but that was for others to worry about, not so much Greensill at that point. Although there is a connection between the impact it has on your clients and the stability of your own model of business, isn't there?

Are you saying that, when the pandemic started and all these problems kicked off, you were feeling pretty comfortable about Greensill's position? That is, of course, coincident with when the lobbying really started from Mr Cameron, yourself and others of the Treasury to get involved in the CCFF fund and so on. Are you saying that, at that point, there was no need to dash for cash or to raise money, that it was all pretty okay as far as you were concerned?

***Lex Greensill:*** As it turns out, it was completely okay. What we did not know was what might happen in the future. Nobody knew what was going to happen next. We felt that it was prudent, given that Greensill was not regulated and, therefore, did not have central bank access, that the CCFF facility would be of utility to those of our clients who were eligible in their own right to be able to access the facility, just as the Bank of England had allowed back in the 2009-10 financial crisis.

Q99 **Chair:** The fact that you were, therefore, seeking that funding because you were concerned about the future—as, I guess, almost every business in the country would have been at that point—

***Lex Greensill:*** Indeed.

**Chair:** That does suggest that you had a need to go and raise that money, to give you the comfort that you would ride out whatever was ahead, albeit that that was uncertain in itself. Would that be a fair way to put it?

***Lex Greensill:*** I think a correct characterisation is that we did not know what was going to happen next. We felt that having, for want of a better expression, a liquidity insurance policy, which the CCFF provided to many businesses in the country who were making a material contribution to the country, was a prudent thing for us as a business to do, simply because nobody knew what was going to happen next.

Q100 **Chair:** Okay. So, then the lobbying really starts, doesn't it? We have had the letters published today. I think you had access to those on a confidential basis a little while ago, so you have had time to digest them. There was pretty intensive lobbying, particularly from David Cameron.

Can you explain to the Committee what kind of conversations you would have had with Mr Cameron around that lobbying, as to why the funding was necessary, particularly on your point that it was necessary because we had an uncertain future and we needed to get some arrangements in place to cope with that, and the potential commercial threat that that posed? Would you have discussed that with him?

***Lex Greensill:*** My discussions with Mr Cameron centred on the facility that had been in place during the financial crisis, how that facility worked and the mooted CCFF facility. As you will have noted in the letter that the Governor of the Bank of England wrote to you, there had actually been comments from officers of the Bank of England concerning the potential need for supply chain finance support from the central bank, so we talked about that. We talked about the fact there was genuine uncertainty about what was happening in the capital markets. With the passing of time, that has perhaps faded into the mists of history, but if you remember, it was an extraordinary time when liquidity was in very, very short supply, so we were talking about what impact that could have on our supply chains. That was also of concern to our customers, recognising that we were financing millions of businesses and customers in more than 150 countries around the world.

Q101 **Chair:** Would it be fair to say that the reason given during the lobbying, as far as we know it, for these approaches to the Treasury, the Bank of England, the FCA and so on was that you were going to be helpful, as a business, in supporting SMEs and supply chains and getting liquidity and finance out there, rather than any mention of the fact, as I think we have now established between us, that part of the reason for trying to raise this money was also to shore up against a potential problem in the future due to the pandemic and perhaps other factors?

***Lex Greensill:*** I think they are the same thing. Our business was to deliver low-cost, real-time liquidity to small businesses, not only in Britain but around the world. That relied on proper, functioning capital markets, but they were not functioning properly in March and April 2020.

Q102 **Chair:** That is a great story, and it may be a perfectly legitimate, valid story for the Treasury, to motivate them to do as you were trying to have them do, but it is not one of the big motivations here. You and David Cameron both appreciated, because you would have discussed these things, as you have now discussed it with the Committee, that actually part of this push was to get cash into the business, because there would have been clear concern about the future of the business at that point, given what was happening in the capital markets as a consequence of the pandemic and other factors.

***Lex Greensill:*** I think it is important that I make something very clear. As the Chancellor put in his letter to you, and as did the Governor of the Bank of England, Greensill at no time sought funding for itself.

Q103 **Chair:** Well, yes, but to sustain itself the model needed to keep going, and having the funding coming would have kept the model going. It is the fact that, as you say, the insurance was pulled that stopped the model working, and then the whole thing fell apart.

***Lex Greensill:*** Our clients needed that continued liquidity, as has always been the case and will always be the case into the future, because these are real businesses in the real economy that are buying goods on a daily basis.

**Chair:** All right. Thank you for that, Lex. I will now go to Felicity.

Q104 **Felicity Buchan:** Good afternoon. I want to follow up on a few points you raised regarding your business model. You talked about the importance of the credit insurance, and that is clear. I understand that your insurers actually gave you notice on 1 September, to take effect on 1 March. If I were in your shoes, knowing the importance of credit insurance to your business, I would have been doing absolutely everything from September onwards to get your existing credit insurer, Tokio Marine, to sign up again, or to find a replacement, because this is the critical cog in the Credit Suisse asset management fund. Did you do that?

***Lex Greensill:*** Ms Buchan, we absolutely were confident in the fact that our insurances would be renewed. We did business with 28 insurers through our brokers, the largest insurance brokers in the world, Marsh, who managed those relationships for us; and we worked intensively not only with Tokio Marine but with all our insurers, as we did every day, to make sure that we had the capacity to support our business. It is a matter of fact that we had been working every week since that letter arrived to actually finalise a renewal with Tokio Marine and, indeed, one was drafted between us and in an agreed form before the end of the year. So the view that we had was that either we would renew with Tokio Marine or we would renew with others, recognising the number of other insurers that we worked with.

It is important also, if I can remind the Committee, that for the credit insurance market, Covid was an extraordinarily frightening time, when there was an expectation of very, very significant losses. Indeed, many Governments, including the British Government, announced support arrangements for credit insurers to try to help and encourage them to continue to provide capacity to the markets. So actually Tokio Marine were not the only insurer to indicate that they would not renew, but in fact the others did renew, driven largely by concerns about regulation.

If I may, Ms Buchan, it strikes me that one of the key regulatory shortcomings shown by the failure of my firm—and to be clear, I take responsibility for the failure. But one of the key learnings is that the credit insurance regulation structure works in a counter-cyclical manner—that is, when the market turns down and the probability of defaults of businesses increases, in order for the solvency requirements of the insurer to be met, they must provide more capital, because the probability of default of the businesses they have insured goes up in a crisis. And that is what happened during Covid. So what happened was that many insurers either needed more capital to provide the same amount of cover or needed to cut cover in order to fit within the limited amount of capital that they had. That seems to me to be—

Q105 **Felicity Buchan:** Okay, but let me take you to the verdict of the New South Wales Supreme Court. They did not accept your lawsuit; they threw it out, and they said that they were given "no evidence" to show the talks took place to renew the insurance, other than a letter dated 27 February 2021. Can I ask you to react to that, but also—as a supplementary question—given how critical this credit insurance was, when did you tell Credit Suisse Asset Management that you did not think that you would be able to get credit insurance?

***Lex Greensill:*** Let me answer the second question first, if I may, Ms Buchan. A number of our investors relied on insurance. They received information concerning the insurances that we held directly from our broker, Marsh, who actually arranged the insurances, not us; and that information was provided to our investors on a real-time basis—i.e., every time there was a change, they received an update, so in many cases that meant they were being updated on a daily basis. So they knew the termination date of the cover the same day that I knew about the termination date of the cover, because it was provided to me by the same mechanism that it is to my investors.

Q106 **Felicity Buchan:** And the New South Wales Supreme Court? What is your reaction to them throwing out your lawsuit?

***Lex Greensill:*** Look, we made a difficult ask of the Supreme Court and we made the decision to do so on the weekend before our policy expired. We had expected—fully expected—that the policy would be renewed or extended; and when we found out on the Friday night before it expired that they would not be renewing, we had to very quickly put together an injunction, where we sought an injunction to have the policy temporarily extended. I think the Court felt that, given the amount of money involved and the limited amount of time they had to consider the matter, it was difficult for them to make that judgment in a very short period of time. I cannot speak for what was in the mind of the Court, but I can tell you that we were working day and night basically every day from when we received that letter on 1 September to put the renewal in place with senior management—

Q107 **Felicity Buchan:** Let's move on, because I'= am conscious I have less than five minutes and I want to address a number of topics on the business model. You have talked about how you were lobbying the Treasury in order to fund SMEs, but it seems to me that your business and the Gupta Group business had a huge amount of interdependence. How much exposure did you have to the Gupta Group and what was the percentage of your total exposure? With the reverse, how much of the Gupta Group funding did you provide?

***Lex Greensill:*** With the greatest respect, I am not able to comment on specific clients. I have received a directive from the administrator of Greensill Capital specifically on that topic. She is undertaking this and those matters are confidential. As you published in your materials today, there is correspondence from the FCA indicating that they are conducting their own inquiries. I am not in a position to comment specifically on any particular client.

Q108 **Felicity Buchan:** But the German regulator has clearly raised concerns about your dependence on that particular client.

***Lex Greensill:*** More correctly, their dependence on us.

Q109 **Felicity Buchan:** Yes, absolutely, mutual dependence.

***Lex Greensill:*** What I would say, Ms Buchan, it is absolutely the case, as I said in my opening comments to your Chair, that we did have a concentration on certain customers that was too high and I am responsible for that.

Q110 **Felicity Buchan:** Let us move on in the interests of time. I want to take you up on the business model, because it is short-term receivables repackaged with credit insurance, until you come across this very bizarre concept of future receivables. In my mind, there is no such thing as future receivables. There is the prospect of doing business further up the line, but that is just the prospect. If you are actually lending on this basis, this is simply unsecured lending. It is unsecured lending dressed up as receivables, so that it can go into those funds.

***Lex Greensill:*** Ms Buchan, you are quite correct that if we had not taken security and funded future receivables, it would be unsecured lending, but in no case did we provide a facility that supported future receivable financing that was not secured on real assets, as you say, like a loan would be. Indeed, I put it to you that future receivables are widely used as a form of financing. Think about it—the largest pub groups in the UK finance themselves and their estate using future receivables. Most football stadiums—

Q111 **Felicity Buchan:** Can I interrupt? There is a big difference between having a history of cash flows and projecting forward. I understand here that companies have said that they have been asked about receivables and they have done no business with you. I also see a quote from the German regulator which says that Greensill was, "unable to provide evidence of the existence of receivables in its balance sheet that it had purchased from GFG Alliance Group".

***Lex Greensill:*** Maybe I can address the German point first, and your first point second.

With respect to our bank, we booked assets that were real assets. They were booked according to the advice and direction that we had from our auditors and from our legal advisers, and indeed were actually subject to a review by the deposit protection regulator in Germany, and we complied with that at all times.

The BaFin indicated to us that they did not agree with the classification of those assets and so, after a discussion with them, we adjusted the classification of those assets, but at no time was there a position where the assets didn't exist. It was a question of classification.

Q112 **Felicity Buchan:** So how did you classify them?

***Lex Greensill:*** We classified them as receivables and we booked them as exposures against the various customers of our clients, and we insured and bought insurance against the event that those receivables didn't come into existence, plus took a comprehensive security package. Our regulator asked us to book that exposure as a single exposure against that customer—

Q113 **Felicity Buchan:** So unsecured lending?

***Lex Greensill:*** In different words, as effectively a loan to a client.

Q114 **Felicity Buchan:** Yes, precisely—unsecured lending. Can I make the point, in light of that, that that is not transparency in your business model? The whole concept of future receivables is in effect a loan—unsecured lending—but it is being dressed-up as supply chain finance.

***Lex Greensill:*** Ms Buchan, every asset that we ever sold was correctly described, and that information was prepared and made available to our investors, to our auditors and to our regulators, and they had full and complete information at all times, so I don't accept your assertion.

Q115 **Felicity Buchan:** I am being told I am out of time, but just one quick question. When you were lobbying the Treasury to have supply chain finance approved, were other competitors of yours lobbying in the same way?

***Lex Greensill:*** I can't speak for what other companies were doing, but I was aware that my competitors were also concerned about market conditions and were interested in the possibility of central bank support, but I can't speak for them—I am sure you will ask them to give you evidence.

Q116 **Felicity Buchan:** What was your reaction when the Treasury said no? It seems as though they made the right decision, but what was your reaction?

***Lex Greensill:*** My reaction is seen from the actions that we took. I was very keen to see that the facility that the Bank of England had put in place during the financial crisis was able to be made available again, but, ultimately, as you rightly note, the Treasury and the Bank of England decided not to do so.

Q117 **Rushanara Ali:** Mr Greensill, I have a number of questions that I will try to rattle through as quickly as possible. First, I have some questions about the lobbying process. Can you talk me through what representations you, and David Cameron on your company's behalf, made to the Chancellor and Treasury officials about Greensill Capital's application to the Coronavirus Large Business Interruption Loan Scheme—the CLBILS—around the design of that scheme and the criteria for accreditation to the scheme, including in the meeting that took place on 24 April 2020?

