HOUSE OF COMMONS

International Trade Committee

Oral evidence: UK Export Finance, HC 126

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Watch the meeting

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Anthony Mangnall; Taiwo Owatemi; Martin Vickers; Craig Williams.

Questions 125-145

Witnesses

II: Mark Ling, Head of Trade & Supplier Finance, Santander UK, Bhavna Saraf, Head of Trade Product, Lloyds Banking Group, and Ian Tandy, Managing Director, Global Trade & Receivables Finance UK, HSBC UK

Examination of witnesses

Witnesses: Mark Ling, Bhavna Saraf and Ian Tandy.

Chair: I will let you introduce yourselves in your own terms—name, rank and serial number—starting with Mark.

Mark Ling: Hi, I am Mark Ling, head of trade and supplier finance at Santander. I have been an international banker for over 40 years now, in Standard Chartered, RBS and for the last seven years, Santander.

Chair: It is amazing to see that Santander start their bankers at the age of five. That's very good!

Bhavna Saraf: Good afternoon. I am Bhavna Saraf. I am head of trade product at Lloyds Banking Group. I have also spent a fair amount of time, though not as much as Mark, with my previous 10 years at Citibank, HSBC and Rabobank.

Ian Tandy: Good afternoon, Committee. My name is Ian Tandy. I am the managing director of global trade and receivables finance for HSBC UK. I have also been a banker for many years—not quite as many as Mr Ling. My career in the main has been in the support of companies that trade internationally, both import finance and export finance. I also undertook a wider management role, post financial crisis, looking after our SME clients in the south and east of England, so I have both an international trade and an SME background

Chair: Thank you all. To kick of this panel, we have Mark Garnier.

Q125 **Mark Garnier:** May I start with Ian? My first question is about this partnership that the five high street banks have with UK Export Finance, which began in October 2017. Before we get into the meat of the question, I'd be interested in what you understand by the partnership. One of the very first things I did when I was a Minister, back in June 2016, was that we signed a memorandum of understanding between the five high street banks, basically to pass down the signing-off capability of all banks to all the banks in the partnership, for up to £4 million of export credit, so you could make that decision. I am just wondering if this question is more referring to the fact that the banks are there to act as partners in terms of offering the finance, which is obviously backed by the export credit guarantees, for those people who don't have bank accounts in the UK. Ian, can you talk through how you see this?

Ian Tandy: Of course I can. Personally, I have been working with UKEF even before it was called UKEF, in terms of ECGD and support of our UK-based customers.

The MOU that you are referring to in 2017 was signed by the high street banks. It was the intention for us to work coherently together in support of UK plc. One of the feedback points at that time was that we needed to be quicker within our support and we also needed to work towards more of an online portal application, so there could be delegation to the banks, within certain parameters, obviously, of the facilities. The facilities at that time were the bonding scheme and the export working capital. It has progressed since the signing of that.

If I look at some of the stats that we have, we had about 30% of applications for UKEF support on behalf of our customers going through the portal in 2018-19. That has improved, going up to 50% or 60%, in the last couple of years; and latterly—I guess we will come on to talk about the general export facility—it has been more in the 80 and 90 per cents.

Our intention in signing the MOU was to be seen to be supportive and, more importantly, to think about what we could do to make this more effective for our customers and for UK plc as a whole and to work towards the collective aim of using the delegated powers, within the confines of the controls and the criteria that we have, for the benefit of both our customers and the UK.

Q126 **Mark Garnier:** How do you think it has gone? One of the interesting statistics that came out when we were first looking at UK Export Finance was the number of customers or clients that UKEF had, which was 200 or 300. It was an astonishingly low number in terms of absolute numbers. You guys have a distribution network, between the three of you, of hundreds and hundreds—thousands—of banks across the country, all with small business facilities. You would have thought that if each bank branch had just one customer, we would have close on 1,000, 2,000 or so potential customers for UK Export Finance. So how do you feel it is working? There seems to be a problem, but I can't work out what the problem is. Do you have any thoughts?

