

Treasury Committee

Oral evidence: [Lessons from Greensill Capital](#), HC 151

Thursday 27 May 2021

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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 431 - 538

Witnesses

[I](#): Sir Tom Scholar, Permanent Secretary, HM Treasury; Charles Roxburgh, Second Permanent Secretary, HM Treasury.

Examination of Witnesses

Witnesses: Sir Tom Scholar and Charles Roxburgh.

Q431 **Chair:** Good afternoon and welcome to the Treasury Select Committee evidence session on the lessons from Greensill Capital. We are very pleased to be joined by two very senior officials from the Treasury this afternoon. I am going to ask them to briefly introduce themselves to the Committee.

Sir Tom Scholar: Good afternoon. I am Tom Scholar, Permanent Secretary to the Treasury.

Charles Roxburgh: Good afternoon. I am Charles Roxburgh, Second Permanent Secretary to the Treasury.

Q432 **Chair:** Welcome and thank you both for appearing before us. Could I start, Charles, with a question to you? If you go back to the period of the lobbying in early to mid-2020, and think about Greensill, Wyelands Bank and the Gupta business, what concerns did you and the Treasury have about those companies at that particular time?

Charles Roxburgh: Why don't I take them individually? Greensill approached us, as you know, in March. They made clear that the special purpose vehicles that they used to fund their supply chain finance operations were experiencing difficult financing conditions. This was not a surprise; there was a significant market stress at the time. In March, we knew that their financing vehicles were facing difficulties. That was no indication that Greensill, as a corporate entity, was facing any solvency difficulties in its own businesses. We knew about its funding challenges in the market but we had no evidence that Greensill, as a corporate entity, was facing financial difficulties.

Q433 **Chair:** You had some evidence, though, did you not, from a foreign regulator that there were control failings at Greensill in February 2020?

Charles Roxburgh: The Bank had that information but it did not share it with us at that time. I understood subsequently that that related to the foreign regulator's issues around controls in Greensill Bank, but that was not shared with us at that time.

Q434 **Chair:** Can you tell us when that was shared with the Treasury?

Charles Roxburgh: We became aware of the difficulties with Greensill Bank in the autumn through discussions with the PRA, and there was a conversation when the Foreign Ministry contacted us. We became aware of them in October 2020 and were formally made aware of the specific issues in Greensill Bank in February 2021.

Q435 **Chair:** Did the fact that they were lobbying for access to the CCFF on the basis of being able to include sub-investment grade assets raise an eyebrow and make you think that there might be some issues with the business itself?

Charles Roxburgh: Quite a lot of people were asking us to expand the CCFF to sub-investment grade businesses. We had quite a significant gap

when we launched these schemes between the top of the CBILS product, which was initially £5 million, and the CCFF, which was open only to investment grade companies. We had a lot of pressure from business groups and large companies that were not investment grade to say that there was a gap in the process. In fact, the shadow Economic Secretary encouraged us in mid-May to consider expanding the CCFF to non-investment grade companies. A lot of people were saying that there was a gap in our coverage and we should expand the CCFF to include sub-investment grade companies. That was not what the CCFF was intended to do. It was intended for companies that had been investment grade.

Q436 **Chair:** In the case of Greensill, the fact that they were pushing for that, and that the iterations that did not include it were of no interest to them, but those that did or might were, did not make you feel that there was any scrabbling to shore up the business or concerns about its future at that point.

Charles Roxburgh: They were never seeking their admission to the scheme. At no point was there any discussion of admitting Greensill as a corporate entity to the scheme.

Q437 **Chair:** No, I understand that, but to the extent that they were shoring up their customers and clients, and thereby supporting their business model, while I know it was not directed to support Greensill as such, did that not make you think that they were perhaps thinking that they might become distressed at some point?

Charles Roxburgh: We had banks talking to us to say that there was a gap in the market and we needed to find ways to support non-investment grade companies. That is why, from March, with the launch of CBILS—nothing to do with Greensill—we were exploring how to fill this gap between the top of CBILS, at a £5 million loan, through to investment grade. We had a lot of people saying that we needed to fill that gap.

We looked at international examples. Other countries had loan programmes that spanned a much wider range. We explored a number of options. We explored an option internally that we called CCFF-minus. We did a market consultation on another option, which was a securitisation-based option, which did not work, but we explored that. A bank had brought that idea to us as a way to help sub-investment grade companies that were facing a lot of challenges. In the end, we went with first CBILS, and then CBILS-plus, as we called it, which went up to £200 million, as a way to provide support to sub-investment grade companies that did not have access to the CCFF but needed more than the initial CBILS loan. This was quite a common line of approach.

Q438 **Chair:** Thank you. That is very helpful. You would have known quite a lot about problems at Wyelands Bank at the time. Did you make a connection between Wyelands Bank, Gupta and Greensill in the period between March and June 2020?

Charles Roxburgh: They were separate entities. Wyelands Bank was owned by the GFG Alliance. Greensill was a provider of finance to the GFG Alliance but not part of it. We were aware, because, as the Governor

told you, they had shared with us information that they had raised concerns with the NCA about the GFG banks—Commonwealth Trade Bank and Wyelands—in December.

In May, the Bank wrote to us formally indicating the issues and, as the Secretary of State for Business said yesterday, we shared that information with BEIS, because it was relevant to its consideration of an approach that it had had from Liberty for finance. We were aware and we passed the information on. It was about Wyelands and the Gupta Family Group Alliance. It was not information about Greensill.

Q439 **Chair:** So you did not join the dots together at that point in terms of what was potentially happening at Wyelands and GFG, and, therefore, a potential vulnerability on the part of Greensill.

Charles Roxburgh: We did join the dots between the issues at Wyelands, which the Bank had, by that stage, referred to the SFO, and the conversations that Liberty was having with BEIS. We joined the dots and shared the information with BEIS, because it was relevant to BEIS.

Q440 **Chair:** I am looking at this email to you on 30 March. It has been redacted as to who it is from, but it is a readout of the telephone conversation you had with Lex Greensill, who was joined by Bill Crothers. At the end of that readout, it says, "In addition he"—being Lex Greensill—"claimed that all the companies in their proposed asset bundle bar one would be eligible to access the facility"—that being CCFF—"in their own right (in other words without needing a credit wrapper to secure eligibility)". Do you know who the "bar one" is a reference to, and did you have your suspicions as to who it might have been at that time?

Charles Roxburgh: He did not mention the name, as far as I remember. He did not recall the name. He did not mention it in the meeting, so I do not know whom he was referring to. However, as you pressed Sir Jon Cunliffe on this point earlier in the week, I have gone back to look at the information they provided to us.

Mr Greensill refers to something he calls the "asset bundle". I think what he is referring to there is information that they submitted to us as part of their application. This is commercially confidential, because our duty of confidentiality still continues, but they provided the information to us. That information listed a number of firms. It was an illustration of the sorts of firms that they thought would be able to benefit from the scheme that they proposed and we rejected, but this was part of their application to it.

I went back and looked at that list of names, and most of them are, indeed, investment grade. I cannot say who is on the list, but I can confirm that there are no GFG Alliance entities on the list.

Q441 **Chair:** Does that, therefore, mean that that reference in that email and readout was not to a Gupta or GFG business?

Charles Roxburgh: That is what I have deduced from having looked back at the list.

Q442 **Chair:** That is very helpful. Thank you. From your interactions with Lex Greensill and the situation at that time, do you think he would have known that there were looming problems for Greensill at that point? As you look back now, and given what we know now and what was going on at that time, do you think Lex Greensill was sitting there thinking, “I have a business that has looming, significant problems coming down the track”, and that that was part of the motivation for engaging with you as vociferously as they did and he did?

Sir Tom Scholar: I cannot speculate on his state of mind.

Q443 **Chair:** No, I am not asking you to speculate on his state of mind. I am just asking whether, looking back now and given what was happening, you think there is a possibility that he may have been sitting there feeling that. Did you discuss that at all within Treasury or with the Bank?

Charles Roxburgh: We knew about the problems he had in funding his SPVs. We did not discuss whether his core business was in trouble. I cannot speculate on whether he had insights into his core business that we did not. We knew about the funding problems. We had no information about any threat to the solvency of his core business. That emerged much later.

Q444 **Chair:** This is a related question, but not quite the same. Are we right in saying that the Treasury, during the lobbying period, had no suspicions or concerns that there might have been a looming, major issue around Greensill itself?

Charles Roxburgh: Yes, about the core business of Greensill, correct.

Q445 **Chair:** Could I quickly turn to the arrangement with the pharmacies that Greensill had, and the information that came your way from Mr Greensill that it might be difficult to keep that part of the business functioning fully? You passed on the concerns to the Department of Health and Social Care. When it came to the British Business Bank and CLBILS, and Greensill’s interest in getting accredited for that, which it did achieve in June, did you similarly voice any concerns about that with BEIS or the British Business Bank?