***Lex Greensill:*** Ms Ali, neither Mr Cameron, to my knowledge, and certainly not I, made any representations with respect to the set-up of the CLBILS programme. The only conversation I ever had with the Treasury on that topic was a conversation which I had with the second permanent secretary at the Treasury, where I informed him—after the scheme had been put in place and it had been announced by the British Business Bank that we were now able to extend loans under that facility—that it would be helpful, given the level of interest that we had seen, if we would be able to have the higher limit of £200 million instead of £50 million, and the British Business Bank had informed us that that was a decision that only the Treasury could make. Hence I raised it with the second permanent secretary and he subsequently wrote to me and said that he would need to see a request from the British Business Bank requesting him to do so, and as you would have seen in the correspondence from the Chancellor, no such request was ever forthcoming from the British Business Bank.

Q118 **Rushanara Ali:** It is really interesting. On 27 different days, Mr Cameron lobbied Government Ministers and advisers. There were 56 emails, WhatsApps and other text messages, and counting. Those of us who understand how lobbying works see the reality: you got what you wanted in the end, didn't you, Mr Greensill, with—this is my understanding from press reports—£400 million of CLBILS loans to GFG-linked companies provided by your company? So, the lobbying did pay off, albeit through a different vehicle: the British Business Bank, which is overseen by BEIS. You did get a positive outcome, right?

***Lex Greensill:*** As I say, I did not have any discussion—you will have to ask Mr Cameron whether he did—with any Government official in the Treasury or the Bank of England concerning the CLBILS facility or our eligibility for it until after the British Business Bank had determined that we were eligible and announced it publicly.

Q119 **Rushanara Ali:** Right. Did anyone have any links with the Business Department?

***Lex Greensill:*** I didn't.

Q120 **Rushanara Ali:** Okay. Can you confirm the press reports that Greensill loaned a total of £400 million in the CLBILS to GFG-linked companies and it was split across eight loans of £50 million?

***Lex Greensill:*** No. As I mentioned earlier, I am afraid I am not permitted to make any customer-specific—

Q121 **Rushanara Ali:** This is about the past, and we are here to talk about the past and your involvement. You have arrived in the Committee and apologised for the 1,000 jobs lost in your own company and related ones. I think you owe it to the British people to answer the question, Mr Greensill.

***Lex Greensill:*** I am afraid that, as I explained to your Chair before I spoke, I have had very clear instruction from the administrator of Greensill, and indeed from my legal advisers—you will also have noted the letter from the FCA—that I am simply not able to comment about specific customers. But I will help you in any way I can with your inquiries.

Q122 **Rushanara Ali:** I think that people will infer from your inability or reluctance to come clean and be transparent with this parliamentary Committee, which you claim to have respect for, that, given the £50 million cap, you were deliberately restructuring to take advantage and do something beyond the scope of what should have happened. Something improper went on here, which led to £400 million of loans being provided.

***Lex Greensill:*** Greensill Capital was selected by the British Business Bank as being eligible to operate the scheme. The credit that we extended to our customers complied with our ordinary credit rules and procedures, which were scrutinised by the British Business Bank. Each facility that we provided was reviewed by a top-tier London law firm, and where there was any question about the interpretation of the British Business Bank rules, we actually had that leading law firm directly discuss the matter with the British Business Bank to ensure compliance with the rules. So, it is my opinion that every facility that we provided complied with the British Business Bank rules.

Q123 **Rushanara Ali:** Interesting. Can you talk me through how many other CLBILS loans Greensill made? Or did you only loan to GFG-linked companies?

***Lex Greensill:*** We provided facilities to other customers under the British Business Bank facilities—so not only to a single group, for example.

Q124 **Rushanara Ali:** How many of them? Would you be able to say?

***Lex Greensill:*** I would not be able to say.

Q125 **Rushanara Ali:** Is that because of the point you made earlier?

***Lex Greensill:*** That’s right. I am not permitted to talk to you about customer-confidential information. We are a financial institution, so I simply cannot discuss our clients’ confidential information in an open forum.

Q126 **Rushanara Ali:** Going back to the Lord Myners evidence session, you addressed some points that the Chair raised. Lord Myners told the Committee that the total cost to the taxpayer of the Greensill scandal would amount to £3 billion to £5 billion, including £1 billion in direct costs. As we heard from the Chair, he was quoted in our Committee as saying, “I left that meeting travelling down in the lift, thinking to myself, ‘This has many of the elements of a Ponzi scheme’.” You have come to this Committee and have tried to discredit his evidence. Who should we believe: Lord Myners or you? Who is lying? Who is not telling us the truth in this Committee? The public deserve to know the truth, Mr Greensill.

***Lex Greensill:*** I have told the Committee the truth today.

Q127 **Rushanara Ali:** Are you saying that Lord Myners lied to the Committee?

***Lex Greensill:*** Ms Ali, I am telling you that what I have told you is the truth, and that is supported by written evidence.

Q128 **Rushanara Ali:** Right. So, Lord Myners is not telling the truth and you are—is that what you are saying?

***Lex Greensill:*** What I said is that I have given a correct account based on my knowledge and recollection, and written evidence.

Q129 **Rushanara Ali:** The point is, you have admitted to the failure and the cost in jobs and the associated losses to other companies.

***Lex Greensill:*** I have.

Q130 **Rushanara Ali:** Lord Myners talked about the amount: £1 billion in direct costs—that is referenced by others, too—and £3.5 billion indirect. What do you have to say to that? Is he lying about that, in your opinion, or is he telling the truth? It seems that you are gaslighting. You have blamed the insurance company and you are blaming Lord Myners, but the company that cost the taxpayer money is your company. It is you.

***Lex Greensill:*** I do not recognise or know how Lord Myners came up with the numbers that he shared with the Committee two weeks ago. I have not seen him publish a breakdown of how he arrived at that. I certainly have noted that others have quoted Lord Myners since then, but I have not seen how he arrived at that number. Perhaps if we pause, we can see if we can work the number out together.

Q131 **Rushanara Ali:** The number of £1 billion has been in the public domain for a very long time. How would you calculate it? What has been the loss to the taxpayer?

***Lex Greensill:*** There has been no loss to the taxpayer, Ms Ali.

Q132 **Rushanara Ali:** There has been no loss? Once again, Lord Myners is not telling the truth and not giving the correct facts. Others who have given evidence did not give the correct facts, but you are. Are we expected to believe there is no loss and you are telling the truth?

***Lex Greensill:*** We have just been talking about the CLBILS facilities. The total quantum of CLBILS facilities that Greensill Capital extended was £400 million. The total amount of CBILS facilities that we extended was £18.5 million. CBILS and CLBILS facilities are guaranteed to the extent of 80% of the amount of the loan—

Q133 **Rushanara Ali:** The knock-on effect on a company—the CIL company—and the knock-on effect in terms of jobs and consequences will amount to a greater deal of expense to the taxpayer.

***Lex Greensill:*** Ms Ali, you asked me how the calculation around the £1 billion direct cost was calculated. What I am trying to do is help you to get to the facts here. The total amount of guarantees from the British Business Bank was £334,800,000.

**Rushanara Ali:** Interesting. I'm going to move on.

***Lex Greensill:*** It's not a billion.

Q134 **Rushanara Ali:** We are talking about direct and indirect costs.

***Lex Greensill:*** I can't speak to the indirect costs.

Q135 **Rushanara Ali:** I'm going to move on. Once again, you may not answer this question, but I hope you will. Can you talk us through when you started working with Mr Gupta and his company? Is that allowed?

***Lex Greensill:*** I think some of that is in the public domain, so I am prepared to comment on the parts in the public domain, as I am genuinely trying to be helpful to you. I believe I met Mr Gupta back in 2015. I was actually introduced to him by an executive at Euler Hermes, which is one of the largest insurance companies in the world. We did a very small amount of business with Mr Gupta initially, and that, over time, increased.

Q136 **Rushanara Ali:** Over time, that increased?

***Lex Greensill:*** Yes, that is correct.

Q137 **Rushanara Ali:** I have one more question in relation to insurance. You talked earlier about the insurance facility being one of the reasons for the collapse of Greensill. Can you explain how you have come to that conclusion? Why should the public believe that that is the reason your company collapsed, rather than the points that Felicity raised about the business model that your company used?

***Lex Greensill:*** Well, Felicity has her own opinion, but you have asked me for my opinion. What we have done is taken cash flows, which we collect from the accounting systems of our clients in real time, and made that information available to investors, so that they are able to invest in the real economy in a way that had not ever been able to be done by anybody other than banks before. Through doing that, we have been able to provide finance to millions of businesses in over 150 countries.

Those people did not do business with me, Ms Ali, because of our brand or because of our marketing expense. They did business with us for one reason and one reason only: they got a better deal from us than they could get from their banks. Actually, what I would say to those millions of businesses and employees who made use of our technology—they voted with their feet—is that it is absolutely correct that we ultimately failed, so there clearly was a flaw in our business. The fundamental truth is that taking real-time information out of corporate accounting systems and using that information to make credit decisions and to make lower-cost credit available completely electronically to small businesses and consumers around the world absolutely is the future, but the way that I did it definitely has flaws.

Q138 **Rushanara Ali:** Sorry, we are running out of time. Your company's conduct is hardly an advertisement for that kind of credit to small businesses. In fact, what we have seen is a concentration of risk. What we have seen is that unsecured loans, in effect, have been provided. You have not helped businesses; you have actually damaged the reputation of legitimate supply chain finances. To conclude, in fact, Myners has a point, doesn't he? It is a Ponzi scheme. Frankly, it smacks of fraudulent behaviour, and it smacks of the sort of stuff that we saw conducted by the likes of Madoff in the financial crisis. That is what it smacks of. It does not smack of a proper process whereby people can get supply chain finance that is reliable and credible.

***Lex Greensill:*** When I started Greensill, no member of this Committee, or indeed almost any institution, had heard of supply chain finance. Now, every major financial institution in the world offers it as a product, rather like a chequing account, to a corporate. That has meant that tens of millions of businesses have benefited from that.

Q139 **Rushanara Ali:** It is not about innovation around a particular way to finance. Isn't the problem here that you and David Cameron pushed for this while you were an adviser in Government, and then you and David Cameron stood to benefit from that process? The idea might have been a good one, but there is a clear conflict of interest here. Your idea might have been valuable to the world of finance, but the problem lies in what you created ultimately and in the way that the lobbying happened, using a former Prime Minister—frankly, bringing that position into disrepute—to benefit, to profit, and going so far that, many would argue, you and Mr Cameron lost sight of what was appropriate behaviour and appropriate action in providing supply chain finance.

***Lex Greensill:*** Ms Ali, the beneficiaries of Greensill—the business model that we developed, which is now being copied by thousands of financial institutions around the world, has not been a great boon to financial institutions. The reason it has grown as it has is that it has helped tens of millions of businesses—

**Rushanara Ali:** That is not the point here. Many of the experts who gave evidence to us recently talked about the positives of supply chain finance. The question is whether what you created and what you were selling was proper supply chain finance or a Ponzi scheme. Your scheme was something quite different from a proper and appropriate supply chain finance process that protected the public interest. In fact, what your company did was to lose the taxpayer billions, potentially but indirectly, and certainly a few hundred million, up to 1 billion, of public money. I will stop there because others have questions.

**Chair:** It is only fair, Lex, if you have anything to say to that, to say it.

***Lex Greensill*** *indicated dissent*.

Q140 **Siobhain McDonagh:** Mr Greensill, are you a fraudster?

***Lex Greensill:*** No, Ms McDonagh, I am not.

Q141 **Siobhain McDonagh:** Okay. I am a lay person and have looked up the definition of fraud: "an act or an instance of deception; an artifice by which the rightful interest of another is injured; a dishonest trick". Again, as a lay person, it seems to me that that is precisely what your financial model of prospective receivables is—nothing more than a trick, lending against transactions that have never happened and may never happen, and with companies that do not even know that they are involved in a transaction, then selling it on as a low-risk bond. It is pretend—an imaginary thing. How is that not fraud?

***Lex Greensill:*** Ms McDonagh, the business that we undertook was properly described. All our investors understood exactly what it was that they were purchasing. In any investment there is risk, but what we did was take the history and the current activity of our clients—that history and data enabled us to see what was going to happen in the future—and allow businesses to access credit. We did not just do that for the private sector; we also did it for the public sector. Indeed, it was done by the public sector here in Britain before Greensill Capital was even funding Government-related supply chain.

So no, I don't accept your statement, but I do recognise that any financial asset comes with risk and, because we considered that our reputation would be harmed if our investors were ever to lose money, we spent tens of millions of pounds every year purchasing insurance to protect against an event where there was a loss that arose, and we took significant security packages to support that position. We felt, and I continue to believe, that the business that we undertook was a business that helped the broader economy and, frankly, is in line with the forms of financing that have been conducted here in Britain for periods of time long before Greensill Capital even started as a firm. I gave you the example of pubs here in Britain—

Q142 **Siobhain McDonagh:** How much were you paying for your insurance? You were paying 1% on unsecured loans, which were a risk of over 10%. How did you believe that the insurance you were paying actually met the risk?