Ian Tandy: I do. Taking it back to first principles, if we can do it ourselves and write it on our own balance sheet—of course, HSBC is global by its very nature, so we have global credit policies—I would expect us to do the vast majority of the transactions ourselves. It is only when a company is looking at a potentially larger contract or looking in a marketplace that we don't cover that we use UKEF.

If I look at the numbers that we have, I see that, compared with my corporate base, it does look like a very small number. For me, the question is: are we, as the banks and UKEF, providing support to the SMEs and UK corporate finance? In terms of the way we utilise UKEF, the reality of the situation is that in the vast majority of cases we will write the transaction ourselves. I guess that if you brought the number of transactions that we have financed into the numbers that you were just talking about, the numbers would be much larger.

Q127 **Mark Garnier:** May I push back on that? I was also on the parliamentary commission on banking standards, so one of the things that obviously I am acutely aware of is how you guys run your balance sheets and your risk profile. Presumably, if you are putting down a lot that is underwritten by UKEF, your capital adequacy ratios and all the rest of it are going to look a lot better, and this will then extend to your ability to lend more money, because ultimately you are getting interest on the money guaranteed by UKEF. So surely there must be structural banking reasons why you would want to use UKEF more, given the fact that you have that facility, within 24 hours, to write up to £4 million-worth of guarantee. Or have I completely misunderstood?

Ian Tandy: No, you haven't: of course, from a capital point of view, it does make sense. But this all starts with a conversation with our customer in terms of what they need to borrow from us. Therefore, we take responsibility. They are our customers and therefore we understand their aspirations to trade. We look at their working capital requirements. Therefore, wherever possible, we will put it on our own balance sheet—that's first principles. If it goes outside our credit appetite, that is when we look for some UKEF support or some other support, as opposed to saying no to the client for that transaction.

Q128 **Mark Garnier:** What that suggests to me is that you are nowhere near using up much space on your balance sheet to provide export financing.

Ian Tandy: I guess we will come on to it, but the relationship is developing, without a shadow of a doubt, and the latest product, the general export facility, which is more of a working capital facility—you would know it as an overdraft, a term loan or a revolving credit facility—is certainly going down incredibly well with some of our customers, especially those who are looking to the banks, looking for opportunities on a global basis and looking for the confidence to go after larger transactions that their covid balance sheets do not necessarily support. We have certainly seen more appetite from our customers in relation to the general export facility, simply because it's a general facility, in terms of a working capital facility, to play to the confidence levels, as opposed to a specific transaction, which is what we have seen historically.

Q129 **Mark Garnier:** Bhavna or Mark, do you want to add anything to that, or shall I ask some specific questions? Bhavna, you're a big UK bank with an international presence. Why aren't you lending more money to exporters, using the UKEF facility?

Bhavna Saraf: Part of it is that the previous facility—I think Ian alluded to it—was pretty restrictive, in terms of being tied to a particular export contract. If that became like a tick box that you had to tick every time, it really limited the usage of it. The newer facility, the GEF, which is general export finance, provides a little more flexibility. The beauty of this programme is that not only is it helpful for exporters but it supports imports that are ultimately exports. That opens up a whole array of different applications by allowing some of the importing clients also to benefit. It is new on the shelf right now, but we already have a couple of clients that have gone live on deals, so we are expecting good take-up.

Similar to what Ian said, we take a dual consideration in the application of UKEF. Your point is absolutely valid, Mark, that it provides us better capital relief when we provide UKEF. The capital of the banks is finite, so we can use less capital to get out more liquidity. That is the mantra that we want to follow all the time. With the new flexibility that the GEF programme allows, I am convinced that we will see increased application, for all the good reasons you mentioned.

The other point that I want to make is that, given the pandemic experience, a lot of our clients are now looking at new emerging markets, new geographies that they are looking to. For Lloyds, having the support of UKEF allows us to raise our ambitions to support our clients into those difficult emerging market geographies, which we might not be able to do by ourselves.