Charles Roxburgh: The reason I contacted the NHS—initially, David Prior, the chair of NHS England, and then, in parallel, David Williams, my opposite number at the Department of Health—was that Mr Greensill had specifically told us that, because of the funding difficulties he was experiencing in the market, he might not be able to support the pharmacy programme. We were in the middle of a major public health crisis, when pharmacies were a critical part of our response. It would have been simply irresponsible of me not to talk to the Department of Health and NHS England to say that we had had this information. That gave them an opportunity to develop a contingency plan for a specific risk that had been identified to us by Greensill.

Those funding difficulties were not at all relevant to the CLBILS application, which was a completely different issue, so we did not raise it with the British Business Bank. As you know, the British Business Bank process is an independent one. It does not consult with us. We have

agreed the criteria and the process, but it is independently conducted. The information that I had about those funding difficulties on the SPV was not material.

Q446 **Chair:** When did you first become aware that the British Business Bank would be providing CLBILS that would be going, basically, to Gupta's businesses? There were a whole series of these, adding up to about £400 million. When did you first become aware that that had happened?

Charles Roxburgh: There are multiple parts to that question. I became aware that they had applied to the CLBILS when they told me, from memory on 24 April, that they had applied. They told me later, in June, that they had been accepted, so we knew that they had been accepted to be an accredited lender under that programme. I cannot comment on whom they extended loans to. As you know, those guarantees have been suspended and I cannot comment on any details of them. I can say that the British Business Bank became aware of concerns about the CLBILS guarantees and informed us. It has begun an investigation, and those CLBILS guarantees are suspended. That was in October.

Q447 **Chair:** In respect of those particular CLBILS that I am defining as relating to Gupta, are you saying that you were in touch with BEIS and the British Business Bank to make sure that they were aware of what you were aware of around Gupta/Wyelands Bank?

Charles Roxburgh: As you know, we had already shared the information that the Bank shared with us about Wyelands and GFG. We shared that with BEIS in May. Subsequently, when the Bank gave us an update on that information at the end of July, we informed BEIS in early August. So we had passed that information on to BEIS. I cannot comment on the specific loan guarantees that Greensill issued but, in general, the British Business Bank gets the information about whom the loans have been extended to. The British Business Bank alerted us to its concerns and informed us that it was going to launch an investigation, and those guarantees have been suspended.

Q448 **Chair:** Was there more that the Treasury could have done to have avoided the British Business Bank having got into that situation in the first place?

Charles Roxburgh: No. We shared the relevant information at the relevant time.

Q449 **Chair:** We have talked about these risks around Wyelands and Gupta, thoughts about Greensill, et cetera. Did you share that with the Chancellor? When he got that initial text on 3 April that set the ball rolling in terms of his involvement, were you having conversations with him about the whole solution, or was it very arm's length, where you were just left pretty much to go away and do what you then did?

Charles Roxburgh: On Wyelands, as with any bank that is under regulatory scrutiny and where the Bank is monitoring it, we updated the Chancellor, when he became Chancellor, on the situation. As you know, the Bank and the Treasury have an established protocol for keeping us informed of where there might be, down the line, a risk to public funds,

so we were involved in those discussions and he was informed in that. We did not have meetings about Wyelands. He was informed of the situation on that.

When we had the approach from Greensill in March, which was a letter to the Chancellor, the Chancellor was aware that those discussions were underway, and he was aware of the funding difficulties in the special purpose vehicles. There was no secret about that. Mr Greensill had put that in his communications with us, so the Chancellor was aware. As you will hear from the Chancellor, he was handling an awful lot of other, far more time-consuming pressures than this. He did not spend a lot of time on this. Frankly, I did not spend a lot of time on this, because I, too, was working on a lot more time-consuming and intense situations at the time.

Q450 **Chair:** Would the Chancellor, for example, have been aware of the foreign regulator's warnings about control failings at Greensill?

Charles Roxburgh: The Bank did not share those with us in mid-March, so I do not believe he would have been.

Chair: Thank you very much. That is very helpful.

Q451 **Felicity Buchan:** Good afternoon. I just want to follow up on a few points on that evidence. Charles, when David Cameron came in, he told us that Greensill and the Gupta family of companies had a "symbiotic" relationship. Were you aware of that relationship when you were having your discussions with Greensill?

Charles Roxburgh: We knew that Greensill was a significant provider of finance to the Gupta Family Group Alliance, because it was much reported in the newspapers. This was not a secret; it was well known that Greensill was a significant provider of finance to the GFG Alliance.

Q452 **Felicity Buchan:** Were you concerned about any reputational issues at that point in time in dealing with Greensill, given its relationship with the Gupta group?

Charles Roxburgh: There were reputational issues around Greensill. You could read the newspapers at the time. There were issues around the reputational side of Greensill, but we have to talk to companies, even if they have bad press. The specific proposal from Greensill was the one that we considered and rejected in two weeks. From 4 April onwards, we were thinking about a broad, industry-wide scheme to see whether we could support small businesses through a broad, industry-wide supply chain finance scheme. It did not work, but, had it been open, it would have been open to any non-bank provider of supply chain finance.

Q453 **Felicity Buchan:** So you were aware of the reputational issues, but you were not overly concerned by them, given the nature of your discussions.

Charles Roxburgh: We were aware of what we read in the press about Greensill. We were not aware of any other information that has subsequently come to light. We were aware of what was in the press and there was no information that the Bank had shared with us about Greensill.

Q454 **Felicity Buchan:** You did not think it was appropriate at that time to question Greensill about what was in the press.

Charles Roxburgh: We rejected their application, for multiple reasons, so there was no reason to go back and ask them for more reasons to reject its application. We had rejected it.

Q455 **Felicity Buchan:** Tom, when David Cameron approached you, did you see him as being the former Prime Minister David Cameron or as David Cameron, the representative of Greensill?

Sir Tom Scholar: I did not know that he was working for Greensill until that point, so that was news to me. Obviously he is a former Prime Minister, but it was equally clear to me that the issue he was raising related to the company he was working for.

Q456 **Felicity Buchan:** Do you feel as though you gave him and, therefore, Greensill more attention, because the lobbying representative was a former Prime Minister?

Sir Tom Scholar: No.

Q457 **Felicity Buchan:** So any supply chain finance company that had approached you would have had similar treatment.

Sir Tom Scholar: I took one phone call from him, which lasted less than 10 minutes. Subsequently, I joined one other call, for which we have released all the information, which Charles joined as well. That was with Mr Greensill and Mr Cameron, but that was the full extent of my involvement. For the rest of it, as officials, the way in which we worked on the proposals that were put to us was not affected at all by the lobbying.

Q458 **Felicity Buchan:** Did you think it was unusual, how persistent David Cameron was and the sheer volume of contacts?

Sir Tom Scholar: You will understand that, at the time, I saw the contacts that I saw. I did not see what the world has now seen, which is a fully comprehensive list. I did know that he was also in touch with the Chancellor and the Economic Secretary, because they were careful to let us know. I cannot remember how many it was now, but I received a number of text messages over the course of about a month. After 7 April, I did not receive any more.

Q459 **Felicity Buchan:** Did you think it was normal for someone lobbying for a company to be approaching you by text, rather than through more formal mechanisms?

Sir Tom Scholar: If you work in the Treasury, you are quite used to people trying to lobby you. My experience in the banking crisis of 2008-09 was that lots of people got in touch at that time. Some got in touch by phoning the office and some by text message. I should say that I have never conducted Government business by text message, and nor would I, but if somebody wants to speak to you, and they have your number, it is understandable that that is a simple way of doing it,

particularly in the circumstances of March last year, when none of us was in the office and normal business was not really operating.

Q460 **Felicity Buchan:** When David Cameron approached you—and I am just looking at his text in which he said, “I am riding to the rescue with supply chain finance”—did you see him approaching this as a policy matter or as trying to facilitate business for Greensill?

Sir Tom Scholar: I did not particularly go into his motivation. What we did in the Treasury was to look at the proposal that was put to us in the shape of the letter and the attached document that you have seen, which Mr Greensill sent to the Chancellor. That was all couched in terms of helping small businesses and supporting supply chains. As Charles said, they particularly mentioned pharmacies. That was the way in which they were pitching their proposal to us. As you might expect, we looked at that in the Treasury with quite a high degree of scepticism.

In fact, all of our subsequent work on the issue was to look at it and say, “Yes, there is a serious problem of financing small businesses”. That was very obvious. A number of people were raising the particular problems of businesses in the supply chain, so that is, without doubt, an important public policy issue to look at. The question we were asking ourselves was, “What is the best way to solve that public policy problem?” and not whether we should support Greensill. We treated their claims with an appropriate degree of scepticism and, after looking at it, we concluded that there were other, better ways of helping small businesses and supply chains.