***Lex Greensill:*** Where the goods had been delivered and approved, we did extend unsecured credit. In the history of our firm, there was a failure—one that was in the press—which was a British listed company: NMC Health. Supply chain programmes were provided to it by half a dozen banks, I believe, of which our institution was one. To my knowledge, our institution was the only one that, through our technology, systems and processes, was able to correctly identify fraudulent or potentially fraudulent transactions and exclude them, whereas my understanding is that other financial institutions did fund those. That company ultimately went into bankruptcy—

Q143 **Siobhain McDonagh:** In the papers signed by you to the administrators, you say that step one in your business was "the customer obligor is issued an invoice by the supplier in the normal course of business". That only happened about half the time, however, and most of your revenue related to times when no invoice was involved. Isn't that description deceptive?

***Lex Greensill:*** Our business was all about financing receivables and future receivables.

Q144 **Siobhain McDonagh:** But no other business does future receivables. They at least expect there to be an inventory. In half of your cases, there was no inventory and there was no invoice. There was no evidence of any activity or business whatsoever.

***Lex Greensill:*** A condition of our facilities is that they must do business with a customer, and they must have a history and the data to support that. We take a secured interest where it involves a future receivable where the goods have not yet been delivered. Indeed, to protect our investors we purchased insurance to ensure that if there was an issue of any description—including fraud—the insurance would be effective. I come back to my example of NMC Health. Even though that company did apparently, or allegedly, commit fraud, we excluded the fraudulent transactions and our investors were paid under our insurance policies. They were protected, and that is why we spent money on that.

Q145 **Siobhain McDonagh:** Mr Greensill, for clarity, I am not accusing anybody of fraud other than yourself. In 50% of cases there was no inventory, there was no invoice, and the insurance paid by you cost substantially less than the risk you held. You have much more experience and knowledge than I do. You knew that the insurance would never cost the risk that was actually wrapped up in your business.

***Lex Greensill:*** I disagree with your assessment, Ms McDonagh.

Q146 **Siobhain McDonagh:** In the Companies House submission, you describe Greensill as a supply chain finance company. But that represents only 10% of your business, as Felicity Buchan has already said, with 90% representing unsecured loans to high-risk borrowers. Are you trying to deceive creditors about your company's true business model?

***Lex Greensill:*** No, I am not deceiving investors around the business model of our company. We never have done that, and we went to great lengths not only to ensure that our investors had full information about what they invested in; in fact, in many cases we also provided insurance to protect against any event of any default. In many instances over the years, that insurance had been proven to be effective and to protect the investors.

Q147 **Siobhain McDonagh:** The Government's coronavirus support programmes were introduced at the same time as you were trying to reduce your exposure to GFG Alliance. Was it your intention to shift as much of that exposure on to the Government books, and ultimately the British taxpayer, using a former Prime Minister to aid your case?

***Lex Greensill:*** Ms McDonagh, I am not able to comment on specific clients, as I mentioned earlier.

Q148 **Siobhain McDonagh:** Earlier in your evidence, you suggested that the public sector didn't lose out from your dealings, but the list of creditors that you have submitted from your firm includes Islington Council, only a few miles from Westminster, which is currently owed £100,000 by your firm. Don't you think you should pay them back?

***Lex Greensill:*** We owe with respect to council tax on the offices that we have in central London. That is where that arises, and I am extremely sorry that that has occurred.

**Siobhain McDonagh:** Okay. Thank you, Chair.

Q149 **Dame Angela Eagle:** I want Mr Greensill to talk about this concept of prospective receivables, rather than future receivables, which seems to be even more detached from actual business that is going on—to be almost entirely speculative. How much of your business that you actually wrote was prospective receivables?

***Lex Greensill:*** Dame Angela, the percentage of our business that was prospective receivables was zero. I have never heard of the concept; I have read about it in the *Financial Times.* If you were to look at the documentation relating to any of our facilities, you would never see those words appear.

Q150 **Dame Angela Eagle:** So just to be absolutely certain that I have got you correctly here, Mr Greensill, you are saying that you never financed a deal for any supply chain invoicing that hadn't actually happened but might be in some future period expected to happen—in other words, a future receivable, or a prospective receivable.

***Lex Greensill:*** We did provide facilities with respect to future receivables; I am not familiar with your description of a prospective receivable. But as I was explaining to the previous Member, we provided secured facilities, not unsecured facilities, that covered future receivables.

In fact, the only exception to that, Dame Angela, is in the case of Her Majesty's Government and the NHS Pharmacy Earlier Payment Scheme that we funded. Those were future receivables and there we did not take security. That programme has been running since 2013. We took over, together with Taulia, funding that in 2018. That programme, which is funding future receivables, allowed pharmacists to reduce their cost of capital, according to the PwC cost of service inquiry, which was undertaken in 2011. It enabled the reduction of the cost of capital that was paid to pharmacies. So, at taxpayer expense, pharmacies were reimbursed for their cost of capital, which was previously 12.3%—that was the average. In fact, for small pharmacies it was over 17% that was being reimbursed. All of that cost was removed and the cost became much lower—

Q151 **Dame Angela Eagle:** Mr Greensill, I think that there will be some questions about that subsequently. However, I note that you said originally that you had never heard of the concept of future prospective receivables—

***Lex Greensill:*** I said prospective receivables is not a concept in any of our documents.

Q152 **Dame Angela Eagle:** Let us get back, rather than worry about a phrase—let me rephrase the original question, then. How much of your business was actually future receivables?

***Lex Greensill:*** Of our total flow, last year we funded $143 billion-worth of receivables. And the future receivable component of that—I do not know the exact percentage off the top of my head. I will provide that to you as a written answer post this session. But it would have been less than 20% of our activity—of the receivables that we purchased.

Q153 **Dame Angela Eagle:** That would be very helpful, and perhaps in that letter you could also let us know whether that percentage had gone up over time, as your business approached its final denouement, which obviously nobody knew about. That would also be helpful, so I can get a sense of whether you were becoming more reliant—

***Lex Greensill:*** Perhaps I could provide you with the 2017, 2018, 2019 and 2020 numbers, so you are able to see that, Dame Angela.

Q154 **Dame Angela Eagle:** That would be very helpful. The other issue about this particular future receivables concept, which has worried me while I have been looking at this, is that the *FT* has published clear evidence of invoices referring to firms that now say they never traded with Gupta or GFG Alliance or you, yet you seem to have securitised some of those invoices. That rather hints that there is some fraud somewhere, does it not?

***Lex Greensill:*** Dame Angela, as you appreciate, I am unable to comment on specific clients, and certainly not ones where there is the possibility of an investigation into that. What I can tell you is that at no point would my firm have engaged in financing receivables that we knew to be fraudulent.

Q155 **Dame Angela Eagle:** Of course not, but what due diligence did you do, especially in those groups that you had a symbiotic relationship with, such as GFG?

***Lex Greensill:*** It is worth noting that GFG was not our biggest customer. We had bigger customers than GFG that we provided more funding to, and with all our clients the core of our business was accessing directly and generally in real time their accounting systems to extract from them both current and historical trading information to enable us to make informed and real-time credit decisions around our ability to support the supply chains in which they operate.

Q156 **Dame Angela Eagle:** I understand that it is possible to do that by going into systems if the trade has actually happened and the invoices exist because there has been a transfer. However, if we are talking about prospective receivables, how did you check there was no fraud there? It seems so convenient that you can package up and securitise something that one of your clients says has happened with a future flow of payments attached so that you can then sell that as an asset, when in fact it looks like the situation has arisen that these were all fictional. So what you were actually selling into the Credit Suisse bonds and marketing to investors were things that were just unsecured lending and wishful thinking.

***Lex Greensill:*** As I said before, with the exception of our UK Government future receivable programme, the other future receivable programmes were secured, not unsecured, and benefited from insurance. However, let us use the UK Government future receivable programme to answer your question, so there what we did—

Q157 **Dame Angela Eagle:** I don't want to talk about the UK Government future receivable programme. I want to talk about the securitised investments that you sold into Credit Suisse. How did you check that those things had actually happened and were not just a figment of somebody's imagination in, say, the Gupta industries?

***Lex Greensill:*** We securitised the UK Government future receivable assets just as we did the others. We took real-time and historical information, which we used in order to make projections as to what would happen in the future. To use the pharmacy example here in the UK, for many years that operated where we built an algorithm, together with the Department of Health, which predicted what the value would be of each prescription that was filled here in the UK, and which ultimately even predicted how many prescriptions would be filled in each pharmacy here in the UK. Because we were able to provide that financing ultimately at less than 1% per annum compared with the weighted average cost before, which PwC determined and the Government was reimbursing, of 11.3% per annum, that saved the taxpayer more than £100 million every year. That is the saving that comes from using technology, capturing information, historical and expected future activity, from accounting systems of clients. That saved the taxpayer over £100 million a year.

Q158 **Dame Angela Eagle:** Mr Greensill, I am talking about what has gone wrong, why your company collapsed and why there are now huge losses, not least to those who invested in the Credit Suisse bonds. I am going to ask you again: what kind of due diligence was done when you securitised these prospective receivables from the GFG group? You don't have to comment on this, but it looks increasingly like you were securitising invoices that didn't really exist, on flows of money that weren't due. That has meant that the Credit Suisse investors, and lots and lots of people, have lost large amounts of money, because they have invested in bonds and so-called assets, which you created and securitised, that were actually unsecured and high risk, not low risk as they were marketed by you.

***Lex Greensill:*** The diligence that we conducted was all outlined in the security documentation that investors purchased. They did so with full knowledge. We did it based on the data that we collected from our clients, but they made a decision, just as we did when we purchased those assets as a principal for ourselves. We trusted those clients and that the data we were collecting, and the verification that supported that, was sufficient.

It may well be the case that we learn lessons that say that more should have been done by us, but that is something for the future. I would emphasise to you that, so far, no one has made a loss. That is the reason we purchased insurance to protect investors against that potential catastrophic event.

Q159 **Dame Angela Eagle:** Are you saying that the insurance is the security rather than the physical asset that you are meant to be selling?

***Lex Greensill:*** Not at all. As I said before—you have contradicted me on a number of occasions, Dame Angela, but I will correct you one more time—where we did future receivable programmes, other than for the British Government, all of them, to my knowledge, were secured against real assets to support those facilities.

Q160 **Dame Angela Eagle:** Can you tell me how you can finance at 1% and pay insurance premia, and all the other costs that go with securitisation?

***Lex Greensill:*** You have said that we financed at 1%. I presume you are referring to the UK Government supply chain programme that I was referring to and those margins. We actually charged a lot less than 1% in the case of the UK programme. The insurance that we pay is based on the probability of default with our customers. The probability that the national health service is going to default is quite remote, so the cost of that insurance is quite low. Our investors are prepared to buy that asset at a level that reflects that risk.

It is true that we made a very modest revenue on providing the solutions that we did to the British Government. Indeed, in aggregate we made a loss providing these solutions to the British Government. The beneficiary of that was the taxpayer, in the savings of over £100 million a year, and the many businesses that supplied the national health service who were able to access credit at less than 1% per annum.

Q161 **Dame Angela Eagle:** The person who wrote your insurance for Tokio Marine was dismissed for writing too much insurance and taking too much risk. Isn't that what caused your business to collapse in the end?

***Lex Greensill:*** I cannot comment on an employee relationship within an insurance company. What I can say, and I did say at the outset, is that we had an over-reliance on insurance generally and we purchased too much of our insurance from one particular insurer. Even though we did buy cover from 28 different insurers, we did too much of our business with one insurer, Dame Angela. That is definitely a learning, and I take responsibility for that.

**Dame Angela Eagle:** What kind of security did you have on some of the securitised assets that you sold into Credit Suisse? I have read in various places that, although these are meant to be short-term assets, you backed them up with very long-term illiquid security—buildings and things like that.

***Lex Greensill:*** Correct. We were financing the working capital of the business, but in the event that there was a default we had security, and the strongest form of security is absolutely to take security over bricks and mortar, and inventory, receivables and other assets of the business.

Q162 **Dame Angela Eagle:** One final question. Was Mr Gupta actually on the board or did he have some shares in the company at some stage? What was going on there?

***Lex Greensill:*** Mr Gupta was never on the board of my company. There was a very short period of time where we were doing a small amount of business with him. He bought a small stake in our firm. Subsequently we decided to do significantly more business with him. My board and I judged that it was not appropriate to have him as a shareholder and provide more than a de minimis amount of facilities to him, so he sold those shares completely. Those transactions were effected within a couple of months of him becoming a shareholder and then selling out. He did not make a profit on that sale. He sold the shares for the same price he purchased them at.

Q163 **Dame Angela Eagle:** Did you do the same thing with SoftBank, given that SoftBank also financed Greensill and then seemed to have borrowed extensively from the Credit Suisse fund?