The final point I will make is that, especially when we are looking at some of our SME clients, some of the principles of our levy are based on getting necessary security. Having this as a provision takes away that requirement to a certain extent, because we get the 80% cover. Again, that should prove a very helpful avenue for us to enable the community to meet SME clients more widely.

Q130 **Mark Garnier:** Mark, quickly, we will give you a chance to come back on any of that. Part of the problem seems to be that the relationship between UKEF and you as the big five has been developing over time. Do you think we are getting there?

Mark Ling: I have been chairing the working group under the auspices of UK Finance, our industry body, probably for the past three or four years now. The extent of the collaboration across the banks, first of all, has been off the scale, compared with what I have experienced before in my career. We all acknowledge that for us to be successful as a country, a much wider ecosystem needs to be put to work, rather than just one individual bank, no matter how powerful. You still have some powerful, large international banks in the UK.

In Santander, our ambition is to support fast-growth international businesses. That is core and centre to our strategy, and not just in our overseas markets. So, the relationship with UKEF is fundamentally core to our own proposition. In this audience, we are very focused on the short-term capability of UKEF, which is what we have been developing, particularly over the past three years.

I have been involved in the process from the get-go. Like Ian, I remember the old ECGD and its Cardiff offices from my days in Bristol. I think we have now seen a step-change, Mark, which you will see over the course of this year, as those five banks deploy this proposition. Deployment has started in earnest, but we have a complicated guarantee—maybe we will come on to that later—which requires a lot of work from all parties to make it work. It should be relatively seamless to the exporter, which is a good thing, but for the banks and UKEF, there is a lot of complexity.

If I look at my pipeline, this time last year probably only 5% of it was supported by a UKEF short-term product; that is now at 22%. There has been an absolute step change in our pipeline. We are not the biggest bank in the UK, but we certainly have all the ambitions that I have talked about.

Our market share is about 7%, but in my discussions with all the other banks in the working group that I chair the story is very positive, so I think that we are in a pretty good place.

Remember that this product was not designed for covid; this product was designed to support exports, and certainly to support the Brexit agenda. It gives flexibility, and the level of confidence that it gives to exporters now, and indeed to the bank's own internal people, whether that is our relationship directors, our credit people or our own specialists in the international trade and working capital space, has improved immeasurably. I can see that very clearly in Santander, but I hear it in anecdotal stories from a lot of the other banks as well.

Q131 **Anthony Mangnall:** Not to contradict my colleague, but is it £4 million or £5 million?

Mark Ling: It is £5 million. That is quite an important point: it is £5 million delegated authority. You can go, on what we call a manual basis, up to £25 million, but it could be higher. We have had to put in notional numbers to make sure that people know where the expectation is, but in reality a GEF facility could be £50 million, if it is right opportunity.

Mark Garnier: But it is a 24-hour answer, which is a £5 million loan—

Mark Ling: It is not really 24-hour. Once the banks have done their processes, Mark, if everything is aligned to the characteristics of the programme and the rules of the programme, UKEF can be on cover the moment the bank presses the button. There is no decision. With a delegation product, there is no decision.

Q132 **Mark Garnier:** I am conscious of time, but very quickly on this, the idea behind the MOU that we signed back when I was first a Minister was to get a decision within a day from the bank. That was the idea behind it. Your customer would approach the bank, and the idea was to get a decision—

Mark Ling: No bank is going to give a decision within a day around a transaction unless it is a straightforward mortgage decision. That is not how banking works today, and it is certainly not how trade finance works.

Mark Garnier: I was perplexed by that at the time, but I did not want to stir up too much trouble having only just got my new job.

Chair: A 25% increase there between Mr Garnier and Mr Mangnall's questioning, so that was quite good. Time is an issue. Without much further ado, I will go to Paul Girvan.

Paul Girvan: Thank you very much indeed, Chair. I thought Mark was going to say that the strategy of Santander was for global supremacy at one stage.