Q461 **Felicity Buchan:** Charles mentioned the fact that you came to the right conclusion: that, notwithstanding the lobbying, you turned them down. Do you feel as though, from a Treasury perspective, there are lessons to be learned here?

Sir Tom Scholar: The main lesson to learn—and one that we have talked a lot about within the Treasury in recent weeks—is the absolute paramount importance of following proper, correct procedures when going about our work: giving proper, objective and impartial advice; keeping proper records of telephone conversations; making sure it is all stored correctly, so that it can be retrieved; and recording contacts from companies or people acting on behalf of companies. When we went back to look at the paperwork from this time, we found it all. It was there and we had done everything correctly. I have been talking about it a lot in the Department in recent weeks, just to point out to people the value of having and following proper procedures. We have these rules for a reason, and this is a very good illustration of that.

Charles Roxburgh: I was asked this question at a meeting with Treasury colleagues and I gave a very similar answer to Tom. I emphasised the strong lesson that we should continue, as I am confident we did here, to adhere to Civil Service values of giving Ministers objective and impartial advice based on the evidence, to ignore lobbying, but to look at the evidence and give Ministers our clear and unvarnished advice, which we did in this case.

Q462 **Emma Hardy:** One aspect of Greensill's offer was Earnd, which was free to NHS trusts taking part. Being associated and involved with the NHS gave it an aura of respectability. In the Chancellor's letter, he notes, "We have no record of HMT approval being sought as part of that process, and we have no record of HMT undertaking any advice or analysis relating to the Earnd product". Why is that?

Sir Tom Scholar: It was a handful of NHS trusts that took part in this scheme, in a fairly small-scale way. They did not come to the Treasury for approval. I do not quite know the extent of the discussion within the NHS, and between the NHS and the Department of Health, but they did not come to us about it. As you would imagine, we are now following that up with the Department.

Q463 **Emma Hardy:** As mentioned, it was free to the NHS trusts taking part. Does that alter how it was seen under *Managing Public Money* and what scrutiny was required?

Sir Tom Scholar: *Managing Public Money* sets out the principles and standards that have to be met. A couple of years ago, the Treasury wrote to all accounting officers, drawing particular attention to supply chain finance and similar proposals, and saying that, in many or probably most cases, they would be unlikely to meet the standards of *Managing Public Money*. The Treasury has had, institutionally, a sceptical approach to them. As I said, though, we did not know about this one. The first we knew about it was in March last year, but it is something that we are now taking up with the Department.

Q464 **Emma Hardy:** I am pleased you are taking it up, because one thing that concerns me is that this app was able to collect data from all NHS staff who used it. It could see how much they earned, when they needed credit and when they needed to access those early payments. That data could be used to promote expensive credit to NHS workers. It could be sold to other private organisations. Does that concern you?

Sir Tom Scholar: I can totally see the concern that you are raising. It is not Treasury business. It is something that you would expect an employer to take into account. In each case, the employer was the particular NHS trust. Just to be clear, the issues that we are discussing are ones around *Managing Public Money* and the compliance with that.

Q465 **Emma Hardy:** Should more care be given to private organisations offering things for free to the public sector? For example, what happens if a dependency forms, which gives greater pricing powers later for something like the Earnd app?

Sir Tom Scholar: As I said, the Treasury wrote to accounting officers a couple of years ago to draw particular attention to financing or funding schemes, asking Departments to think very carefully about them and to seek Treasury approval. In life, offers of something for nothing are not normally what they seem to be at first sight, and so we would expect Departments to scrutinise anything like that very closely.

Q466 **Emma Hardy:** In the release from the FCA, Greensill is on record as noting that the pharmacies deal meant that it could afford to offer Earnd

for free in perpetuity. Do you not think it is a shocking admission that a firm was making enough money from one part of public services that it was able to offer something else for free?

Sir Tom Scholar: The pharmacies contract and the Earned scheme are not things that the Treasury has been involved in at all. I am not really able to comment on that.

Q467 **Emma Hardy:** Charles, you were part of the taskforce that advised the Government in 2012 on supply chain finance. Is this type of finance helpful to the Government? What are the advantages?

Charles Roxburgh: For clarity, before I joined the Civil Service, when I was at McKinsey, I was invited by the then Business Secretary, Vince Cable, to join a panel of industry experts. I was one of eight members of that panel, and it was looking at ways to improve access to finance for small businesses. This was in 2012, when there were quite significant problems for small businesses. The panel was led by Tim Breedon. The panel report made a number of recommendations about improving access to finance for small businesses.

One section was about improving prompt payment by Government. The Government were moving towards paying their bills more quickly, which they now do, and that is good. Another was about using the power of Government as a very important purchaser to put pressure on other companies to pay their bills earlier. Those recommendations were sound.

In an ideal world, all companies would pay their bills very promptly, but we live in a world where many large companies, in the UK and globally, pay their bills on 60, 90 or 120-day terms. Therefore, small businesses are sitting there in a difficult position. It would be better if they were paid more quickly, but that is not the world that they face. They have an invoice for a large investment grade company that is going to be paid in 90 days' time.

It is done properly, and supply chain finance is a long-established form of finance. It has had different names over the years. It can be a completely appropriate and efficient way for small businesses to get financed more efficiently than they would have if they borrowed on their own overdrafts and their own credit ratings. It can have a useful role in a world where not all bills are paid on time. It is really important in this debate about Greensill, which was doing supply chain finance in a particular way that has been shown not to have worked, that we do not discredit what is a long-established and, as you have heard from other witnesses, helpful way for small businesses to improve their cashflow.

Q468 **Emma Hardy:** Sir Tom, in his evidence, Mr Greensill told us that it was the cost of capital that the Treasury uses when supplying funds to Departments that made his scheme work. Is that something you recognise and, if so, is that not a worrying issue?

Sir Tom Scholar: I do not quite know what he meant when he said that. All I will say is that, as we now know, he spent several years in the Cabinet Office trying to encourage Departments to adopt supply chain finance as a way of funding part of what they were doing. Most

Departments looked at that and could not see the logic or the sense in it. The Treasury certainly could not, so he has not been very successful in persuading people of his point of view.

Emma Hardy: Sir Tom, you mentioned that you will be talking to the Department of Health regarding this Earnd app. I do hope that, in those conversations, it includes asking information as to who now owns this data on our NHS workers, where it has gone and what it is being used for. Even if you might not have a duty in your role, I certainly think the Government have a duty of care for a product that they made available to our keyworkers.

Chair: I am sure that is noted.

Q469 **Harriett Baldwin:** I would like to start by thanking you both for the incredibly hard work that you and your teams put in during the pandemic. I imagine it was one of the most intense periods of your often very intense professional lives. I just want to put that on record, because the money did reach a lot of businesses and people in my constituency, and I know they are very grateful for it.

I am particularly interested, Sir Tom, in your mobile phone at the moment. Is your mobile number on your business card?

Sir Tom Scholar: I do not have a business card, and have not had since I started this job. I have always thought that, if people want to find the Permanent Secretary to the Treasury, they will probably have a ready way of doing that.

Q470 **Harriett Baldwin:** Would the mobile phone on which David Cameron has published his texts to you be your personal phone?

Sir Tom Scholar: No, that is my official phone, but I kept the same number when I moved from my previous job to this one five years ago. As you know, in my previous job, I worked for the then Prime Minister, so he had my phone number from that time.

Q471 **Harriett Baldwin:** How often has he been using it? Does he message you often?

Sir Tom Scholar: No, not at all often. From time to time, we exchange messages, but really not at all often.

Q472 **Harriett Baldwin:** In the run-up to the crisis, how many times, since he stopped being Prime Minister, would you have heard from him?

Sir Tom Scholar: I have seen him twice since he left office.

Q473 **Harriett Baldwin:** Was that for lunch? I know he mentions lunch in the messages to you. Were you in the habit of having him for lunch quite often?

Sir Tom Scholar: No.

Q474 **Harriett Baldwin:** How often were you seeing him?

Sir Tom Scholar: Very shortly after he left office, which must have been in the autumn of 2016, we met for lunch, and then we met on one other occasion, probably about a year later.

Q475 **Harriett Baldwin:** Again, for lunch, at his home, or what sort of meeting?

Sir Tom Scholar: We met somewhere in Whitehall in the early evening, at the end of the day, but just for an hour or so. He was, at that time, telling me about work that he was doing on failed states, which drew on some of the work that he had done as Prime Minister and that I had supported him on in the G7 and the G20. That was what he wanted to talk about.