***Lex Greensill:*** None of our two large institutional shareholders borrowed money from rental capital. I think what you might be referring to, Dame Angela, is that we provided facilities to companies in which SoftBank Vision Fund was a minority equity investor in other companies, and we provided certain facilities to those other companies. That is correct.

Q164 **Alison Thewliss:** Mr Greensill, the 2019 annual report for Greensill Capital lists "Concentration on certain customers, key employees and suppliers" as one of your key risks. Given all that has occurred since then, did you feel at that point that you were a carrying a concentration risk, or at any point before or after?

***Lex Greensill:*** Our annual report is accurate. It is the case that in a small company when you start, the first customer you do business with is, by definition, a big concentration risk. The first partner you have who provides you with services is a big concentration risk. When Greensill Capital failed we were a little over nine years old, so as we grew it is absolutely the case that we had concentrations that were unacceptably high, and we worked hard to bring those down. As I said in my opening remarks, it is the case that concentrations we had, both on insurance and clients, were too high and were the principal contributing factor to the failure of my company, which is to my very significant regret.

Q165 **Alison Thewliss:** In identifying and appreciating those risks, which you clearly did, what action did you take?

***Lex Greensill:*** We built a very material risk function, a compliance function and also continued to build out our legal function. We changed the way our risk approval processes worked, so we created a separate credit committee. I was removed from the credit and risk approval processes of the firm, such that any members of our board were unable to participate in the risk approval processes. Additionally, as we grew we aimed to further diversify our business, which we did do, but clearly not enough when Covid comes along and significantly disrupts the insurance world and that of a number of our clients.

Q166 **Alison Thewliss:** At what point did alarm bells start ringing for you—that perhaps your survival had become too linked to any one of your customers; that there was too much risk in one place?

***Lex Greensill:*** It was apparent that that was the case in December last year when the BaFin wrote to us and proposed a reduction plan that was unachievable for us. Potentially, had they implemented it—to be clear, they proposed but did not order us to follow that reduction plan—that would have likely been catastrophic.

As it turns out, they ultimately agreed a different plan with us, which we were able to work to and we expected to be able to meet. It was clear to me in December last year that that concentration was potentially a risk to the entire firm, but we had been working diligently to reduce our exposure prior to that date.

Q167 **Alison Thewliss:** So it cannot have come as a huge surprise to you.

***Lex Greensill:*** As in December, is that what you mean?

Q168 **Alison Thewliss:** Yes. Coming to you with this decision cannot have come out of the blue entirely, surely.

***Lex Greensill:*** Certainly, it did come out of the blue, in the sense that we had actually agreed to and basically been following a concentration-reduction plan up to that point, but the BaFin then suggested they were going to propose a much more onerous reduction plan, which we would not have been able to comply with, and would potentially have put our firm at risk.

I want to emphasise that they ultimately did not implement that plan but, out of transparency and completeness to the Committee, I want to be open with you about the fact that that was the point at which I became concerned. It was that point that then triggered us to bring in restructuring advisers, to advise us. On 31 December last year, we appointed advisers to assist us around managing that risk and to ensure that we were going to be able to carry on serving all of our customers.

Q169 **Alison Thewliss:** It seems a bit odd to me, given how you described to Ms McDonagh the crystal ball-like qualities you had within your business for predicting what was going to happen in different businesses, that you did not see this gaping big hole in your own.

***Lex Greensill:*** With the benefit of hindsight, it seems that you are right.

Q170 **Alison Thewliss:** You talked in one of your answers about your business model being copied by other organisations around the world. Given what has unfolded here, should that worry us?

***Lex Greensill:*** As I mentioned when addressing your Chair, one of the real lessons from the failure of my firm and the impact it has had on the 1,200 employees that we had, is that a heavy reliance on trade credit insurance is dangerous. I urge you and the Committee to consider the manner in which that is regulated, because it is fundamentally counter cyclical in its behaviour.

There is a long list of companies—not financial institutions like mine—here in the UK that have been put out of business by credit insurers making changes that are driven by the turn of the economy, which of course is what happened when Covid broke out last year, and obviously had an unprecedented impact on our economy.

Q171 **Alison Thewliss:** You have talked about the exposure of having one customer that is big compared with the others that you had. What was the balance on that? Was the service you provided to that one large customer different from the way you were treating your other clients?

***Lex Greensill:*** I want to emphasise that the customer you all think is my largest customer was not.

Q172 **Alison Thewliss:** Who was it then?

***Lex Greensill:*** I am not allowed to say, but the British company that you keep talking about was not our largest customer in terms of the assets that we funded. The importance in the business model was to have a diversity of capital available to support every one of our customers. The error that we made was that we had too concentrated a mechanism for funding some of those larger customers. In fact, our largest customer had very diverse, committed funding from banks to support it. It was very stable. That is what we should have done more generally across our business, but there were a handful of customers where we were much more reliant on credit insurance and fewer investors, and that created a concentration risk, which ultimately undid the dream that an awful lot of people had and the good that we had done around the world.

Q173 **Alison Thewliss:** If you were to put a percentage on the amount of your business that went through these large companies compared with your smaller clients, what would that be?

***Lex Greensill:*** I am going to have to rephrase your question to accurately answer it. If you think about our clients, they have thousands of customers and suppliers. Essentially, the party that we contract with tends to be the pinch point in between the purchases of goods and services and the sale of those on to others. In terms of those pinch-point customers, we had between 200 and 300 of those customers in total. In terms of the suppliers and the customers and the consumers that supported those businesses on both sides, that amounted to more than 10 million.

Q174 **Alison Thewliss:** I wanted to ask a wee bit more about insurers. You mentioned one large insurer and I think some 28 smaller ones. Is that the figure you said?

***Lex Greensill:*** It was 28 in total.

Q175 **Alison Thewliss:** Okay. One of them was disproportionately larger. Could you give us a description of what that looks like and how that breaks down?

***Lex Greensill:*** I am very reluctant to mislead you and the Committee, so could I ask to provide in writing to you afterwards what the actual breakdown was, so that I don't accidentally mislead you? It was a material double-digit percentage with respect to Tokio Marine.

Q176 **Alison Thewliss:** It would be useful for us to understand exactly what these risks looked like to the company and exactly what the weighting is on where these things lie, so we can get a better idea of just how much risk there was in particular areas, because, obviously, this has gone badly wrong. It is a complete mess and the house of cards has fallen to the ground, taking a lot of other things with it. Understanding the balance of where those risks were would be quite useful for us.

I was curious about another point you made—about the assets you were securing against. Could you give any examples of what those physical assets were?

***Lex Greensill:*** As I mentioned when answering Dame Angela's questions, those assets ranged from real estate to vehicles to inventory, receivables, intellectual property, credits and licences of various natures, cash and indeed personal guarantees in some cases of the principals of the business, and, often, security over the actual shares in the companies that we provided these facilities too.

Q177 **Mr Baker:** I refer to my registered shareholding in Glint Pay and I do so because I am going to ask you about Greensill as a fintech business.

Mr Greensill, I can't help noticing that in the midst of what must be a personal disaster for you, for a former Prime Minister and for the employees you had and everybody else involved, your face seemed to light up a little as you started to explain that the kind of business you were conducting was the future and that others are following your suit. I wanted to give you the opportunity to tell us a little bit about that. What was the new thing that you were doing and how did that make you a fintech business?

***Lex Greensill:*** The business that we undertook recognised that the extension of credit to small businesses in particular, but also to consumers in the economy, is largely predicated on information. When I started working in supply chain finance at the start of the 2000s, that information was trapped inside the accounting ledgers of businesses and Governments. Had that information been made available on a real-time basis to banks or financial investors, that would enable credit to be extended both electronically and much more cheaply, because the risk was less. It is just that banks simply did not know what was tied up inside a company's records—for example, the fact that they knew they were going to purchase some goods in the future, or that they had already received those goods and they were going to pay for them at some point, or that an employee had already worked a certain number of hours and was therefore already owed a certain amount of money.

By taking that information out of corporates and Governments and making it available to the financial sector, we were able to reduce the frictional costs of delivering capital to other people. I noted that in your Committee a couple of weeks ago, we were somewhat described as Luddites. I suspect that the more than 600 people who worked in my business in technology and support functions—a great many of them here in the north-west of England—would have been pretty shellshocked to have heard that. But frankly, it would be impossible to do that at the scale that we were doing it. On an average day, we were extending credit in the order of half a billion dollars. It simply would not be possible to do that with pens and paper; it had to be based on technology, Mr Barker.

**Mr Baker:** It is Baker, but don't worry about it.

***Lex Greensill:*** I apologise, sir.

Q178 **Mr Baker:** Don't worry about it; it is not the end of the world in all the circumstances. The point is that you are using technology to get inside people's accounting ledgers in order to understand what is going on and to reduce the cost of providing credit, and you have articulated that really well. You mentioned employees and their wages—I think that is the app called Earnd. Is that right?

***Lex Greensill:*** Yes, sir.

Q179 **Mr Baker:** Is that still in business? I'm afraid I have not quite caught up.

***Lex Greensill:*** Earnd was sold and was purchased by Wagestream, which is a British company. To be clear, that service was offered before my business entered this space. However, the difference was that that service had a unit charge to it—typically a charge of a pound or two—for the employee to be able to access their pay early. Because we were already integrated into the accounting systems of many private sector entities, and indeed some public sector entities, we were able to easily use that information to effectively allow employees to get access to the same thing. We were happy to provide that service, at no charge, to employees, largely because it was using the existing infrastructure that we had built, recognising that we had made millions of payments and we already had that infrastructure.

Q180 **Mr Baker:** Tell us a bit about that infrastructure. To what extent was it proprietary? To what extent did it use AI, machine learning and all those good things?

***Lex Greensill:*** Certainly. Like all businesses, we invested heavily in continuing to grow our technology. It would be fair to say that when we started the business in 2011, the technology of our business was largely Excel spreadsheets. But as our business grew, we very quickly had to adopt more and better technology. We were on the fourth generation of our technology at the time that our company went into administration, which was substantially reliant on artificial intelligence and machine learning to deliver the solutions that we did. But the infrastructure of what we undertook was somewhat unique in the marketplace. We were certainly among the largest non-bank issuers of bonds in the market—taking millions of payments every day, crunching them together and delivering them on to investors.

Q181 **Mr Baker:** The reason I ask about this is that I think David Cameron explained that the reason he wanted to get involved was because you are exciting fintech. As a software engineer, I can fully understand that you start a business with Excel and make your way towards machine learning, but I understand that at some point in this you were using something called Taulia systems. Where did Taulia, or however you pronounce it, fit in your technology journey?

***Lex Greensill:*** It is pronounced "Taulia"—I guess we are even on mispronunciation.

**Mr Baker:** We are even, at least on this.

***Lex Greensill:*** We worked with a bunch of different partners. Taulia were specialists in working within an SAP environment, which is one of the largest enterprise resource planning providers, which you will understand. We also worked directly with Oracle and with a number of other software firms; I think we had more than 10 partnerships with different companies in order to have various capabilities that we needed to use. We then unified those with our own proprietary technology and delivered them on—Like most technology firms, some stuff we use under licence and some we develop on a proprietary basis.

Q182 **Mr Baker:** In a nutshell, what were you using machine learning to do?

***Lex Greensill:*** Since we will no doubt talk about the national health service, the learning there is to predict, at an individual pharmacy level, what drugs will be prescribed in each individual pharmacy in England in the next two months and allowing those pharmacies to access cash against that prediction.

Q183 **Mr Baker:** Forgive me; I could ask you about the technology all day, and no doubt your engineers as well. On the one hand, you are still clearly enthusiastic about articulating your vision and what you are doing, but the central point here is the honesty of the claims being made by the firm and the honesty of the firm's business. There is no escaping that. I think this goes back to the heart of the questions that were being asked earlier—that rather semantic discussion about prospective versus future receivables. Just to play it back and make sure I understood correctly, when you talk about those prescriptions being made, you are saying that machine learning was used to predict what prescriptions would be made in the future, and to use that information in order to provide credit?

***Lex Greensill:*** The data points that we were having to predict were the number of prescriptions that would be fulfilled in each individual pharmacy and the reimbursement value of each one of those prescriptions. Those were the two data points, effectively, that determined how much a pharmacy would receive in reimbursement from the Department of Health.

Q184 **Mr Baker:** I can see the complexity here. I can see why people have used "prospective", because those prescriptions had not actually been made, yet you were providing credit on the basis that they would be.

***Lex Greensill:*** Correct. It was based on the historical activity that had taken place in each one of those pharmacies in the country.

Q185 **Mr Baker:** This really is the heart of the matter. When some people look at that kind of business model and accuse it of being fraudulent, what would you say to them to make it clear that it was not a fraud? I think that is the heart of what you are being held to account for here.