Mark Ling: We leave that to HSBC.

Q133 **Paul Girvan:** Maybe that is an aspiration. Apologies. Ian, can you tell us more about how the process works with your customers, in what circumstances you would offer a UK Export Finance product rather than one of your own, and whether this is related to the risk associated with the transaction?

Ian Tandy: Thank you very much for the question. The point I made before was that, wherever possible, we will utilise our own products and our own credit appetite to support a deal in their wider working capital within the business.

Let me speak to how it happens. A conversation goes on between the relationship manager and a customer, if they are a customer of HSBC. If they are a customer of another bank, we will have a conversation with them. We will talk to them about the type of credit that they are looking for. We will talk to them about where they trade—where they trade today and where they are planning on trading at some point in the future, to get an understanding of the geographical considerations.

We will also look at how they trade, whether or not they offer credit, whether they use some trade instruments, letters of credit and collections, and whether they use credit insurance, just to get a general understanding of where the business is. We will then take that forward for an initial view on what our appetite is relative to our particular product suites.

If we see that there is a gap between the quantum that has been asked for from the customer and, indeed, the quantum that we are able to provide under our normal appetite of the products and the various geographies, we will introduce the concept of: "We don't think we can get there in terms of the quantum, but we do believe that there is a potential solution out there, especially related to the general export facility, for us to work with UKEF. Is this something that you as a customer would like us to investigate?"

Is this something that you as a customer would like us to investigate?" Normally, they say yes because they are looking for the quantum that is actually required. We then go through our own process to make sure they meet the mandatory eligibility criteria, and then we present it to UKEF either through the portal or directly, if they raise some follow-up questions about the underwriting. In the main, Paul, we start by offering our own products and services, and within our credit appetite. But if it is becoming clear, as we are having the discussion with a customer or internally, that we are not able to get there, for whatever reason that may be, we then look to introduce the concept of UKEF as a way of providing the customer with the working capital that they need. I think that is fairly standard across banks.

Q134 **Paul Girvan:** Roughly how many, percentage-wise, would there be that you refer to the UK Export Finance route? How many would there be, percentage-wise?

Ian Tandy: I am not really able to answer that question, but let me give you the context. Some customers like overdrafts. Some customers, believe it or not, do not like to borrow money from us; they just want our products relating to the LC or the trade. Some customers will just want a term loan. In terms of the number that we have, Mark referred to his pipeline, with about 5%. I think we have done eight deals in 42 days for the general export facility. In terms of the number of transactions that HSBC in the UK will have done, that will be a very small number. But in terms of the trade business, I would say it is growing. I cannot give you an actual number, Paul, simply because it will be an RCF, an overdraft or no finance. In the main, we would look to do it ourselves. But wherever possible, instead of saying no and saying, "We can't help you," and if we believe that there is an opportunity for us to use, through the monetary criteria, the portal with UKEF, you can be assured that we will use it.

Chair: Thanks very much. That was speedily done, which is appreciated.

Q135 **Anthony Mangnall:** Part of my question has been answered and discussed already, but I am quite interested in the process of application. Obviously, a lot of you have online portals, but how does it work in terms of paper applications? How does that change on a country-by-country focus? The other thing that I would be quite interested in asking, because I asked it of the last panel, is, what is your mechanism for auditing and keeping an eye on where your money has gone, and for getting regular reports back? I will start with Saraf, it that's all right.

Bhavna Saraf: Bhavna.

Anthony Mangnall: I am so sorry.

Bhavna Saraf: That's not a problem. I think the processes that we have internally at the moment are still very manual—that is what I would say. But under the delegated authority, we go on to a portal to register our interest and we get the necessary approval on it. From the point of our getting comfortable—if you think about it, all those steps that Ian has mentioned are still fungible. It depends on the client conversations that are taking place and the requirement of the facility—that is all dialogue, and there is not a fixed time. It ebbs and flows, depending on how the conversations are taking place. But very quickly, within a couple of weeks of having those conversations, you will get a good sense of whether you will be able to support that particular client need on a BAU basis, or whether you would need support—in this case, a UKEF guarantee. Once you have made that decision, from that point onwards it is very quick, because the client does not have to do anything; it is just part of the facility arrangement that they do with us.