Q476 **Harriett Baldwin:** Then you got this text out of the blue on 6 March 2020. He has published the reply to you that says, "Thanks. Will fix for after that. Never quite understood how rate cuts help in a pandemic". Was that the first time you had heard from him in quite a while?

Sir Tom Scholar: I cannot remember. I think so. I am not in regular contact with him.

Q477 **Harriett Baldwin:** You get this text at the beginning of March. It was a period when you were running up to the Budget, which was on 11 March. On 10 March, the Bank of England MPC met and cut interest rates, so it was a very intense part of the crisis. We have David Cameron's reply although partially redacted. We have asked him about that reply, because he says, "Never quite understood how rate cuts help in a pandemic", which implies that what you had said to him covered the rate cut. I understand from an FOI reply that you have lost all record of that particular mobile phone, although I understand your number is still the same. I am just going to ask you, therefore, if you can recall what it is that you would have said in the outbound about rate cuts that would have prompted that reply from David Cameron.

Sir Tom Scholar: I cannot remember what I said, but I do remember that, a couple of days previously, the Federal Reserve had announced an emergency cut in interest rates, and so there was a huge amount of debate about global monetary policy and what the impact of that would be. That subject was being discussed. I know that, in his evidence to you, Mr Cameron said he might have been referring to a cut in the rate of VAT.

I remember there was quite a bit of discussion around that time of that as well, but I can certainly assure you that I would not have disclosed anything to do with UK monetary policy, not least because, at that point in time, I was not in possession of any information. The Bank of England had its meeting only the following week.

Q478 **Harriett Baldwin:** But it does say, "Thanks. Will fix for after that", which implies that it was not the just-happened Fed rate cut. Given the public interest in this particular exchange and that, regrettably, you have lost your mobile phone records from that time, would it be possible for you to give permission to David Cameron to release what you were saying in that particular exchange. He must have a record of it on his phone.

Sir Tom Scholar: I think he must. I am certainly happy to ask him to send me a copy of what he has, and then we will release it in accordance with the Freedom of Information Act in the usual way.

Q479 **Harriett Baldwin:** Thank you very much. In terms of the other interactions that you had with David Cameron, since the decision was one where we hear that the Chancellor has "pushed the team to explore an alternative with the Bank", how did it feel to be on the receiving end of that push?

Sir Tom Scholar: I have to say that I was not aware of any push at all at the time.

Q480 **Harriett Baldwin:** So you did not feel pushed by the pressure that David Cameron was trying to exert by getting in touch with everyone about this particular issue.

Sir Tom Scholar: Not at all.

Q481 **Harriett Baldwin:** Can you say with confidence that no one in your teams would have felt pushed either in terms of this particular issue?

Sir Tom Scholar: Charles, who led the work, will be able to speak for himself, but nobody at any point raised this with me, so I can be confident in answering no.

Q482 **Harriett Baldwin:** In terms of lessons learned, backing up mobile phones would seem to be a pretty obvious one. Can you tell me what you have done since you have become aware that your mobile phone messages were not available to encourage Treasury officials to back up their phones?

Sir Tom Scholar: What happened to my phone is set out in the freedom of information release from last week. At the beginning of June last year, it had to be reset because, under Government security as applies to mobile phones, if the password is incorrectly entered more than a few times, the phone is locked, and the only way to unlock it is to reset it. Resetting it means that the data on it is lost. I knew that when it happened last June, and I am certainly not the only person to whom that has happened.

The important thing to say is that, at the time in March and April last year, where there were messages, including incoming ones, that were of any substance and relevant to Government business, in each case I copied them from my phone on to the official record, and we have released a number of these. In particular, there was one exchange about a possible leak of the Greensill approach to the Treasury. There was another where Mr Cameron told me that they had a specific proposal to put to us.

In each case, I copied that into an email and shared it with Charles, as the official leading it, so I made sure that anything that needed to be recorded for the official record was recorded, and that was not lost when the phone was reset.

Q483 **Mr Baker:** Sir Tom, when Harriett asked for your permission to allow

David Cameron to release your side of the conversation, that was not quite the permission you gave. You gave permission for David Cameron to release the messages to the Treasury, so that you could release them under the Freedom of Information Act. Could you just explain why it is that you wish to release them under the Freedom of Information Act, rather than letting David Cameron just hand them to us?

Sir Tom Scholar: The messages that we were talking about were generated by me on an official Government device in the course of my official Government business, and it is appropriate that that should be treated like any other part of official Government business. Disclosure is then governed by the Freedom of Information Act.

Q484 **Mr Baker:** Would it be the same process that would have been used on your phone, had it not been subject to a reset?

Sir Tom Scholar: Correct.

Q485 **Chair:** Tom, how long have you had this phone that we are referring to here?

Sir Tom Scholar: I think this particular phone—

Chair: Not the physical handset but this telephone number, with the ability to receive text messages on that number with some kind of handset. How long would you have had that?

Sir Tom Scholar: If I remember correctly, I have had this particular number since I was working in Downing Street at the time that Gordon Brown was Prime Minister in 2007. Since then, there have been many handsets and I have worked in different places, but it is the same number.

Q486 **Chair:** How many times during that period, which is about a decade, have you been in the situation in which you found yourself in June, where messages had to be wiped from your phone?

Sir Tom Scholar: I cannot tell you how many, but quite a few.

Q487 **Chair:** Is this something that happens once a year or less frequently than that?

Sir Tom Scholar: I would guess something like once a year on average. It tends to happen after the password has been changed, which is required—I forget how often—at regular intervals.

Q488 **Chair:** If we were asking David Cameron to provide us with copies of the texts that you sent to him, which have been wiped at your end, and in the event that he were happy to disclose those to the Committee, as we may request, what would your objection, if any, be to that, albeit that it would not be following your preferred process that you have set out? What would be the problem or difficulty be with that, if he were to say, "A parliamentary Committee has asked for it. I am prepared to hand it over"? What would the problem be there?

Sir Tom Scholar: I refer to the answer I gave to Mr Baker just now. The information that we are talking about is Government information, and it

just so happens that we do not currently hold it. If he is prepared to share the information with the Treasury, which I imagine he will be, it will be as if we had held it from the beginning and we will treat it in exactly the same way as we have treated all other information that we hold.

Q489 **Chair:** If he responds to us and says, "I am happy enough to hand this over to this Committee", what is your response to that, if he does that?

Sir Tom Scholar: It is Government information, and the Government should handle it as they handle all information. I have given that undertaking to the Committee.

Q490 **Anthony Browne:** My line of questions is going to be about what angle you were looking at when you had discussions with David Cameron and Greensill in terms of the possible basis for support of Greensill. The questions are mainly targeted at Charles.

David Cameron and Lex Greensill both made a big play that they needed support to help SMEs, and David Cameron was very explicit about that in all his communications with the Treasury and, indeed, other parts of Government. We know from some internal emails you shared from the Treasury, and particularly one from 21 March 2021, that there was some scepticism about how much it really was about SMEs. Did you share that scepticism? Did you believe that that was the real reason for seeking funding?

Charles Roxburgh: In your opening question, you said "support for Greensill". I will repeat what I said earlier.

Anthony Browne: Sorry, it was loose language on my part: for its funding.

Charles Roxburgh: Their specific proposal, which was about supporting their special purpose vehicles for their clients, was the one that we considered and rejected over the course of two weeks. There were two phone calls and two letters rejecting it, so we did not accept that one. In the second and third phases of the work, we were interested in exploring whether there was an industry-wide scheme, where we could use the CCFF, in which eligible corporates could use their existing allowances to support UK small businesses in their supply chains. That was a very different proposal to the one that we had received and rejected from Greensill in March.

That idea did not work but I genuinely think it was a worthwhile one to explore, to see whether large investment grade companies that we had already given an allocation to could use that allocation of moneys from the CCFF to help those UK small businesses that were their suppliers.

Given all the pressures that small businesses faced in the UK at that time, and the calls from many people, including Parliament, to do more to help small businesses, we were looking at a range of ideas. One of them, bounce back loans, was the one that really took off and we brought to market. We also made changes to improve CBILS. It was perfectly reasonable to look at whether we could find a way to use CCFF moneys, for people who already had access to it, to support their small

businesses. It did not work but it was a reasonable idea to invest a very small amount of time in exploring.

Q491 **Anthony Browne:** Just picking up on the first scheme that David Cameron came to you with to support Greensill's special purpose vehicles, why were you not interested in that? Did you buy the argument that that would help SMEs, which is what David Cameron was claiming?

Charles Roxburgh: In our letter, we said that there are multiple reasons why that scheme was not attractive to us. It did not fit the terms. It had a set of complicated areas about being non-standard commercial paper. We were particularly concerned that it would have been supporting non-UK SMEs.

Anthony Browne: And they could not reassure on that point.