***Lex Greensill:*** We were using data inside corporate systems on customers or suppliers to unlock capital. Using the example of the pharmacy scheme here in the UK, we were extending, on average at any point in time, just under £300 million on a consistent basis to pharmacies that would not have been available to them otherwise. Almost all that went to small pharmacies, whose cost of capital was being reimbursed to them by the Government prior to the scheme being put in place at a double-digit cost. That saving accrued to the taxpayer using that technology.

Q186 **Mr Baker:** I have to tell you that I am quite uncomfortable with this degree of securitisation, including of people's wages. Even as a free marketeer—I am quite possibly the most free-market member of the Committee—I am rather concerned by the degree of securitisation that you are engaging in here in order to drive down the cost of credit. What about this kind of model caused that glimmer of excitement in your face earlier? Why would you tell us that we should want to support this kind of business in the future?

***Lex Greensill:*** I wasn't asked to come and give evidence today to tell you why you should support this business in the future.

Q187 **Mr Baker:** I am asking you now because you told us earlier—with some pride, if I may say so—that this is the direction of travel in which the world is headed. For the record, you are nodding. I'm concerned that this is a bigger problem for the future, if other firms end up with similar business models, failing to spot their absolute weakest link on the point—in your case, with the insurance. My goodness, what a mess we could get into, if that is where the world is going. I am really asking you to tell all the journalists watching, all the mums and dads, all the policy makers and regulators, why they should be concerned with supporting this kind of business.

***Lex Greensill:*** I think the value has been to reduce the cost of capital in the economy very significantly over the last decade. With technology, we will get even better at being able to predict what will happen in the future.

The key learning has to be: where does the risk for that failure sit? In the case of my firm, Mr Baker, I relied on other investors, so our proprietary balance sheet was insufficient to do this all by ourselves. That meant that if an insurance company withdrew, some of my third-party liquidity was no longer available.

I think the key question comes down to the durability of the capital that's supporting the businesses. The durability of that capital can come from the capital being within the control of the party that is providing the solution, or the durability could perhaps come from having greater certainty and longevity around the insurance that is being provided to those businesses, such as such as my own.

Q188 **Mr Baker:** Would you agree that there is a major risk here? In using AI and machine learning to rapidly expand credit on a huge scale, the risks of such a business model—indeed, the risk inherent in any kind of use like this of that technology—could very quickly expand beyond our capacity to regulate or contain those risks at all.

***Lex Greensill:*** I think that is why you are asking questions of me, so that you can make sure to understand those risks.

**Mr Baker:** I have certainly learnt something today, thank you very much.

**Chair:** Thanks, Steve. Harriet, please.

Q189 **Harriett Baldwin:** Thank you, Chair. I want to hark back to the time when your business was valued at $3.5 billion with the capital injection you received from SoftBank. I want to ask what you thought about that valuation at the time.

***Lex Greensill:*** My view of the valuation at the time was that it was consistent with when our previous institutional investor had invested about a year before.

Q190 **Harriett Baldwin:** How many times earnings was it?

***Lex Greensill:*** Twenty times price-per-earnings, one year forward.

Q191 **Harriett Baldwin:** You have mentioned quite a few times during your evidence that you obviously have great pride in the service you are providing to pharmacies in the UK. Can you quantify for the Committee how much value you think came from the fact that you were doing work that had the imprimatur of the UK Government, including, of course, an advisory relationship with the former Prime Minister?

***Lex Greensill:*** When you ask the question about value, Ms Baldwin, do you mean financial value or more broadly?

Q192 **Harriett Baldwin:** I want to try to get a sense of whether you think that the $3.5 billion valuation had some kind of premium in it for the fact that you were well embedded with the UK Government, and that you had a former Prime Minister as one of your advisers.

***Lex Greensill:*** Sure. The multiple that SoftBank Vision Fund invested at was pretty much identical to the valuation the previous investment by General Atlantic had been about a year before. General Atlantic's investment took place before we had started funding any UK Government programmes. I definitely think it was helpful, but I don't think it was definitive of the valuation, given that the multiple remained the same.

Relative to current market multiples, 20 times forward would actually be relatively low for a company in the financial technology space.

Q193 **Harriett Baldwin:** Thank you. Let's turn to what looks, to someone like myself, like quite a circular relationship in terms of some of the financing. You had SoftBank investing as a capital investor. Were there cases of firms that were both funding themselves through your supply chain finance product and also either investing capital or investing in the funds themselves?

***Lex Greensill:*** No.

Q194 **Harriett Baldwin:** So the 2019 report from Bloomberg that Vodafone was putting invoices into a Greensill-sponsored supply chain finance fund and also participating as an investor, and then Vodafone's treasurer coming to work as your CFO, is not an example of what I described?

***Lex Greensill:*** Actually, I am mistaken—I had forgotten that one instance. That is the case. But of course, it is not an investor in our equity, and I thought the question that you were asking me, Ms Baldwin, was whether people were invested in the equity of Greensill Capital and we were then financing the same company. The answer to that remains no. In the case of Vodafone, they were investing in a supply chain finance fund, and we were also funding their supply chains. However, to be clear, at no time was Vodafone an equity investor in Greensill Capital.

Q195 **Harriett Baldwin:** I asked about equity investor or supply chain finance funds. I am sorry if that was not clear. But you are saying there was only one example and that was Vodafone?

***Lex Greensill:*** I would say there are no examples where they were equity holders—

Q196 **Harriett Baldwin:** But someone who was getting supply chain finance from your funds and also investing in the funds?

***Lex Greensill:*** You will appreciate that none of the funds were Greensill funds, so they are not my clients and I do not know who invested. You would need to ask the managers of those funds if they were prepared to breach client confidence to share that. Obviously, I can confirm to you the position with respect to Vodafone because it has been in the public domain.

Q197 **Harriett Baldwin:** So you cannot rule out that was happening more extensively than in just the Vodafone example?

***Lex Greensill:*** To the extent that it did happen, it would be tiny—less than 0.01% of the activity of our business. It was not a core part of our business model.

Q198 **Harriett Baldwin:** Would it have been a potential conflict of interest that would have been noted in your policies, and something that you actively managed or that the board was aware of?

***Lex Greensill:*** It is difficult to see how that would be a conflict of interest, so no, we did not. If you think about it, if someone invests in a fund, those funds will hold multiple assets and they are managed by a third-party fiduciary manager, not by Greensill. That fiduciary makes investment decisions based on the rules of the fund. If a corporation or financial institution wishes to invest in that fund—those funds are only open to professional investors, so those professional investors would make their own determinations. So, no, that was not something that we had a policy on.

We did, however, have a policy with respect to providing facilities to entities that were related to our shareholders. So, if you were a shareholder, we could not lend to you without there being a very specific process that had to go through the highest level and our board to be approved.

Q199 **Harriett Baldwin:** Turning again to the SoftBank example—they were clearly an equity investor—it is reported that they also invested in Credit Suisse funds. You are saying that that was a separate organisation from yours and you could not really get involved in that particular conflict of interest, but you were also receiving a loan directly from SoftBank, as I understand it. Did you ever feel uncomfortable with all these different dependencies and relationships you had with SoftBank?

***Lex Greensill:*** I should be clear with you that the loan, such as it is, that is on Greensill's balance sheet with SoftBank is a convertible loan that is essentially equity, and it automatically converts into equity upon receiving regulatory approval. Greensill Capital is an Australian company, and in Australia foreign investors need approval to be able to invest…

Greensill Capital is an Australian company and in Australia foreign investors need approval to be able to invest, and, because we owned 100% of a bank in Germany, it also required German regulatory approval. That loan automatically converted into equity when those approvals were granted. That loan carried an interest rate of 0% and had a 10-year term. In effect, it was equity. I want to be clear there that it was, for all intents and purposes, equity.

Q200 **Harriett Baldwin:** You mentioned earlier that Mr Gupta sold his shares when he wanted to benefit from the supply-chain finance, but you are saying that it was a different case with SoftBank, because although they were an equity investor with you directly, you were not at the time aware that they were also investing in some of the Credit Suisse funds.

***Lex Greensill:*** I was aware that they were investing in those funds, yes, but there was a meaningful gap in space and time between their investments—their last equity investment into Greensill Capital was in October 2019, I believe. As reported in the press, their investment in the Credit Suisse funds was I think in the second quarter of 2020.

Q201 **Harriett Baldwin:** Help me out on the distinction you make between that example and the example you gave earlier of Mr Gupta's equity investment—where the board decided that he should sell his shares.

***Lex Greensill:*** If you think about the metrics there, the peer SoftBank is a shareholder in Greensill, and SoftBank was also an investor in a Credit Suisse fund. They are two separate investments. Greensill was not lending money to SoftBank, so the difference with the Gupta example is that Mr Gupta was a client of our firm. To be fair, there was that conflict for a very short period of time, which is why, ultimately, as our firm got bigger, we decided that it was not prudent for us to have, without very special approvals, shareholders that we lent money to.

Q202 **Harriett Baldwin:** Can you talk a little more about the conflict of interest that came about from SoftBank being an equity investor in your firm, for example, and you getting involved in providing financing to some of the companies in their Vision Fund? Were you leant upon to do that?

***Lex Greensill:*** No, we were not leant upon to do that. Absolutely, additional controls were required there. For example, when our company was young, I sat on all the committees in the company. Obviously, as we got bigger, that was no longer appropriate and, in the case of both the credit committee and the risk committee of the firm, I stepped down from them—nor was any other board member a member of the credit committee. The risk committee did of course have members of the board sit on it, but I was not a member. Those controls were there to make sure that credit was extended and was done so purely on a stand-alone basis, taking account of the veracity of the company in question and not based on who one of their minority shareholders might have been.

Q203 **Harriett Baldwin:** So it was just complete coincidence that so many of the Vision Fund investments were also customers of yours.

***Lex Greensill:*** We were introduced to those companies by SoftBank, so there was no coincidence. Obviously, as I mentioned earlier, we did business with hundreds of companies, but Softbank Vision Fund companies amount to a very small handful of those—fewer than 10.

Q204 **Harriett Baldwin:** The FT has reported, for example, that you only started financing the car company Fair after it had already become evident that they had difficulties. The chief executive had announced plans to cut 40% of the workforce and had resigned. Did you feel leant upon by SoftBank in that example?

***Lex Greensill:*** No, I did not feel leant upon by SoftBank. That particular facility was repaid in full and did not result in any loss to our company.

Q205 **Harriett Baldwin:** You do not feel that throughout this period of incredible expansion of the business that you came across anything written by your firm that represented a conflict of interest in any way.

***Lex Greensill:*** In any business there will be conflicts. We felt that we managed those conflicts by keeping the decision making separate. I am not saying that there is no conflict whatsoever; obviously, there is some conflict between a minority shareholder in a company that we lend to and a shareholder in our company. The management of trying to mitigate the risk of that conflict is about separation, but also when we sold those investments to our investors that bought those assets, they were aware of that information, and those assets came protected with insurance to protect them against an event of default. They had the full information to make that determination. There are several layers of consideration there, but I am not saying that there is no conflict; I am saying that we aim to manage it, and we gave disclosure.

Q206 **Harriett Baldwin:** To me, it all sounds quite worrying that there was a bit of arm's length, but it does not really pass the smell test to me. If you were a regulator, what change would you make in terms of the regulations?

***Lex Greensill:*** In the case of Credit Suisse, which you alluded to and was reported in the press, it was also reported in the press that Credit Suisse had an independent review conducted of that. It proposed certain changes to the rules of the fund, but it continues to work to provide the funds. In the case of my business, as we got bigger, what we aimed to do and what we would have needed to continue doing was to have further controls to separate the ability of shareholders to influence the extension of the credit. But I am satisfied that we did a fair job of that throughout this process, especially given that there was disclosure to our end investors.

Q207 **Harriett Baldwin:** What I am hearing you say is that you do acknowledge that your shareholders influenced the extension of credit.

***Lex Greensill:*** No, what I said is that there is a conflict of interest there, and that is why we separated our shareholders from the decision-making process around the extension of credit.

**Harriett Baldwin:** I will let those listening decide what they think should be done, and no doubt we will comment on that in our report.

Q208 **Emma Hardy:** I was little surprised to hear you, Mr Greensill, discredit the evidence given by Lord Myners. I hope he is given the right of reply to clarify some of the points you made. I want to start with some pretty quick questions, if that is okay. Has Greensill ever been under investigation by the FCA?

***Lex Greensill:*** You will appreciate that it would be a criminal offence for me to comment on that.

Q209 **Emma Hardy:** Can you clarify whether you have been under investigation by the FCA?

***Lex Greensill:*** The answer to that is the same.

Q210 **Emma Hardy:** Back in 2018, prior to what is happening now, when the FCA was looking into the GAM scandal, was it looking into Greensill as well?

***Lex Greensill:*** I am afraid my answer is the same. I cannot comment on that.

Q211 **Emma Hardy:** You cannot comment on an FCA investigation that happened in 2018, which is not what we are talking about right now?

***Lex Greensill:*** I am happy to get advice on whether I am allowed to do that. If I am, I am happy to give you a written response.