That is how the process works on it, but what we would love to do is find a way to take out paper wherever possible. It is not something that is there today, but that is the journey we are on. I will use the example of the bounce back loans that we are doing. I don't know whether they are infamous or whatever, but one of the reasons they were oversubscribed at the height of the pandemic was the ease of access to them. It was all digitally run; people could just tap into that additional liquidity and do it. If we are talking about the heart of the UK economy—we know that 90% of

GDP is actually locked into the SME sector—the question is how we can enable that liquidity in a faster, quicker and cheaper manner.

Somewhere in my head I am a digital evangelist. I jump on to "solutionising" most of the time, and technology is at the heart of what I am passionate about. So, I think that somewhere we will need to graduate the delivery of this as much as possible to more digital channels. But what we have achieved, as Mark has mentioned, as a collective—the five banks and UKEF—is quite exemplary. We have really come a long way from what we had previously, the MGA, which was very contract-specific and very rigid, to something that is very flexible, and now that we have that product out, in essence it is all about delivery and bringing some of that efficiency, so I am sure that that will be the next avatar.

Q136 **Anthony Mangnall:** This is a really interesting point. It is incredibly helpful because I would guess that not knowing the timelines for how long it might take to apply has a potentially negative impact on applications in the first place. That is perhaps just the lie of the land and the reality of how it goes. You have mentioned the bounce back loans. Is there a sense that, because of their ease and accessibility, UK Export Finance and you as the five banks working together are learning from that system to make sure that you can actually streamline the process, make sure the eligibility criteria are all up there, and people are able, and more easily able, to access this finance and this support?

Mark Ling: Anthony, we have been in very detailed discussions, as we have highlighted for a number of years, with UKEF, and particularly in the last year when we have worked on GEF. As I say, it started before covid. The ambition for all of us is absolutely to get to a point where we have a portal that can allow us to do things on a straight-through basis, because that will definitely speed up processes and time into money. At the moment, the portal, to be very clear, is for the banks, not the exporters. So, the next stage—once we have really ironed these processes out, we are sure we have the right mix of the product and we are sure it will evolve—will be to look at how we get to a point where we can have an additional portal that can be used both for exporters and for the banks. Of course, there is a level of complexity in that. These things are possible today with technology, but all the banks use different systems and all our customers use different systems, so there is quite a lot of work to be done there.

The fundamental difference here, which is specific to GEF, is that a customer gets a facility now. It no longer has to wait until it has a contract, so it can go forward and secure deals and contracts overseas in the knowledge that it has this firepower behind it. It can be pretty certain as well that even if we have not gone to the full extent of the £5 million, or that we are at that level, if it has the right deals, it probably will be supported for an increase even if that has to go on a manual basis. So, I think a lot more confidence about the support that is there for it, and therefore the speed.

Q137 **Anthony Mangnall:** I think you may have inadvertently walked yourself into a position where we will be inviting you back to the Committee to explain how we can improve the process, so I hope you will not mind. The emphasis here has to be on success, value for money, and the ability for UK Export Finance to deliver. Hearing your thoughts—I am not entirely sure we have the time in this session—as to how we can improve that system would be incredibly valuable. If any of you has any thoughts, I would be grateful if you sent them to the Committee, because there is definitely more that we could do on this.

Bhavna Saraf: I certainly would love to. If you tell me where I need to go, I have three very good points that I would like somebody to take forward.

Chair: Okay. Thank you very much for that. Time is really pressing. I call Taiwo Owatemi.

Q138 **Taiwo Owatemi:** I am particularly interested in the general export facility follow-up that was launched last year. Mark, are you able to explain how attractive this product was for SMEs?