Charles Roxburgh: The supply chains for large UK-based companies are very global. That is perfectly appropriate. They source their products from around the world. That is how large businesses work. In this crisis, we wanted to concentrate public money and public guarantees on UK small businesses, and we pushed Greensill hard on this point. In fact, only somewhere between 25% and 30% of the suppliers in those supply chains that they were supporting were UK, and that was simply not an acceptable basis from which to go forward. We were very consistent in that.

We made it a condition of the scheme that we consulted on that the benefits would flow exclusively or nearly exclusively—that was the phrase—to small businesses. When we learned through our consultation that we could not achieve that through this scheme, that was one but not the only reason that we did not go forward with it. The other reason was that there was not broad support for it from the industry, so we did not go ahead with it. It was all about whether we could use CCFF money to support UK small businesses. We tried but did not find a way to go forward, so we did not take it forward.

Q492 **Anthony Browne:** You issued a call for evidence on CCFF, and that was about the second phase of the scheme.

Charles Roxburgh: Correct, and that was limited solely to companies that were eligible for the CCFF and were providing some of their allocations to their supply chain finance programmes.

Q493 **Anthony Browne:** Yes, as you have been explaining. There has been concern about the GFG Alliance, and the Government are interested in supporting steel jobs. Was there any train of thought at all in the Treasury? Was it any part of your thinking process that support for Greensill or its special purpose vehicles would somehow support the GFG Alliance, given the symbiotic relationship between GFG and Greensill?

Charles Roxburgh: Not with the CCFF programme or the supply chain finance programme. That was nothing to do with supporting the GFG Alliance, but about supporting the target market, which was UK small businesses in the supply chains of CCFF-eligible companies. That was the focus of our work there. We did know, because BEIS told us, that Liberty

Steel was in discussions with BEIS about financial support at the time. We did know that it might approach Greensill when it got its CBILS allocation. That was a separate issue. That was BEIS's discussion and, as I said earlier, the British Business Bank runs that process independently of us.

Q494 **Anthony Browne:** When you did your call for evidence, Sir Jon Cunliffe said to us that he did not know whether surprise was the right word, but it confirmed there was not a general problem here, referring to SME finance. I assume you agree with that. As we all expected, there was a huge problem with SME finance because of the crisis, but it was getting sufficient other support. If that is the case, why did you consider looking at other options for supply chain finance if there was not an SME problem?

Charles Roxburgh: It is worth remembering that things were moving very quickly at this time. In the early days of the crisis in March, it was clear that there was an acute problem of small business finance. We launched CBILS, as you will remember. We had started work on it at the end of February. We had announced it at the Budget and launched it a few weeks later. It was an incredibly rapid, nationwide new product launch, without market testing, without pilots.

Anthony Browne: You did very well with it.

Charles Roxburgh: It was not perfect first time. We got a lot of feedback that we had to do course corrections. We had a lot of small businesses saying it was too slow, so we did the course corrections. In April, we still had a very significant challenge, and were advising the Chancellor on that challenge and exploring new ideas. The one that emerged as the frontrunner was bounce back loans, which we then developed and launched. This was happening. We had multiple work streams in parallel trying to solve this problem. By the time we got to the end of the consultation on the supply chain finance one, we had made real progress with getting bounce back loans to market, launching CLBILS and fixing the early teething problems with CBILS.

The businesses still faced acute challenges. I am not minimising the challenges that small businesses faced in this period. We had also introduced a whole set of other programmes: time to pay and, critically, the furlough, which was an enormous programme that provided incredible support to businesses and saved lots of jobs. Millions of jobs went on to the furlough. The context after this huge programme of work by colleagues across the Treasury was very different by mid to late May than it had been in late March and April. We had done a massive response, so therefore the need for this programme, particularly because it was complex and only one company was interested in it, made it very simple to say we did not want to take it forward.

Anthony Browne: I would love to ask other questions, but I am told I am out of time.

Q495 **Siobhain McDonagh:** Sir Tom, how much do you estimate the collapse of Greensill Capital to have cost the British taxpayer?

Sir Tom Scholar: If I may, I will ask Charles to answer that. We obviously do not know yet, but Charles can take you through the different elements of the potential cost.

Charles Roxburgh: I will take you through it. I will come to the financial costs in a minute, but I should recognise that, as with any business failure, this business failed because it had a flawed business strategy. It failed for reasons completely unconnected with any—

Q496 **Siobhain McDonagh:** I am sorry, Mr Roxburgh; I wonder if you could answer the question I have asked. How much has it cost the British taxpayer?

Charles Roxburgh: I will talk about the direct costs first. In any insolvency, there are typically creditors. The administrator has released the following figures, quoted in dollars. They owe \$8 million to HMRC. They owe two local authorities about \$168,000. They owe one foundation trust \$10,000. Those are the public sector creditors that we are aware of. Over \$8 million is £5.5 million to £6 million. That is the total exposure. Some of that will be recovered, so that will not be a total loss. Those are the direct costs, £5 million to £6 million, of which there will be recoveries.

There will be some losses to the public sector arising from the job losses. We do not know. It depends how quickly people get jobs and their personal circumstances, so we do not have an estimate for that. On the pharmacy programme, we did have to bring forward some drawings of cash. It is not a cost; it is just a reprofiling of the cash drawings. There is a little bit of lost interest, but a relatively small amount on that, so there is a small cost to that. Those are the direct costs and that is it. That is what we have identified for the direct costs to the taxpayer from the collapse of Greensill.

Then there is speculation: “What about the indirect costs?” What costs will come to the taxpayer if other businesses fail as a direct consequence of Greensill’s failure and in turn create costs to the taxpayer? Some people have talked about whether there will be costs in that category from the CLBILS programme. All I can say on that is that those guarantees have been suspended, pending completion of the investigation by the British Business Bank, and they remain suspended at the moment.

Q497 **Siobhain McDonagh:** Can I ask you a question about the suspension of guarantees? As a layperson, if I guarantee my friend’s loan to buy a car and she stops her payments, the finance company is coming to me for the money. Explain to me why Credit Suisse and others would not come to the British Business Bank for those guarantees.

Charles Roxburgh: Because the loan guarantees have been suspended, I cannot talk about those specific guarantees.

Q498 **Siobhain McDonagh:** Why?

Charles Roxburgh: Because they have been suspended.

Q499 **Siobhain McDonagh:** How do you suspend a guarantee?

Charles Roxburgh: The British Business Bank and CLBILS have rules that the accredited lenders have to follow when they extend these guarantees. I am talking in general now. I am not making any specific comment on Greensill. In general, if the British Business Bank believes that those rules may not have been followed, it has the right to conduct an investigation. During that investigation it can, and it does, suspend the guarantees. Again, without passing any comment on Greensill, in general, if a guarantee has been extended in ways that are not compatible with the terms of the scheme, the British Business Bank has the option to cancel it. That is part of the scheme, but they have to do a proper investigation and proper process to understand what has happened. I cannot comment on the specifics of the Greensill loan.

Q500 **Siobhain McDonagh:** Mr Roxburgh, I am not a lawyer, but I think the British Business Bank is going to be in difficulty if it has guaranteed funds and then other people lent Greensill on the back of those guarantees. Do you not think that does not hold water?

Charles Roxburgh: No. I cannot talk about Greensill-specific guarantees. If whichever company borrowed the money becomes non-performing, the guarantee can be called. Other creditors of the company are a separate issue, but those are the specific terms of the guarantee. We will have to wait and see the outcome of the British Business Bank investigation. We cannot speculate on where it will come out, but all I can say is that those guarantees remain suspended.

Q501 **Siobhain McDonagh:** Lord Myners could be correct. The taxpayer could be owed upwards of £1 billion, and indirectly £3 billion to £5 billion.

Charles Roxburgh: I do not know how Lord Myners came up with that number. We do not recognise it. You will have to ask Lord Myners how he arrived at it.

Q502 **Siobhain McDonagh:** It must have been really tough for you and your colleagues at the height of the lockdown. Like others on the Committee, I thank you for your hard work. Holding nine meetings about funding you were never going to agree to must have seemed like a pretty shocking waste of time. Did you deflect David Cameron and Greensill to the British Business Bank just to get them off your back?

Charles Roxburgh: No.

Q503 **Siobhain McDonagh:** You were not worried that a former British Prime Minister had invested so much time and so much effort, and was going nowhere, and you did not see the British Business Bank as an easy way out.

Charles Roxburgh: No, the British Business Bank has its established processes and there is currently an NAO review of Greensill's application to the CCFF, but also to the CBILS and CLBILS programme. The NAO is looking at those processes. It has full access to all the information. It will report and its report will be public. We will learn from that process how that process was conducted.