Q212 **Emma Hardy:** Okay, thank you. Can you confirm, obviously without naming recipients, whether you had eight lots of £50 million loans?

***Lex Greensill:*** Eight lots of £50 million loans?

Q213 **Emma Hardy:** Yes. You did not quite answer the questions from my colleague Rushanara before about whether or not—you said again that it was because you weren't able to give evidence—or how many loans you actually had? CBILS loans?

***Lex Greensill:*** Right. No, I am not able to comment specifically on the facilities that we have extended.

Q214 **Emma Hardy:** I am not asking for the names of the recipients; I am just asking you to clarify how many loans you have had.

***Lex Greensill:*** I would need to take advice on whether I am able to answer that question and I am happy to give you an answer afterwards if I am allowed to.

Q215 **Emma Hardy:** Right—let's try another one then. Did the Government, officials, advisers or Ministers play any role in introducing you to Mr Gupta?

***Lex Greensill:*** No.

Q216 **Emma Hardy:** Okay. Can you explain how and when Mr Gupta started working with Greensill Capital?

***Lex Greensill:*** Yes. I did answer that question a little earlier, Ms Hardy, but to answer you again, I was introduced to Mr Gupta in 2015, I believe, by an executive at an insurance company.

Q217 **Emma Hardy:** Following all the evidence you have given so far, I will just ask you this as a straight question: do you think it is appropriate that a firm like yours was not regulated by either the Bank of England or the Financial Conduct Authority?

***Lex Greensill:*** We did not take deposits from consumers in the United Kingdom and the only product that we provided in the United Kingdom was business lending, and business lending, of which supply chain financing forms a small subset, is generally not regulated. So, it is obviously a decision for this Committee and for the Government as to what should be regulated, or not.

You asked me to give you my honest assessment of why I think that my firm failed, and I think that the reason that my firm failed is because of our over-reliance on a single insurer who withdrew capacity, I believe, because of Covid-related events. That is my view as to why we failed. But I would say to you that we did own a bank and therefore we dealt with a prudential regulator in the context of that as well.

We do think that, as we got bigger, we expected to be ever more regulated and we welcomed that position. But our core business is not a regulated activity in Britain, nor is it in very many countries around the world and nor is business credit generally.

Q218 **Emma Hardy:** I am bearing in mind that you obviously discredited the evidence of Lord Myners earlier, but Lord Myners said in the evidence he gave to us that "Mr Greensill clearly decided that he did not want his business to be regulated by anyone". Is that what attracted you to the business model you adopted—the lack of regulation?

***Lex Greensill:*** Not at all. The business that we undertook is no better or worse for want of regulation, and you will appreciate that much of our activities took place where we worked with counterparties that were highly regulated and therefore we were required to operate to their standards. Therefore, I do not see that there was any particular advantage granted to our firm by virtue of our regulatory position. For example, much of the business that we undertook of extending supply chain finance, certainly in Europe, was conducted through our German bank and therefore was fully regulated.

Q219 **Emma Hardy:** I understand you cannot answer the question as to whether or not you have been investigated by the FCA, either now or back in 2018, but I wonder, Mr Greensill, would you expect a business that was under investigation by the FCA to declare that to the Treasury and to the British Business Bank before doing business with them?

***Lex Greensill:*** I do not have a view on that. We would comply at all times with whatever the legal requirements were.

Q220 **Emma Hardy:** Okay. In its written evidence to the Committee, the Bank of England notes that "the first indication that the Bank had a potential weakness at Greensill was in March 2020. This suggested a possible weakness in controls rather than crystallised financial difficulties." Were you ever made aware of weaknesses in your controls and, if so, what were the weaknesses and what was your corrective action?

***Lex Greensill:*** Obviously, I read the same letter that you did, Ms Hardy. The Bank of England has not provided me with the particulars of what it was that they were referring to, so I can only speculate on what I think they were referring to, but it is my sense that they are probably referring to discussions that were taking place with the deposit protection authority in Germany around the concentration of one of our particular customers, and the plan that we had agreed with them to progressively bring that into a lower level of concentration. To be honest with you, I do not know, because the Bank of England did not disclose to me what the nature of that correspondence was.

Q221 **Emma Hardy:** Did you not think to ask, considering that the Bank of England is writing about your company?

***Lex Greensill:*** I was only provided with these letters a day or two ago. No, I did not think that I would get an answer from the Governor of the Bank of England in a matter of a day or two.

Q222 **Emma Hardy:** With you giving evidence to a Committee in public, I thought you might want to clarify what the Bank of England is writing about your company, but okay. How much contact did you have with regulators?

***Lex Greensill:*** The FCA chief executive's letter lists the interactions that we had with him. We aim to be proactive in talking to them about what we did and what we were looking to develop. For example, before we launched the Earnd product, we went and talked to the FCA about that product as well. We obviously had extensive discussions with the regulators in Germany over a long period because of our ownership of Greensill Bank. I guess we had a dialogue with them. I do not think that our level of dialogue with the British regulator was anything like what a bank in Britain would have with the regulator, but I guess that is because we did not take deposits here in the UK, and we did not extend credit that we were charging interest on to consumers.

Q223 **Emma Hardy:** Did the regulators seem to take more interest in your business following the events surrounding the GAM fund in 2019?

***Lex Greensill:*** Not that I noticed.

Q224 **Emma Hardy:** So there was no additional interest in your business after GAM. Is that what you are saying?

***Lex Greensill:*** Not that I noticed, no.

Q225 **Emma Hardy:** Why did you use the appointed representative feature for Greensill Capital Securities Ltd rather than seeking to get the regulatory permission yourself?

***Lex Greensill:*** You will appreciate that Greensill Capital was a nine-year-old firm. We grew over a period of time. We worked with quite a number of broker dealers—third parties who are very significant financial institutions, who are major broker dealers on an international basis, here in London and abroad—but over time we determined that it would be sensible for us to have our own regulatory capability. We expected that to be a pretty modest portion of our overall activities. We therefore considered, given our size, that it made sense for us to make use of the appointed representative structure, which, as the letter from the chief executive of the FCA points out, is used by 40,000 businesses in the UK.

I am sure that your question to me, though, is really whether there is a lesson to be learned from that. I think there are two comments that I would make on that. One is that we fully planned and expected to move towards doing away with the appointed representative and bringing that completely in-house. Indeed, we have had discussions at board level around that over the six months at the back end of last year, but I think if you were looking to make changes, and you were asking me that question, I would say that there may well be a volume threshold limit where the appointed representative scheme should not be used. Obviously, although we started out being incredibly small in the appointed representative programme, that grew over time as our business grew. It may well be that there ought to be a threshold at which that is no longer acceptable.

Q226 **Emma Hardy:** Earlier, you discredited the evidence from Myners, which was around the cost to the taxpayer being £5 billion. You said it would not be £1 billion either—if I remember correctly, I think you used the phrase "a mere £400 million" cost to the taxpayer. But you will be aware that the *FT* released a piece earlier titled, "How Lex Greensill helped sow the seeds of the Carillion crisis." You say that you were not involved in the Carillion crisis in providing supply chain finance, yet a company—I will end up pronouncing this wrong, so you can obviously correct me—called Textura, which has since been sold to Oracle, used Greensill as supply chain finance and sold the debt to Carillion. Isn't it the case that you had a hand not only in the Greensill disaster, which is going to cost the taxpayer billions, but in the Carillion disaster, which ended up costing around £7 billion of debt?

***Lex Greensill:*** Sorry, Ms Hardy. Would you mind reading me the quote? That doesn't make any sense to me.

Q227 **Emma Hardy:** In your involvement in the Carillion crisis, in providing supply chain finance, a company called Textura, which has since been sold to Oracle, used Greensill as supply chain finance and then sold it to Carillion. I am asking what the link is between Carillion, the debt that ended up costing the taxpayer and your company, Greensill.

***Lex Greensill:*** Textura was purchased by Oracle, not by Carillion.

Q228 **Emma Hardy:** It used Greensill as supply chain finance and then sold it to Carillion.

***Lex Greensill:*** No, that is not correct.

Q229 **Emma Hardy:** So Textura, which was sold to Oracle, did not use Greensill as supply chain finance. That did not happen.

***Lex Greensill:*** Oracle, through Textura, did use Greensill for providing supply chain finance. What did not happen—Textura was not sold to Carillion, and Textura did not sell a supply chain finance programme or capability to Carillion.

Q230 **Emma Hardy:** So the journalist has got that wrong.

***Lex Greensill:*** It would seem that the journalist has.

Q231 **Emma Hardy:** So you had no hand in the Carillion crisis whatsoever through using Greensill as supply chain finance.

***Lex Greensill:*** Absolutely not.

Q232 **Emma Hardy:** That is one thing you can cross off your list, then. That is good. The press report that you struggled to find a new auditor to replace Saffery Champness. Is this true?

***Lex Greensill:*** Our group auditor was Nexia International, of which Saffery Champness is the UK member. According to its website, Nexia International is the eighth largest audit firm in the world. We did business with Nexia at the request of our regulator in Germany, which specified that it wished us to continue to use the same auditor at our bank as had been in place before we purchased the bank. That meant that we actually needed to switch, because prior to that our auditors were Grant Thornton. When we purchased our bank in 2014, one of the conditions from one of the regulators in Germany was that it required us to continue to use the bank's auditor, and Grant Thornton would not have that be the case. Therefore, we had to use the international group of which the German auditor, which is called Ebner Stolz, was a member, which was a part of the Nexia group. To emphasise, Greensill Capital is an Australian company, so the principal auditor is Nexia International, of which Saffery Champness was their UK partner. They audited our UK operating entity.

Q233 **Emma Hardy:** How easy do you think it was to audit Greensill? Where did auditors have to pay particular attention, and what did they often ask you about?

***Lex Greensill:*** I am not an auditor, so I don't know whether auditing our firm was any easier or more difficult than auditing any other financial institution. I would say to you that the volume of transactions that we financed is a significant number, because they are in effect lots of relatively small receivables that we purchase, but centralised into a couple of country jurisdictions, but of course we did this in many countries around the world and no doubt that creates a level of complexity.

Q234 **Emma Hardy:** Final question: what was the news that Greensill representatives said that they were "very pleased to hear from the Treasury" in an exchange of emails on 24 April 2020?

***Lex Greensill:*** I don't immediately know what that particular news was. I am afraid I don't know the answer to that question off the top of my head, but I would be happy to consult my notes and see what that was and provide you with a written answer.

Q235 **Emma Hardy:** Just to clarify, you are going to write to us, if you can, to let us know whether Greensill has been under investigation by the FCA and to clarify what it was from the Treasury that excited Greensill representatives so much on 24 April.

***Lex Greensill:*** Correct.

Q236 **Anthony Browne:** I refer everyone to my entry in the Register of Members' Financial Interests. I have been an investor in, on the board of, and an adviser to a large range of financial technology companies, one of which is Hastee, which is in the same line of business as Earnd. I used to work at Morgan Stanley as well, but I don't think we ever overlapped or met there.

I want to follow up on the point that Emma Hardy was asking about. Were you saying that it is against the law for you to say whether you have been investigated by the FCA in the past? If so, which law?

***Lex Greensill:*** I don't want to break the law, so what I have said is that I will provide you with a written answer if I am allowed to do that. I have not brought a solicitor with me to this hearing.

Q237 **Anthony Browne:** I thought you were a lawyer yourself.

***Lex Greensill:*** I am not an expert on UK regulatory matters.

Q238 **Anthony Browne:** As a former chief executive of the British Bankers' Association, I know that generally people are quite open about whether they have been investigated by the FCA in the past. I might be wrong, but I certainly don't think there is any law about that.

***Lex Greensill:*** In which case, I will provide you with a written answer to your question.

Q239 **Anthony Browne:** There are two things I am interested in, which are the regulatory lessons from this—you have touched on a bit of that—and also the potential use or abuse of public authority.

On the regulatory lessons, as you said, supply chain finance isn't regulated. It is busines-to-business lending and it is a civil contract between two businesses. You did suggest that there are aspects of your operation where regulation should change, such as the appointed representative regime. You have said there should be a volume threshold, and that sort of makes sense—when you get to a certain size, you can't use that anymore. Are there any other aspects of the operation that you think regulators should look at? We are speaking to the FCA tomorrow.

***Lex Greensill:*** I think it is the case, as Lord Myners said, that it is important to think about the asset liability mix of all financial institutions, and particularly ones such as mine, so I think he was right to ask those questions. I would suggest that there definitely is a question around financial technology companies and making sure they have robust controls around their asset liability matching.

In our case, the reality was the assets and the liabilities matched, but, with respect to part of our business, only so long as the insurance was there. Regular asset liability rules would say you were fine, but not necessarily take account of that critical ingredient of the insurance. It seems to me there may well be some merit in giving that further consideration.

Q240 **Anthony Browne:** What would the merit be? Normally, the attitude of the regulators, as you said, is consumer protection and deposit protection, and you didn't make deposits and your consumers, as I understand it, did not lose out directly. If we are going to make recommendations about changes to regulation, it would be useful to understand exactly what the benefit would be of doing that, and how widely you would do it.