Mark Ling: Yes, it was signed last year, so it has been launched and we activated it in the first quarter of this year. I am not sure whether you heard some of the earlier commentary, but it has really been in the last quarter where all the banks have been able to do all their internal awareness and training and their education across their frontline relationship teams and the specialist teams that the likes of Ian and I have under our auspices, but also our credit teams and our restructuring teams. It is a very wide communication process across the banks. We have certainly been involved in a number of different industry association presentations. We have had people coming into UK Finance, our industry body, and we have had groups of similar people to Ian, Bhavna and myself, creating awareness around that proposition.

I think GEF is going to be a big winner. As I have said before, I think it is a game changer in terms of SMEs and the UK market for exporters. The timing is absolutely perfect because of Brexit, but also because, as Ian pointed out earlier, balance sheets have been really denigrated by covid. There are a lot of companies that need a lot more support than perhaps they would have done before, and this is an enduring proposition that will support our exporters and potential exporters as we go forward.

The one thing I would highlight to everybody, though, is that this is not for first-time exporters. Sometimes we got a lot of messaging into banks—why is this? It was not designed for first-time exporters, so I do not know whether that was something you were going to push us on. Maybe it will be worthy of additional debate at some other time.

Q139 **Taiwo Owatemi:** To follow up on that, do you think there is a platform for UKEF to provide more products to support SMEs?

Mark Ling: We started off with a very controlled set of product propositions, both on the import domestic and the export side, so I think things like, for instance, supplier finance is something that we could extend the GEF principles into.

There are ongoing debates more on the medium and long-term side of the proposition around foreign exchange support. When an SME is bidding for a contract that is in a currency that is not sterling—it could be dollars or euros or yen—it often has to take a foreign exchange risk while it is waiting to find out whether it has got that contract. That is a product UKEF used to have. There has been a lot of call in different fora for that to come back.

I think it is a continual evolution—we touched on it in a previous question. We can look at that. We can look at things like supplier finance. We can look at how we can support first-time exporters in different ways. There is a long runway to go forward, I think.

Chair: Thank you very much. On cue, Martin Vickers has opened his mic.

Q140 **Martin Vickers:** Could I go to Ian first? In a previous evidence session, we heard from the Federation of Small Businesses that it costs high street banks between £15,000 and £25,000 to assess the risk and underwrite a UKEF deal. Is that the case? Can you verify that?

Ian Tandy: I can't verify that, Martin, to be honest with you. There is, of course, cost to us in providing both our own services and, indeed, UKEF services, and of course in managing a deal from inception, in terms of the conversation, in terms of what market, the quantum—there is a cost to the bank. But I want to be absolutely clear: this does not stop us doing that. HSBC believes—I am sure you do as well—that small businesses become medium-sized businesses that become large businesses, and therefore you have to support them at the small end to allow them to become a medium business and to allow them to become a larger business. We are driven by the long view. We are driven by the conversations with the customers.

I did see that evidence, but I cannot clarify those costs from HSBC's point of view. There are extra costs, but we think of ourselves as a relationship international bank and, therefore, if we believe the customer has longevity about them, we will always look to support them wherever we can.

Q141 **Martin Vickers:** Mark, in other evidence, we heard about a high street bank that would not deal with companies applying for UKEF products with turnovers of less than £2 million, which seems very excessive. Does your bank have a similar policy? How do you make a determination?

Mark Ling: There is a whole host of criteria, in terms of GEF, for instance, which is the mainstay of the conversation. You have to be an exporter to start with, or have had exports in the last three years. You have to be of a certain credit quality, and that quality is defined by one of the more technical parts of banking—it is not like an investment grade; these are not investment grade companies. We at Santander certainly do not have any minimum turnover criteria, but we will look at it and say, "Have they met the criteria of this scheme? What does the balance sheet look like?"