Q504 **Siobhain McDonagh:** Andrew Bailey, the Governor of the Bank of

England, told us on Tuesday that the Prudential Regulatory Authority began an investigation into Wyelands Bank, Gupta's bank, the main customer of Greensill, at the beginning of 2019. In February 2020, the bank set out its concerns to the Serious Fraud Office. Were you told about the suspected criminal activity at Wyelands?

Charles Roxburgh: We were formally written a letter by the bank, as I said earlier, in May, which we passed on to BEIS, because it was relevant to its discussions about the financing support to Liberty, if it was to do it. We were aware of the concerns that they had raised about Wyelands and the Commonwealth Trade Bank in December 2020.

Q505 **Siobhain McDonagh:** Were you aware when you were in your correspondence with David Cameron and Lex Greensill that Greensill's biggest customer was under criminal investigation?

Charles Roxburgh: First of all, I personally did not have any correspondence with David Cameron. Because there is a live SFO investigation, I cannot comment on that. I have shared with the Committee what we did know and when we knew it. That is all I can say, given the live SFO investigation that is underway.

Q506 **Siobhain McDonagh:** Did you alert the British Business Bank that Greensill's biggest customer was under criminal investigation before its decision to give taxpayer-funded guarantees?

Charles Roxburgh: We shared the information with BEIS that was relevant to its discussions with Liberty at the time, as I said earlier.

Q507 **Siobhain McDonagh:** But not with the British Business Bank.

Charles Roxburgh: The investigation was not into Greensill. The investigation was into Wyelands.

Q508 **Siobhain McDonagh:** Which was owned by the biggest customer of Greensill.

Charles Roxburgh: Yes. I do not know if it was the biggest customer. I knew that Greensill was a major financial supplier to Mr Gupta. We do not know whether it was the biggest or a big one, but clearly it was a major client of Greensill's.

Q509 **Siobhain McDonagh:** Did you not think, "Perhaps we should say what we know or say what we think to the British Business Bank about Greensill"?

Charles Roxburgh: There are very, very strict rules. Once you know that a serious fraud investigation is underway, there are very strict rules about whether you can reveal that there is a potentially criminal investigation underway. Disclosing that can itself lead to criminal prosecution. There are very, very strict rules about disclosing the existence of an SFO investigation. We did disclose it to the Department for Business, because we felt it was relevant to its public functions. We did not disclose it further because of these extraordinarily strict rules on sharing information about live SFO inquiries, which could compromise the success of the inquiry itself.

Q510 **Siobhain McDonagh:** So you could watch them guarantee British taxpayers' funds.

Charles Roxburgh: The inquiry was not into Greensill.

Q511 **Dame Angela Eagle:** Sir Tom, have all of the communications between you and David Cameron about this issue, excepting your locked phone information, been published?

Sir Tom Scholar: Yes, under the freedom of information release that we put out a month ago, we released the information that we hold, which, as I said earlier, was the information that was copied on to email. Mr Cameron has released his messages to me and, as I have said, I will seek to get from him my messages. Then we will release those in line with the Act.

Q512 **Dame Angela Eagle:** Charles, is it the same with you? Has all the information pertaining to all of this, the messages between you about all of this, been published?

Charles Roxburgh: Yes.

Q513 **Dame Angela Eagle:** Could you tell me what the point of meeting Greensill so many times was, given that, when we talked to Sir Nick Macpherson, who is obviously one of your very distinguished predecessors, he said that it was disappointing that officials' time was wasted with so many meetings, especially at a time of crisis?

Charles Roxburgh: As I said to the PAC and I am happy to repeat here, this was not a major use of my time. There were nine calls over a nearly four-month period. If I look back at my diary, they were scheduled for half an hour. Some were shorter. That is four to five hours of phone calls over four months, or typically shorter. I also said to the PAC that they were persistent, but this did not take a lot of my time. I was concentrating on many other more pressing, more time-consuming priorities. Over the course of this four-month period, this was not a major use of my time.

Q514 **Dame Angela Eagle:** I have always found that the Permanent Secretaries at the Treasury had magnificent levels of productivity, so it is good to hear that. I was quite surprised earlier when one of my colleagues asked how you were pushed when the Chancellor, in his texts to David Cameron, said that he was pushing the team. You said you were not pushed at all. Can you just confirm that the Chancellor did not come to you after, perhaps, a refusal and ask you to do more work or take another look at it? You were not pushed at all. He did not talk to you about doing more.

Charles Roxburgh: Throughout this process, the Chancellor did not put pressure on me or push me. We followed a completely normal process of looking at the situation, analysing a proposal, preparing advice and putting advice to Ministers. Ministers would give us a steer, as we call it, and give us their decision. We would execute the decision. That is exactly the process we followed here. I did not feel under any inappropriate pressure or undue pushing.

Q515 **Dame Angela Eagle:** Did he ask you to go back and take another look or did he just always accept your suggestions?

Charles Roxburgh: Advice to Ministers is and must remain confidential. We need to be able to give candid advice, so I do not want to get into who said what and when. I can absolutely confirm that we followed a completely normal process of putting advice to Ministers and responding to their steers. At no time did I feel under inappropriate pressure or undue pushing.

Q516 **Dame Angela Eagle:** Can we take it that any organisation that wishes to get hold of the Treasury in future, at times of crisis, can be reliant on having nine meetings with a Permanent Secretary de rigueur, whether or not it has an ex-Prime Minister on the books?

Charles Roxburgh: No, with respect, it is a hypothetical question. In this case, we never set out to have nine calls with them. We rejected their first application. We then had a second process. As you saw, they were quite persistent in calling up. What we would say is that, in any crisis, we would give due consideration to proposals that we think would help us respond to that crisis. That is what we did throughout this.

We had many, many other initiatives underway and conversations with other companies, which actually took a lot more time, although not so many phone calls. There is a disproportionate focus on the transparency return. That is not an accurate reflection of how I spent my time at this time. I just disclosed all my meetings and short phone calls. That is not an accurate reflection of how I spent my time during these months. This was a very small part of my time, when I was working on much more pressing, more important issues throughout this period.

Q517 **Dame Angela Eagle:** This is not the first time that supply chain finance has been mentioned in the context of a large firm failing. Carillion likewise had a problem with supply chain finance. I was quite surprised, Sir Tom, when you said that you knew nothing about the scheme that the Department of Health had initiated, bringing supply chain finance into the health service. You expressed Treasury disapproval about not knowing about it and said you were going to take action. Are you going to take action to prevent this kind of thing happening surreptitiously and supply chain finance of that kind being brought in without the Treasury knowing anything about it in future?

Sir Tom Scholar: On supply chain finance, the original pharmacy scheme, which goes back to 2012, the Treasury did know about.

Q518 **Dame Angela Eagle:** I suppose it is Earnd that you were expressing disapproval of, because you knew nothing about it.

Sir Tom Scholar: Earnd, as far as I know, we did not know anything about. As I say, we have taken that up. In general, we would take a very sceptical approach to all proposals of that sort, but we need to get to the bottom of it, which we are doing now.

Q519 **Dame Angela Eagle:** Reading between Treasury speak lines there, it sounds like you are going to crack down on these kinds of things

happening without you knowing about it.

Sir Tom Scholar: *Managing Public Money* requires Treasury consent for proposals for spending money that are novel, contentious or potentially repercussive. We wrote round to all accounting officers a couple of years ago, drawing attention to those requirements, particularly in the context of supply chain finance.

Q520 **Dame Angela Eagle:** Do you think this might have had something to do with the cosy little drinks that Matt Hancock had with David Cameron and Lex Greensill, and other such schmoozing that seems to be going on around various Government Departments and lobbying? There are some issues here, are there not?

Sir Tom Scholar: I cannot comment on that. My understanding about Earnd is that it was an agreement entered into by a handful of NHS trusts but, as I say, it is something we are looking into and we have not completed that work yet.

Q521 **Dame Angela Eagle:** Do you think that there needs to be some kind of different method of accounting for supply chain finance to ensure that indebtedness is not hidden as payments due? Carillion managed to—let us put it this way—flatter its balance sheet in this manner. Lex Greensill and Greensill seem to have innovated by allowing many others to do the same, thereby perhaps distorting the capacity of accounting to be transparent enough for investors.

Sir Tom Scholar: It is a very fair question. Obviously, accounting standards are set by independent accounting standard setters. It is a very fair question, which I am sure they will look at, about a practice that, as Charles says, has a long history and in some circumstances makes good sense for a company. You can think of cases, and you have given an example, where it is pushed to an extreme and then the interaction of that with the accounting standards can cause a problem. It is a very fair question.

Q522 **Dame Angela Eagle:** Finally, there is another issue about more so-called innovation in what was a fairly boring and useful part of the financial services sector, supply chain finance, when you then start securitising it as well. We have seen the trail of debts and losses that has been generated by a Greensill bank to Credit Suisse investors. Is this an issue that you think the Treasury should be looking at?