***Lex Greensill:*** I am not an expert here. I guess I wanted just to call your attention to that. That clearly is a consideration—the way that insurance fits into asset liability management. I am not sure what the appropriate formulation would be.

With respect to insurance, the principal question that I would ask you to consider is that inherent countercyclicality of insurance. I am sure you have seen this writ large in your previous capacities. Credit insurers withdraw credit insurance at exactly the moment when it is most needed in the economy because of the way the insolvency regulations work. That seems to me to be an inherent flaw, and the failure of my business is in part evidence of that flaw.

Q241 **Anthony Browne:** I will now ask about your public sector work. You obviously had a lot of dealings with the Government and clients of the Government. How important was that public sector work to your business model versus your private sector work?

***Lex Greensill:*** From a revenue perspective, the public sector business was negligible. From a volume perspective, it was moderately important—it accounted for a couple of per cent. of our volume on an annual basis, I would approximate. To us, the value of the activity that we undertook in Government was— To tell you a truth that may be uncomfortable for people in Government to hear, the Government tend to be less efficient than the private sector, so when one is working to make savings it is easier to prove larger savings in a public sector environment. When you are a business that does not have a brand that everybody knows, people look at actual value cases, where real value has been captured. That is certainly very evident in the business that we did for the Government and, as I cited to you, in the significant ongoing savings in the procurement of drugs in this country as a consequence of that solution. It is that proof case that the private sector then looks to when considering what they are doing, in terms of improving their own supply chains.

Q242 **Anthony Browne:** I completely agree with you on the inefficiency of Government and the ability, in certain circumstances, of the private sector to help them to increase efficiency. On the supply chain finance with the pharmacies, which you just mentioned, presumably if the Government paid their bills on time—within, say, 10 working days—there would be no room for any supply chain finance.

***Lex Greensill:*** I am very glad that you raise that point. It is, of course, Government policy to pay suppliers within 10 days.

**Anthony Browne:** I was in charge of the payment terms of the Greater London Authority when Boris was Mayor.

***Lex Greensill:*** On the face of it, it is crazy to implement supply chain finance and to use private sector money, which ought to be more expensive than where the Government can borrow money to do this; and it is crazy to have an intermediary in the mix who is presumably taking some profit out, therefore effectively making it a tax. The truth, unfortunately, Mr Browne, is somewhat different. Unlike the private sector, the Government do not have the capacity to approve invoices very promptly, so as a consequence there is a delay—even though you want to pay within 10 days, there is often a delay. If one looks at what the private sector does, that delay can be solved using analytics, machine learning and algorithms to accelerate that process.

First, the private sector can bring that learning, which is part of what we did. Secondly, on paying suppliers faster, the Government previously paid in 30 days, and then it was changed to 10 days, so why not pay them in one day? That actually costs the taxpayer because the Exchequer has to borrow that money to provide it. In the private sector, the supply chain solutions that are provided allow the people who benefit from it—that would be the suppliers to the Government—to get paid faster, but they have to pay for it, rather than the taxpayer paying for it. The truth is that the majority of the Government's expenditure on suppliers is not with small businesses but with massive multinationals. Do you really want to be subsidising their cost of capital, have the private sector provide it and have those who want to use it take advantage of it?

My final point is that, even if you did devolve to Government Departments the authority to pay using private sector technology and just use their own cash, the reality is that that capital is charged out at a much higher cost by Departments than the private sector provides. The reason for that, as I am sure you are very aware, is that although the Treasury can borrow money very cheaply, it provides to Departments—I am not going to use the right word, I am sorry—a weighted average cost of capital, where overall the Government borrows money.

But if you are advancing money to a supplier to Government 30 days faster than they were getting paid before, I as a financial institution am borrowing money for 30 days, taking Government risk—that is a lot cheaper to fund than the 10-year weighted average cost of borrowing for the Exchequer, which it passes through to Departments. I use the 10-year as an example. There is a very big difference between the two. Have the private sector benefit from it, have them pay for it, but have it be cheaper than the Government Departments would actually be able to do based on the cost of capital that the Treasury provides. That was the rationale for doing what we do.

Q243 **Anthony Browne:** Could you say exactly what your role at No. 10 was when you were there?

***Lex Greensill:*** I was brought into the Cabinet Office in 2012. As you will appreciate, that was in the wreckage post the financial crisis, when there was a real focus on helping small businesses to improve their access to credit. The challenge that was levelled to me was: are there ways that I could provide advice based on my experiences that would enable Government to make interventions to help small businesses get cheaper or better access to credit? That was the reason I was brought in. I provided those services to the Government at no cost; I was simply trying to share my experience and give something back.

Q244 **Anthony Browne:** That was before you set up Greensill?

***Lex Greensill:*** No. Greensill is an Australian company. Greensill was set up in late 2011. I was engaged by the Cabinet Office in February 2012.

Q245 **Anthony Browne:** Did you use your position in the Cabinet Office, as you say, to influence any commercial contracts with Government, to gain access to people who might be interested in signing contracts with Greensill?

***Lex Greensill:*** Certainly not. The first Government-related business that Greensill Capital ever won and funded against was in July 2018. Greensill Capital did not have any customers here in the United Kingdom until 2015.

Q246 **Anthony Browne:** So after you left the Cabinet Office.

***Lex Greensill:*** Actually, I was still a Crown representative at that time.

Q247 **Anthony Browne:** I must admit that I am not really aware of the role of a Crown representative. What do they do?

***Lex Greensill:*** I did not create the scheme, so I will give you my potted version of it. I think the intent behind the programme was to bring private sector expertise and to assist with commercial negotiations with suppliers to Government, to ensure that Government could get the best possible deal.

Q248 **Anthony Browne:** So you were a Crown representative while trying to get contracts for Greensill with the Government.

***Lex Greensill:*** No, Sir. What I said was that the first time that Greensill had even a customer in Britain—nothing to do with the British Government—was in 2015.

Q249 **Anthony Browne:** And you were no longer a Crown representative at that point.

***Lex Greensill:*** I was a Crown representative at that point, but that company had nothing to do with the Government.

Q250 **Anthony Browne:** By the time you had the first Government contract, you were no longer a Crown representative.

***Lex Greensill:*** That was more than two years after I ceased to be a Crown representative.

Q251 **Anthony Browne:** There was an article in *The Times* on 27 March 2021—I am sure you saw it—noting confusion about how a report advocating supply chain finance for pharmacies ended up in the then Prime Minister David Cameron's red box. Did you have any involvement in the writing of that report?

***Lex Greensill:*** Unfortunately, *The Times* did not provide me with a copy of the report they are referring to, and given that I ceased having access to Government email systems more than five years ago, I am unable to see the exact report or the correspondence that related to that. But what I can say is that it would not have been possible that a report that I could have written would have ended up in the Prime Minister's box. I am sure, Mr Browne, that you are aware of the processes and controls that sit around that. It would simply be impossible for an adviser to write a report that ended up in the Prime Minister's box unless it had been reviewed by others and determined that it was box-worthy—

Q252 **Anthony Browne:** By Jeremy Heywood, who you met at Morgan Stanley.

***Lex Greensill:*** That is correct—that is, it is correct I met him at Morgan Stanley.

Q253 **Anthony Browne:** He could have put the document in the Prime Minister's box, and he could have got it from you.

***Lex Greensill:*** I cannot speculate as to that, Mr Browne. But I guess that's possible—he was the Cabinet Secretary.

Q254 **Anthony Browne:** You do not know whether this *Times* report is true, though, about a report that you wrote about supply chain finance for pharmacies, which the Prime Minister then adopted as a policy, ending up in the red box?

***Lex Greensill:*** I wrote a number of papers that—it is my belief—ended up in the Prime Minister's red box. The pharmacy scheme was announced by the Prime Minister at the roundtable held in—if my memory serves me correctly—October 2012. So that formed part of the group of announcements made by No. 10 in conjunction with that roundtable.

**Anthony Browne:** Okay. I would love to ask you more questions but I am afraid that I have run out of time. Thank you very much.

**Chair:** Thanks, Anthony. Going back to Angela, please.

Q255 **Dame Angela Eagle:** Why did you have David Cameron as an adviser to your company? What was his role?

***Lex Greensill:*** My board and I decided to approach David Cameron to prospectively become an adviser to us. We had recently lost a procurement process with a significant blue chip company, where, although we had the better technology, that company had taken the view that it did not recognise our brand and it did not know who I was. So I guess we were thinking about how we could grow and expand the brand awareness of ourselves as a firm.

Q256 **Dame Angela Eagle:** Prior to him joining the company, how much contact had you had with him, particularly in your time in Government?

***Lex Greensill:*** I met him a couple of times in the time that I worked for the Cabinet Office.

Q257 **Dame Angela Eagle:** So you would say you did not come across him very much. You didn't really know him.

***Lex Greensill:*** I would not say that Mr Cameron and I were friends, no.

Q258 **Dame Angela Eagle:** What is his job description and role? We have seen "adviser", but can you enlighten us a bit more about the job he has been doing for you?

***Lex Greensill:*** Mr Cameron advised us with respect to the growth of our business. In the time period in which Mr Cameron was an adviser to our firm, we added more than 100 countries to the number of countries that we purchased receivables from customers in, and that analysis and geopolitical thinking was something that Mr Cameron assisted us with. Mr Cameron also met with many of our current and prospective customers—and, indeed, partners that we did business with—and generally assisted us with the growth of our firm.

Q259 **Dame Angela Eagle:** Clearly a successful relationship from your point of view. How was he employed? Was he a PAYE employee, or did you pay him per hour or what?

***Lex Greensill:*** He was a PAYE employee.

Q260 **Dame Angela Eagle:** He was a PAYE employee, okay. Was he employed by the UK part of the company, or by a foreign part of it?

***Lex Greensill:*** The UK.

Q261 **Dame Angela Eagle:** Even though he was not a board member—or, I assume he was not a board member.

***Lex Greensill:*** That is correct. He was not a director of the company.

Q262 **Dame Angela Eagle:** Did he attend board meetings?

***Lex Greensill:*** He had a standing invitation to attend.

Q263 **Dame Angela Eagle:** Did he do that regularly?

***Lex Greensill:*** Yes.

Q264 **Dame Angela Eagle:** What were the value of the share options, or certainly the percentage of share options that he was allocated? We have heard 1% bandied about. Is it that or is it different?

***Lex Greensill:*** You will appreciate, Dame Angela, that I am not allowed to give you the exact numbers, but I can tell you that it was less than 1%.

Q265 **Dame Angela Eagle:** Less than 1%. More than 0.5%?

***Lex Greensill:*** I am not going to haggle with you, but I would say that it is less than the 1% that has been bandied around in the press.

Q266 **Dame Angela Eagle:** Is there any reason why you cannot tell us what that is? There does not seem to be any reason. Lots of people think that money is quite a nice thing—are you embarrassed to talk about money?

***Lex Greensill:*** No, but I am very careful about respecting the confidence of people who were employees of the company. I understand that Mr Cameron is giving evidence to you in two days' time, Dame Angela, so perhaps it would be most optimal for you to ask that question directly of him.

Q267 **Dame Angela Eagle:** I had noticed that we have that coming up, so don't worry, I am sure that some questions along those lines will come from one of us—maybe not me, who knows. Before he agreed to approach the Chancellor about the CCFF scheme, did you give him any briefing notes to let him know what it was you wanted him to lobby for on your behalf?

***Lex Greensill:*** Mr Cameron and I definitely talked about the matter before he spoke to anyone in the Bank of England or Treasury. I believe that he had sight of the submission that we had made to the Bank of England prior to the implementation of the CCFF. I am sure you have perused the material that the Governor of the Bank of England provided. We had heard what the then Governor had said, that he thought that there would be need for Bank of England support for supply chains, so we wrote to him, and Mr Cameron had seen that. Then, once the scheme was announced, Dame Angela, we made an application to the Bank of England, and Mr Cameron would have had visibility of that application. I don't recall that he would have been provided with anything above and beyond that which we had provided and is therefore now in the public domain.

Q268 **Dame Angela Eagle:** Okay, so there is nothing else to publish about that, as far as you can tell.

***Lex Greensill:*** Not to my recollection, Dame Angela.

Q269 **Dame Angela Eagle:** How much use did Mr Cameron make of your private jets, the four that your company had?

***Lex Greensill:*** That would be for Mr Cameron to comment on, Dame Angela.

Q270 **Dame Angela Eagle:** Come on, that is not a secret, surely. It is a cost for your company. We have seen photographs of him all over the place talking to people. He must have made some use of your private jets? Did he have one to hand, or did he generally go with you? What was the way that you organised the use of those private jets in the company?

***Lex Greensill:*** Sure. The private aircraft that the company had were for the use of the executives of the company. David and I—I apologise, Mr Cameron and I—did travel together on company aircraft. That was certainly an efficient way of getting around.