We will have lots of companies come to us with propositions, where they have negative net worth. We have to decide whether that overall proposition and how we can structure the deal—tie the deal—are worthy, even before we get anywhere near UK Export Finance to have a conversation. That would have to be done on a manual basis if we believed that there was opportunity. Directly to your question on whether £2 million is a limit that I recognise, no, it is not.

Q142 **Martin Vickers:** Bhavna, do you want to come in on either of those points, the cost to the bank of setting up the deal and the £2 million limit?

Bhavna Saraf: Like my colleagues from other banks, I do not think I qualify the number that you have kindly mentioned, Martin. However, I can say to you that we are just like other banks—that is especially for Lloyds, where our motto is "Helping Britain Prosper", and now "Helping Britain Recover". We are here to serve our clients, but we also have our own policies and criteria that we have to qualify against. That is driven by some of the regulatory expectation that the PRA and the FCA have on the bank. All those expectations add to the costs associated with serving our clients, but there is no differentiation in terms of one particular sector versus another. We are here to serve our clients, and to the extent that we have a viable opportunity, we would definitely find a way to do it.

One other important point that I want to mention is that, as part of the UKEF's obligations on us as the lending bank, we have to ensure that those are viable businesses. The idea is not for us to just go and claim under the guarantee. We have certain obligations as the lending bank to make sure that the underlying businesses are viable and will generate necessary cash flows to be able to repay their obligations under those loans. It becomes a virtuous cycle of making sure that we are meeting the expectations of everybody in the ecosystem.

One of the things that I would definitely put out there for people to think about is that today, the cover that UKEF provides is about 80%. For the 20%, the bank still have to do their own due diligence to see whether they can cover that facility on a clean basis. Is there merit, or food for thought, in whether for certain sectors—you mentioned the turnover of less than £2 million, Martin—the cover can become 100%, as was the case in the bounce back loans, for example, where there was 100% cover? Creative thinking about the entire ecosystem, and all the stakeholders in that ecosystem, has to take place. If there is a viable opportunity, and a set of clients who we really want to help out of this situation, what could our strategy be? We can ring-fence it for those types of client. I think there are definitely some ideas there that can be explored if we want to work on it collectively.

Mark Ling: Martin, could I just add a point to that? I am happy to share with the Committee our trade barometer—all the banks have different research, but we have been running a trade barometer for the last four years now. One of the interesting things—if I go back and think about this from before our own barometer, in terms of other market intel—is that access to finance used to be about No. 3 or No. 4 in terms of importance. We saw that go up pre-covid to about No. 12 in our own survey. It is now at No. 18, Martin, so what is really holding back our exporters and SMEs is not actually access to finance. There are a lot of other things that we need to address, such as bureaucracy, regulation, finding overseas markets and finding suppliers and buyers. There is a lot more that we can do collectively in the whole ecosystem to help drive the export agenda. We sometimes get a bit fixated on finance as the No. 1 issue, but our businesses are telling us that it is not the No. 1 issue.

Martin Vickers: Thanks for that. Back to you, Angus.

Q143 **Chair:** I am just going to mop up with a couple of questions at the end of this panel. As you are all aware, the Committee gets broadcast far and wide, and there are not just people in Scotland and England watching this but viewers overseas and what have you. We have a question from a famous viewer in Wiltshire who works for Make UK and often tunes in: "The feeling is that SMEs feel that the guidelines set by Government through UKEF to banks for financing projects in emerging countries are more restrictive than competitive Governments to their exporters. Some feel that the financial control, higher compliance, key obligations and how the Government applies international commitments on money channelling are making things difficult." How do you feel about the environment that you have with the ecosystem of the UK Government, versus what other companies might have from other Governments across Europe? Any quick comments on that?

Bhavna Saraf: First, let's talk about the good stuff that UKEF is doing, which is a positive and a plus, compared with some of the other ECAs. UKEF may be the only ECA that is able to cover 100% of the documentation risk. That is a huge step, and a huge plus point for us as a lending bank. That has many other implications, in terms of the due diligence that needs to be done and the accelerated process that you are able to have. That is a positive for UKEF as an ECA: I think it is the only one that takes 100% documentation risk.