Sir Tom Scholar: I followed your exchange with the Bank of England on that on Monday. Jon Cunliffe expressed it very well when he said that there are practices in the financial sector that can make sense when conducted appropriately but, when taken too far or at too big a scale, cause problems.

Q523 **Dame Angela Eagle:** He said they become sub-prime, in his answer.

Sir Tom Scholar: That was exactly the example he gave. That is one issue. Another issue that will get a lot of scrutiny will be the whole question of the regulatory perimeter. Ultimately, these things of course are set in legislation. Some of them come to the Treasury and some of

them go to other people, but these are all things that we and others need to look at.

Q524 **Julie Marson:** Hello, Charles and Tom. I would like to continue with some of the regulatory implications of Greensill as far as Treasury is concerned. I will start by asking you about the potential gap or underlap. The FCA does not regulate supply chain finance; it is outside its perimeter. The Bank of England did not consider that there were financial stability risks associated. But there are obviously other reasons why you might want to regulate, not least consumer protection. Do you feel that there is a case that somebody should be regulating this?

Charles Roxburgh: You also heard from Nikhil Rathi, who addressed this question very comprehensively. We are obviously taking stock in light of this situation, and reflecting on where there are lessons learned. We are doing work on that. Our colleagues in the FCA and in the Bank of England are doing that.

There is already a lot of work looking at the perimeter. Every year, the Financial Policy Committee, on which I sit as a member, does a review of the perimeter and whether there are financial stability risks on the other side of the perimeter that we need to be aware of. It can make recommendations to change the perimeter if it sees that. The FCA also looks at the perimeter and it publishes a report, so we look at that. It is a constant work to evaluate where the perimeter is and whether it needs to move. There are also legitimate questions, which Nikhil raised, about where unregulated come into contact with regulated activities and about the powers that regulators may need to look over the perimeter.

These are all very legitimate questions, which we are thinking about and the regulators are thinking about. We do not want to rush to judgment. We want to make it considered, but we are working purposefully on this. We want to hear the results of all these reviews. This Committee will make important recommendations. No doubt other committees in Parliament are looking at this. We have the Boardman review and the NAO review. We have live work underway at the regulators. We have these confidential investigations underway too. There will be a lot to reflect on and we will certainly take all those lessons learned.

We will work with Ministers and our independent regulators to reflect on whether changes are needed. If Ministers decide that they are needed, whether it is through regulatory action or whether it needs any legislative action, I am sure Ministers will be keen to address risks that still need to be addressed.

Q525 **Julie Marson:** I accept it is a work in progress and we have discussed this with Nikhil separately. I want to ask you directly: do you think the FCA should have done something differently in this particular case?

Charles Roxburgh: Based on what I know, I do not think there is anything they could or should have done differently, because it was not a regulated firm. As other witnesses have said, supply chain finance, per se, is part of business lending and business lending has not been regulated as an activity. It would be extremely costly to impose

regulation on the whole sector of business lending. Supply chain finance, within that, is not regulated here; it is not regulated in most countries.

We should not leap to the conclusion that supply chain finance should be regulated. There are issues, as Mr Rathi said, about scale and about interaction with regulated activities that merit careful consideration. It is a mistake to rush to judgment on this. We should have a purposeful but careful consideration of the issues.

Q526 Julie Marson: I appreciate what you are saying. At the moment, are we saying that if a firm is outside that regulatory perimeter there is nothing we can do until it is referred as a serious fraud case? That is a big leap to make and a gap.

Charles Roxburgh: There are degrees. Greensill was regulated in respect of money laundering. Money laundering goes beyond the financial services regulatory perimeter. There are businesses that are not regulated under the financial services regulation but are regulated for money laundering. That is why it is important in any regulatory system that there has to be a perimeter. Otherwise, you have a potentially unlimited scope for the regulators, which is impossible.

There has to be a perimeter drawn. You have to keep it under constant review, which we do both through the Bank of England and through the FCA. You constantly need to challenge as to where the perimeter is drawn and whether we need to do more. As we learn about things that go wrong on the other side of the perimeter, as we learn from that, are there more situations and more powers that we can bring to bear?

Q527 Julie Marson: And clarity, I guess, of all of those issues, where it lies and so on. Can I turn to commercial lending? We do not regulate commercial lending. There have been discussions ongoing for probably years about that. Do you think anything we saw in the failure of Greensill Capital would imply to you at the Treasury that it might be something we should look at more seriously and more quickly?

Charles Roxburgh: I do not want to preclude any lessons to be learned from Greensill Capital. We should wait to see what all these reviews say. That said, over many years Governments have chosen not to move to regulate commercial lending, because it would be a very costly and burdensome process that would ultimately end up with higher costs for small businesses and medium businesses. There needs to be a very clear benefit from doing that and that case has not been made. I would not rush to judgment on that, but I do not want to preclude any lessons being learned from this.

That said, that is not the highest priority here. There are other areas, many of which Nikhil listed out for you, that are higher up the priority list of asking questions about whether what we have at the moment needs to be refined to make it even more effective.

Q528 Julie Marson: Nikhil did tell the Committee that one of the things the regulator needs is more information, something like standard reporting requirements for firms registered for money laundering. Is the Treasury

helping the regulators to get that information that would help them make the right judgments, including where to draw the regulatory perimeter?

Charles Roxburgh: We will work very closely with the FCA. The FCA is an independent regulator so it will do its own work and come to its own conclusions, but we have a very good and constructive relationship with it and keep in close touch. If it needs more powers to gather information, without pre-judging it, that would probably require some legislative change to give it those powers. Then that would be a matter for the Government.

We need to go through the process. Is there a problem? What is the solution? Does it require a regulatory fix, in which case it is within the powers of the regulators? Does it require a legislative fix, in which case it would be a matter for our Ministers? As you have seen from our very active programme of financial services regulation over many years, this and previous Governments have been very active at making adjustments to the financial services regulatory regime continually, through primary and secondary legislation, to ensure that it remains effective. If there are gaps that need to be closed, I am sure Ministers will consider that very carefully.

Q529 **Julie Marson:** Could I turn to the criminal aspect of the way that we in the UK deal with economic crime? Would you agree with the feeling that it is quite reactive and that, actually, you might get caught for something after the event, which is fairly obvious, I guess? In the financial service sector, there is no ongoing monitoring, what you might call a bobby on the beat going around trying to see if anything wrong is happening at the time. Do you think that is a fair assessment?

Charles Roxburgh: Your final point, about whether there is no monitoring going on in the financial services sector, I would take strong issue with. The FCA, which is our conduct regulator, is continually monitoring it. It has a very large scope, but that is its job. It monitors it and has extensive powers within the financial services sector. Stepping back to your broader question of economic crime, which is a much broader issue than financial services misconduct, economic crime is a very major issue. There is a big drive within Government. We have published an economic crime plan. This is a joint effort between the Home Office and the Treasury, with all the other agencies involved in it.

We have a significant programme of work to address this problem. It is a very significant category of crime. It affects an awful lot of people. Particularly, fraud is a very serious crime that causes real harm to people. The Government are determined to raise the levels of capturing and successfully prosecuting people who commit economic crime. There is a programme of work to strengthen powers. The Government have committed to legislate on reforms to Companies House, which has been a vulnerability, and reforms to the register of overseas beneficial ownership. The Government have made commitments to legislate on these matters, subject to parliamentary time. We recognise that there is a lot to do on economic crime.

There is a plan to do more. There is more investment going behind it. We are introducing an economic crime levy, which will be levied on all those in the anti-money laundering world. Yes, it is the financial services regulated area, but is also important for other sectors that are not regulated for financial services but are covered by the money laundering regulation. We are going to raise more money, which will allow us to do even more on economic crime. I accept your point that we need to do more on economic crime. We are raising more money to do it. We have a plan to do it. I do not accept your point that there is not enough monitoring within the financial services sector.

Q530 **Rushanara Ali:** Thank you and good afternoon. I have a couple of quick follow-up questions. Charles, on the costings, I would be really grateful for the purpose of this inquiry if you could come back to us with more details on the costs of the Greensill collapse, and the related costs, for instance, in terms of jobs and private sector costs. You have mentioned some of those already. If that would be possible, we would be very grateful because, as you say, there are the numbers in the press of £1 billion to the taxpayer. It is not just Lord Myners who referred to it, but other press reports. Then there are indirect costs. Would that be possible?

Charles Roxburgh: I am happy to write back to the Committee, but there is no more information that we have than what I can say. We know from administrator the direct costs.