Q271 **Dame Angela Eagle:** Presumably there are records of all that.

***Lex Greensill:*** Absolutely. There are records of every aircraft usage that ever took place.

Q272 **Dame Angela Eagle:** Why was Mr Cameron meeting your insurers in Australia? You had a meeting there with insurers.

***Lex Greensill:*** That is correct, he did. Mr Cameron was in Australia speaking at an event—forgive me, I am sure you will want to know who that is. He was in Australia on a speaking tour, speaking at the invitation of the United Israel Appeal. Given that he was in Australia already, he provided one morning of his time while he was there, and during that time he met with a group of our current and prospective customers, and also met with one of only two Australian insurance companies that we worked with. He met with the chief executive and a number of other board directors of that insurance company, together with our broker, Marsh. And that was consistent with what he had done in meeting with other insurance companies that partnered with us and other institutions generally that worked with us.

Q273 **Dame Angela Eagle:** Okay, that is good. Thank you. Finally, this is just something that has come up from something you said in earlier evidence: did Credit Suisse ever reject any paper that you offered for securitisation?

***Lex Greensill:*** Yes, they did.

Q274 **Dame Angela Eagle:** And was that a regular occurrence?

***Lex Greensill:*** I would think it probably happened a couple of times a month, Dame Angela. And you may say, "Well, why was that not more frequent?" The answer to that is that the funds that Credit Suisse operated had very clear rules around the eligibility of assets that could go into them. We didn't change customers very often, because you will appreciate that once you are financing the supply chain of a company you will keep doing it for an extended period of time. Consequently, it would be unusual for them to reject a transaction.

Most likely it might be if it is, for example, a new customer that perhaps they didn't adjudicate was within the rules, but in terms of actual limits, those limits are just a mathematical calculation relative to information they told us as to capacity and the rules of the fund. So, obviously we would not offer them something that we knew to be in breach of the rules. Does that answer your question?

Q275 **Dame Angela Eagle:** So they turned you down sometimes. What did you then do with those with those assets that you had tried to securitise?

***Lex Greensill:*** Certainly. Credit Suisse was definitely the largest of our investors, Dame Angela, but it certainly was not the only one. There were 52 banks that bought assets from us and several dozen institutional investors that also bought assets from us, including many significant institutional investors here in Britain that you would know well. So, an asset that was offered to them, if they declined it, it would likely end up being purchased either by Greensill Bank or by one of the dozens and dozens of other investors who purchased assets from us on a daily basis.

Q276 **Dame Angela Eagle:** So your own bank purchased the assets if you could not send them, perhaps, to the Credit Suisse funds. This is the bank that BaFin is now investigating in Germany, isn't it?

***Lex Greensill:*** That is correct.

Q277 **Dame Angela Eagle:** And they are looking at criminal charges over there, are they not?

***Lex Greensill:*** There have been no criminal charges laid against staff of Greensill Bank, but I have certainly read of the commentary in the press.

Q278 **Dame Angela Eagle:** And there are some German towns who invested institutionally in that bank that have lost a lot of money as a result of what has happened.

***Lex Greensill:*** Like you, I have read that in the press as well.

**Dame Angela Eagle:** So there is more than one loser here. Thank you very much, Chair.

**Chair:** Thanks, Angela. And finally we are going to Julie, please.

Q279 **Julie Marson:** Thank you, Chair, and thank you, Mr Greensill. We are at the last hurdle. I would just like to recap the first questions that the Chair asked you about Lord Myners and your meeting. Just to be very clear, Lord Myners told this Committee, "I was contacted by somebody who said that Lex Greensill would like to meet with me, so I went to meet with Lex Greensill". Am I correct in recalling your answer saying almost the opposite—that someone told you that Lord Myners wanted to meet with you, so you met with Lord Myners?

***Lex Greensill:*** Correct.

Q280 **Julie Marson:** Okay. Why did you want to meet Lord Myners? What were your motives in taking that meeting? You are running a huge company; you have got other commitments, I am sure. Why would you want to meet someone who has been quite hostile, asking very difficult questions about your company?

***Lex Greensill:*** First, Lord Myners is a very respected member of the financial establishment and an ex-regulator. We were a growing firm. He had, as you said, raised questions about our firm, and others, in Parliament, so I was keen and happy to meet with him because it gave us an opportunity to learn from his views. He had some clear views around the way that open-ended funds and illiquid assets should interact with one another, which he has been outspoken on.

I was keen to ensure that he understood the nature of our business and the assets that we purchased in our business, so we had a constructive conversation around his concerns and the way our business worked. He noted that there are risks within our business, but those risks were different from what he had initially anticipated or viewed them to be. I certainly recognised that there was always room for continued improvement in terms of compliance and that as we were growing as a business, it was inevitable that we were moving into more regulated spaces. Therefore, his input was invaluable.

Q281 **Julie Marson:** He called you a very charming man. Did you use your charm to buy him off and get him off your back?

***Lex Greensill:*** I told him the way our business was. If he regards that as charming, I am gratified that that was his view.

Q282 **Julie Marson:** Was the offer of a job, or the talk and the progressing of the offer of a job, a genuine gap in your board capability or an ad hoc offer? Was it "this has just occurred to me right now; this seems like a good idea"?

***Lex Greensill:*** If you were to look at the composition of our board, you would see that we do not have anybody with a regulatory background. Our business was growing. It was heading in the direction of potentially becoming a public company, so therefore we saw that expertise as valuable. When Lord Myners ultimately declined, we ended up hiring a significant regulatory expert as vice-chairman of our firm, because Lord Myners did not take that position. From that perspective, we were hiring, and we did hire a very significant person with real credentials in that space.

Q283 **Julie Marson:** Did you relay the result of that meeting and give David Cameron a mission to talk to Lord Myners? We know that he ran into him at a meeting some weeks following that and made sure that he spoke to him. Did you give David Cameron a mission in that respect?

***Lex Greensill:*** No, I do not recall giving David Cameron a mission. I am not sure I ever gave David Cameron a mission. I believe that Mr Cameron met with Lord Myners in October 2019 and my meetings, as I mentioned to you earlier, were in July and September of 2019.

Q284 **Julie Marson:** Thank you. One of the people who did lobby the Treasury on behalf of Greensill was Bill Crothers. How did you come to employ Bill Crothers?

***Lex Greensill:*** I met Mr Crothers in connection with the fact that he was, if my memory serves me correctly, the senior civil servant with responsibility for the Crown representative programme, of which I became one. When Mr Crothers ceased to be the chief commercial officer in the Cabinet Office, and a new person had been appointed to that role, he was thinking of other things to do, and I invited him to be an adviser on a part-time basis within our firm. He started as an adviser to us after he ceased to be the chief commercial officer.

Q285 **Julie Marson:** He was still the Government Chief Procurement Officer for at least two months, wasn't he? There was an overlap with that time in the Treasury and civil servants have referred to the fact that that double hat position was allowed to happen as "extraordinary." Did you think that was a conflict of interest or did you just think you were very lucky?

***Lex Greensill:*** Ms Marson, just to be clear, he was no longer the chief commercial officer or Chief Procurement Officer at the point that he became a part-time adviser to Greensill.

Q286 **Julie Marson:** There was no overlap?

***Lex Greensill:*** He was still an employee of the civil service, but he was no longer the chief commercial officer in my recollection of events.

Q287 **Julie Marson:** What was his role in the civil service at the time you employed him, just to be clear.

***Lex Greensill:*** I do not actually know what his title and role were, but I think he was in the process of helping his replacement with their transition. To be open with you, Ms Marson, I am speculating when I say that. I can find out exactly for you and provide you with a written answer, if that would be helpful to you and the Committee.

Q288 **Julie Marson:** That would be very helpful, because there has been a lot of comment about those dual responsibilities and the potential conflict of interest—the double hatting. In a previous Committee it was described by current civil servants as "quite extraordinary" that that was allowed to happen. That has been talked about as if it was actually happening. That might have pre-empted the next question, which is did you ask Jeremy Heywood or John Manzoni—who was the head of the civil service, the chief executive—to approve that position, that overlap, that double-hatting situation?

***Lex Greensill:*** Absolutely not.

Q289 **Julie Marson:** Thank you. Mr Crothers' consultancy was called Commercial Common Sense. Was that the vehicle you paid him by? Was that the entity that you paid him with?

***Lex Greensill:*** I do not know the answer to that question off the top of my head. That was not a detail I came armed with today. My recollection is that he started out when he was part time through a consultancy entity, but he became an employee. When he was full time, he was an employee of our company, and at the time of the company going into administration he was still an employee of the company.

Q290 **Julie Marson:** What did he do for Greensill over this period?

***Lex Greensill:*** One important detail to share with you is that, again, he ceased to be a civil service employee in November 2015, and the first UK Government contract we funded on was in, I believe, July 2018. Bill Crothers' role was to assist us with bringing order to our sales function on a global basis. Once he became a full-time employee, his role was heading up what we call origination, which is fancy speak for sales. Basically, he oversaw the client interactions our firm had with clients around the world.

Q291 **Julie Marson:** That does not really cover the fact that he was lobbying for Greensill as well. What kind of lobbying activities did he do? What did you want him to do that related to his previous role within the civil service?

***Lex Greensill:*** Mr Crothers was not lobbying Government; we did not actually have any Government business for two and a half years after he joined our company. His focus was on private sector. We won the first contract that we had with the UK Government, which I should emphasise was won, contrary to what was said in this Committee two weeks ago, through a very intensive competitive process. Indeed, the vetting of that contract was actually conducted as a straight-out auction on price, where our pricing was 40% lower than the incumbent. That was the basis on which we were ultimately selected. After that programme was in place, Mr Crothers then worked in a leadership role in our Earnd business, which was the product that was providing daily pay to employees within the NHS, but we were also aiming to develop that for the private sector.

**Julie Marson:** Okay, thank you very much. I think that I am out of time. Thank you, Chair.

Q292 **Chair:** Thanks very much, Julie. I would like to quickly follow up on the lobbying questions, Lex, and go back to my earlier question right at the start. I think you said that the first time you realised that Greensill was really in trouble was at the end of 2020. I think you may have said December, which is also exactly the time that David Cameron says that he first became aware that Greensill was in trouble. In his recent letter to me, he said, "The first time I became concerned that the company might be in serious financial difficulty was in December 2020 following a call I received from Lex Greensill."

That, of course, is quite distant from the period during which the actual lobbying was being carried out, hence my earlier questions about what the motivation for the lobbying and trying to tap into CCFF was at that point. I think you went as far as to suggest that with the pandemic, which of course ended up causing lots of problems for Greensill, it would have been helpful if CCFF access had been achieved in terms of providing additional security for the business, given the uncertainties ahead. Was that a discussion that you had with David Cameron at that time? Did you share those fears with him about the uncertainty going forward and the impact that it might have on the business, and therefore the fact that access to CCFF might have been useful in that specific respect?

***Lex Greensill:*** Mr Cameron and I talked about the fact that there was uncertainty in capital market liquidity, and that could absolutely affect our clients. As ultimately, and the numbers prove this, the volume of receivables that we purchased in 2019 was $143 billion, and the amount that we bought in 2020, incidentally, is actually also just a whisker over $143 billion, in fact the events of Covid meant that we were able to provide the same quantum of liquidity to our customers over the course of 2020 as we did in 2019, in spite of the ructions in the market, but we didn't know in March and April exactly what the future would hold.

Q293 **Chair:** I am not sure that that entirely answers my question. Let me rephrase it. Would it be fair to say that your motivation personally in lobbying the Treasury over CCFF was, yes, about providing support for SMEs, but also about providing that additional safeguard given the uncertainties that there could well have been around the business at that time, and that would also have been the motivation of Mr Cameron at that point? He would have been concerned to have got that support, on the basis that the business needed a little more certainty and a little more shoring up than was the case at that particular time, with the pandemic taking off.

***Lex Greensill:*** We had just received more than $1.5 billion of equity investment from SoftBank Vision Fund only a few months before that. There was absolutely no risk to Greensill, the company. Our concern was making sure that there were alternative sources of capital available if capital markets continued to be in a distressed state.

Q294 **Chair:** Yes, so it was a kind of hedge against what might happen if things went the wrong way.

***Lex Greensill:*** That was the reason that the Bank of England put the CCFF in place, and why many corporates signed up for it but then ultimately did not use it—because they regarded that as a safety mechanism, I guess, for want of a better word.

**Chair:** Thank you. That brings us to end of this session. You are probably quite relieved about that, Mr Greensill. Thank you very much indeed for appearing before us. We have covered a lot of ground today. You have very generously and kindly said that you will write to us on various matters. I think probably a good way for us to proceed here will be for us to write to you in very short order setting out the things that we believe you have agreed to write to us upon, and also perhaps to ask some other questions that may occur to us after this session. It has been quite robust. In some parts, it has been a very robust session, but none the less we are a courteous Committee, so we appreciate you having put yourself before us today, and for having answered the questions that you have.