Chair: That is good to hear.

Bhavna Saraf: Yes. What can be done better? I would say that a good example is some of the Scandinavian ECAs—EKN, EKF and GIEK. They definitely have slicker processes, in terms of being able to enable liquidity. To go back to my earlier point, we have good capabilities; we just need to find a slicker way of getting access to the people who need it.

Ian Tandy: May I add something? You have heard from all three of us that the relationship is evolving. Therefore, there is a two-way conversation—there is a response either way—and I genuinely feel that UKEF are listening to what the banks and customer groups are saying. We genuinely feel that things are improving. Therefore, I would say that it is working pretty well.

Q144 **Chair:** Thank you. It was good to hear some praise for a small country of

5 million that is independent and punching above its weight. I think there is space in the market for another one of those. Much as I would like to talk about that, I will move on to the final question for this panel.

This is something that I picked up with the first panel. At the end of last year, the Government announced that it would end support for fossil fuel projects abroad. What policies and processes do you have in place or are developing to support this change in terms of UKEF products? Who wants to jump in on that one?

Mark Ling: I will go first. Like all the major banks, Santander has a very clear stated aim, right across its business and customer base, to be net neutral by 2050. Santander itself, as a bank, is already net neutral. We have developed a huge amount of policies in relation to the ESG agenda, and they will continue to evolve. There are numerous fora everywhere. We have had very in-depth discussions with UKEF about this agenda. We had a change a couple of months ago, in terms of oil and gas being a controlled sector. We are very clear about how we can deploy UKEF capability and how we cannot, and what is evolving. There is a moratorium, for instance, for SMEs for a year, and all these policies and governance will evolve in the private sector and the public sector. My one concern is that this whole area does not overwhelm us like some other regulation, and that we move forward on a very aligned basis so that we can be very clear with our customers and prospects about what the rules are, because they are evolving. I think we know the big picture, but the detail is evolving.

Bhavna Saraf: ESG is an important tenet of all our considerations, and we look at every deal that comes through, especially related to infrastructure financing. We have had dialogue with UKEF: we have now had about three or four sessions around climate change, where we have had the UKEF teams working with our credit teams and our internal ESG teams to share ideas and best practices, so that we can make collective efforts towards those common goals of a net zero footprint. I would definitely say that very good dialogue is continuing, which is developing fast, and it is good that there is sharing of minds on this particular topic and an ambition to deliver something on some of these targets. Fantastic, is what I would say.

Chair: Excellent. I want to go to Ian, but I am also conscious that Anthony usually has something useful to chip in at this point, so Mr Mangnall, the floor is yours.

Q145 **Anthony Mangnall:** That is very kind—high praise indeed. Just because you are talking about ESG here, and because I asked the last panel about this, would you support the expansion of the Modern Slavery Act to include investment chains rather than just supply chains? When you are looking at UK Export Finance, are you also considering the modern slavery implications?

Bhavna Saraf: We include everything in it, not just from a fossil fuel and carbon footprint perspective: there is definitely a socioeconomic element to it as well, so we definitely have this in our policies. We would evaluate each deal from the full, holistic expectation of those ESG criteria.

Chair: Thank you both for that. Mr Tandy?

Ian Tandy: I was only going to agree with both Bhavna and Mark. This is something we are incredibly focused on as an organisation. We know it is important to our clients, and we have made certain commitments. We have implemented climate change and sustainability policies and presented them to UKEF, so I am totally in line with everything else that the other banks have said.

Chair: Thank you very much for that, Mr Tandy, and thank you, everyone on the panel, for your time. We zipped through the two panels; in aggregate, we are running about five to seven minutes late, which is probably not too bad given the subject matter and the number of moving wheels that we have in this afternoon's session. We are now moving to our third panel. Can I finally thank you on panel two—Bhavna, Mark and Ian—for your time? It is appreciated.