Q531 **Rushanara Ali:** That is fine. I have quite a few questions, so I am going to come on to that. What I wanted to come to is related to this cost point, to just try and understand this better. On 19 May, the Treasury announced CLBILS, the coronavirus large business interruption loan scheme. We understand from reports that Greensill loaned a total of £400 million in CLBILS to GFG-linked companies, and it was split into eight loans of about £50 million. There are issues around that cost and who bears that. You mentioned the suspension point, but would you be able to explain that in writing, please? You do not need to come back at it now, because I have some other questions. That is why I am getting to the point about costs, because the numbers you provided earlier were obviously in part there, but we need to understand better exactly what happened. I appreciate it is a British Business Bank decision, but Treasury made that announcement.

Charles Roxburgh: Yes, I am happy to write back to give you more detail, but I would want to address head on the central point here. The extension of CLBILS to £200 million had absolutely nothing to do with Greensill. We approached by—

Rushanara Ali: With respect—

Charles Roxburgh: And it had a specific feature in it: that, to lend at that level, you had to be approved by the PRA for your risk models. It had a specific feature that limited this to large commercial banks.

Q532 **Rushanara Ali:** That is fine. I appreciate that clarification, but the reality is that eight times £50 million of taxpayer-backed loans was administered

by the British Business Bank in CLBILS, in our understanding, to GFG-linked companies. We just need to understand, for the purpose of this inquiry, what it cost the taxpayer, in very simple language, please, so that we can get to the bottom of this. I would be grateful if we could have an answer and clarification on that, on the numbers.

Just this week, despite the SFO investigation, which is investigating suspected fraud, fraudulent trading and money laundering in relation to the financing and conduct of the business of companies within the Gupta Family Group Alliance—GFG—including its financing arrangements with Greensill Capital UK Ltd, the Business Secretary said in the BEIS Committee when discussing Liberty Steel, “We have to give them some credit: Mr Gupta said that he would look to refinance the assets. It would appear that he is succeeding in doing that.”

Sir Tom, how much do you think the Business Secretary has taken on board the significance of what has been going on in this murky world of finance, with the Gupta Family Group Alliance, Wyelands Bank, the SFO investigation and the Greensill scandal? I am asking this because these questions are relevant for all of HMG. The Treasury, you just said in an answer, is responsible for looking at how public money is spent. I know from my brief time of a few years in the Civil Service that Treasury’s hand is very present across every Department when it comes to money. What is happening? Is he having the wool pulled over him, the Business Secretary? Is there enough joined-up Government going on here or not?

Sir Tom Scholar: As you know, BEIS is the Department responsible for industry, including the steel industry. It is for them to decide what kind of support, if any, they are prepared to extend.

Q533 **Rushanara Ali:** It seems to me that, despite an SFO investigation going on, despite these major concerns and alarm bells, we have a Government Department and a Secretary of State being advised to give Mr Gupta some credit and the benefit of the doubt. To the public watching the inquiry hearings and multiple inquiries across different bits of our state system, such as the NAO, this inquiry and other committee hearings, it just seems very strange.

Sir Tom Scholar: BEIS is leading this. In certain circumstances, if they come up with a proposal, there are certain types of proposal that they would need Treasury approval for. As far as I am aware, that has not happened. At the moment, this is a BEIS issue.

Rushanara Ali: At some point, the Treasury would be expected to give approval on any—

Charles Roxburgh: The Business Secretary did say that he had declined Mr Gupta’s request for a loan, so that is public. He said that. The Business Secretary spoke about his focus on the Liberty Steel businesses, the jobs and the steel producers, and that has been his focus. We will need to distinguish between these things. Steel jobs are valuable jobs. The steelworkers are not implicated in any of this. BEIS is focused on the steel companies.

Q534 **Rushanara Ali:** Of course, and we want to see the steel workers

protected and those jobs protected. We need to understand better whether there is enough co-ordination within Government. This is the reason I raise it. As you have said, there was no link with CLBILS, but Mr Greensill did manage to access money, taxpayer-backed loans. There was a system failure somewhere along the lines and this is what we need to correct in term of lessons learned and for the future.

That is why I am probing on these questions. We need to make sure that the different arms of Government can learn from each other and co-ordinate. It would be helpful, again in writing, to know at what point Treasury has a say over this and, if Mr Gupta is directly connected to this, how these things are going to work, so we do not see yet more of taxpayers' money being thrown into something, even in the context of an SFO investigation.

I am going to move on to the wider issue around regulation. From what we know so far, Greensill appears to have operated in a wide range of countries, with pieces of the puzzle being regulated in various places, but with nobody really having an overview of the whole group and working out whether there is something untoward going on. How do you think going forward we can make sure that happens? There are challenges around Government Departments within a nation, around regulatory perimeter and so on, which you have already discussed, but there is also the international dimension to this, not least the German angle.

Charles Roxburgh: As you say, there was a German bank, regulated by the German regulator, BaFin. That bank was not active at all in the UK. One area we are reflecting on is what information-sharing arrangements should exist where you have unregulated activities in one country and regulated activities in another country. I do not want to jump to conclusions, and again Mr Rathi talked about this, but those are legitimate areas to reflect on.

Q535 **Alison Thewliss:** The Greensill lobbying effort appeared to centre an awful lot on pitching Greensill as a fintech that was out to help SMEs. Do you think there is a danger that people get very enthusiastic about the innovation and forget about what is actually going on underneath the surface?

Charles Roxburgh: First of all, the lobbying was not successful. To the point of whether we were hoodwinked by lobbying, the answer is no, because the lobbying was not successful. Secondly, fintech is actually a great success story in this country, and we should be very proud of the innovation, competition and better customer outcomes that this has brought. Fintech has been a success. Equally, though, any innovation brings with it risks. Andrew Bailey spoke about this very well. We need to encourage innovation and competition, but in a way that manages the risks.

Successively, in all the time that I have been in the Treasury over the last eight years, I have worked with Ministers who have been keen to promote competition and innovation, but to do it in a way that protects against risk. The FCA has genuinely been world-leading in setting up what was initially called the sandbox, to allow new companies to learn

how to get regulated. We have encouraged and the regulators have taken the lead in learning how to regulate innovation in a way that maintains innovation and competition, but protects consumers and market integrity. It is a difficult balance, but to date our regulators have done a good job.

The PRA, in response to input and at its own initiative, has done a good job of making it much easier for challenger banks to come to market, get authorised and be regulated properly. That has brought much more competition into the banking market. It is a balancing act, and we need to maintain that balance of innovation, competition and good regulation. It would be a mistake to lurch too far to one extreme, either to have too much innovation with too much risk, or conversely to shut down the innovation and have a less competitive, less innovative, higher-cost market that delivers worse for customers. We need to get the balance right.

Q536 Alison Thewliss: Lex Greensill told us about the future predictive qualities of the technologies he was using but, quite clearly, they are not that good at predicting the future, given what unfolded. Do you think there is a risk inherent in taking all of the technology without looking at actually what is going on? You talked about the balance between the two, but if people are saying, "Yes, it is a fintech company; it can do all these magic things", we have found that in the end it did not matter, because it was not good enough to predict what happened.

Charles Roxburgh: A good example of the right way to do it was one of the lessons from the financial crisis where, before the financial crisis, banks had risk models that were incredibly sophisticated and then turned out to be not very sophisticated in a financial crisis. Now there is a much more rigorous process. The banks have done a good job of really improving the rigour of their models, but also the regulators review them and trawl over them. That gives them confidence. That is true in banking and insurance.

In sophisticated financial markets, you have to have leading-edge technology; you have to have models, but you need to make sure that both internally in the banks they are rigorously checked and tested, and that the regulators can rigorously check and test it. I agree with your proposition that technology has a key role to play in the financial markets today and in the future, but we should be clear-eyed about the risks and make sure that our regulators have the capabilities and the powers to regulate those risks.

Q537 Alison Thewliss: Fintechs can often move quite quickly in what they are doing and with the innovation that they bring forward. Do the regulators have the requisite skills to keep on top of them?

Charles Roxburgh: That is a question to direct to the regulators themselves.

Q538 Alison Thewliss: In that case, does the Treasury have the requisite expertise to keep on top of them?

Charles Roxburgh: If I look back at the strategy that our teams in financial services have pursued in all the time I have been at the

Treasury, we have a good track record of encouraging and enabling, but also giving our regulators the legislative powers to control innovation. The success of the challenger bank sector and the success of the fintech sector are good outcomes. They give better benefits to customers, more competition and more choice.

We have two capable regulators, and they have the skills to do it. If they do not think they have the skills, the resources or the powers, they have the ability to raise that and address it, but that is really a matter for them.

Chair: That brings us to the end of this session. Could I thank you both, Tom and Charles, for appearing before us this afternoon? It has been extremely helpful to have an opportunity to ask you questions. As has been touched on once or twice during our grilling this afternoon, there has been an appreciation for all the hard work that you and your Department have done, particularly through the crisis.