

# 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 539 - 620

### Witnesses

[II](#): Rt Hon Rishi Sunak MP, Chancellor of the Exchequer; Charles Roxburgh, Second Permanent Secretary, HM Treasury.

## Examination of Witnesses

Witnesses: Rishi Sunak and Charles Roxburgh.

Q539 **Chair:** Good afternoon and welcome to the Treasury Select Committee evidence session on the lessons from Greensill Capital. I am very pleased to be joined by the Chancellor of the Exchequer as one of our witnesses this afternoon, and shortly we will also be joined by Charles Roxburgh, the Second Permanent Secretary at the Treasury. In the interests of time, Chancellor, we will just crack on as we have started a little later than we expected. That is entirely due to our fault, I hasten to add, not yours.

Could I start by looking at the way in which Greensill, and in particular David Cameron's approach to you, was handled? It appears to me, as we have gone through evidence on this over the previous weeks, that there are two critical issues. First, was that approach appropriately handled in terms of process or was there any sense in which a special favour was being done because it was David Cameron and not somebody else? Secondly, once the process began, was it of an appropriate length of time or did it go on longer and consume more effort on the part of officials than one might otherwise expect?

Turning to the first of those two points, when you got that text back in early April 2020 from David Cameron, can you just explain to the Committee exactly how you responded and what you did internally in terms of handling that approach?

**Rishi Sunak:** As you will know, Chair, the text messages have been disclosed, so you can see exactly how I responded. That is in the public domain. I provided those a while back. My officials were made aware of the contact both in advance and after I had the very brief call with David Cameron following his reach-out to me. The private office and officials were aware. They were aware of the contact, and there was a readout provided.

Q540 **Chair:** At any point, did you say to anybody internally in the Treasury, "Listen, this is David Cameron who has got in touch, not just anybody; therefore it is clearly an important matter, and we need to look at this particularly seriously"?

**Rishi Sunak:** Everyone knows who David Cameron is, but the matter that is important is providing finance to small and medium-sized companies. That was a matter of enormous concern to me and to the Department during this period. Regardless of the identity of the person talking about it, that was a strand of work that both I and the Department were engaged in, in any case, over this time, because it was of pressing importance to the economy and to many businesses across the UK.

Q541 **Chair:** You did not say to anybody at any point, notwithstanding what you have just said about the importance of the issue at hand, "Look, this is David Cameron. I would like you to look very carefully, therefore, at the particular issue that he has raised as a former Prime Minister".

**Rishi Sunak:** We look at the issue and I looked at the issue on the merits of it, and so the identity of the person talking about it was not relevant to the amount of attention and proper diligence that the issue got and required. That was driven by the circumstances we were facing at the time with acute financing needs for small and medium-sized companies. Therefore, it was entirely right that we diligenced ideas.

This was one of many strands of work, and in fact probably the one we spent the least time on, over this period. Nevertheless, it was an avenue that was worth exploring, given the context. It was worth doing the work and ultimately concluding that it was not one that we should take forward, whereas we did take forward various other proposals.

Q542 **Chair:** Did any officials at any stage say to you, "Ah, when it comes to Greensill, there have been issues, some of which are in the public domain, some of which have come from a foreign regulator"? Did they point out that there were control issues at Greensill and issues around Wyelands Bank, along with the connection between Gupta and Greensill? Was any of that discussed with you? Did officials alert you to that? Did you know this stuff already?

**Rishi Sunak:** There were multiple questions in there, so let me take them separately. We had inbound from a foreign regulator, but much later in the year; it was October. The initial inbound that we had was actually not from a regulator; it was from a foreign Finance Ministry. That happened much later in the year, in October, regarding Greensill, so it was not relevant for this period.

You also asked about Wyelands Bank. When I first became Chancellor, I was made aware of a situation at Wyelands Bank. During the course of the year, there was a resolution process that I was engaged in. I was consulted by the Bank of England, as the regulatory authority, on a solvent winddown and resolution of that bank. Obviously, that is a completely separate and distinct entity from Greensill.

To your third point about general issues, we were only aware of things that were in the public domain. We were not made aware of any specific regulatory concerns about Greensill from regulatory authorities at the time we were looking at these various proposals.

Q543 **Chair:** My understanding is that an overseas regulator did raise issues of concern about control failings at Greensill in February 2020. Is that something you were aware of?

**Rishi Sunak:** No, not that I can recall. As I say, the main recollection I have of overseas people being in touch with us was later in the year, in October.

Q544 **Chair:** Am I right in saying that you are saying to us that you were aware of issues around the GFG Alliance and Wyelands Bank, but you did not connect any of those issues at that time, back in early to mid-2020, with any particular problems for Greensill itself?

**Rishi Sunak:** I would echo the comments that you heard from the Permanent Secretary and the Second Permanent Secretary in your earlier

session. What we did do with the relevant information we received from the Bank of England is pass that, as appropriate, to named individuals in the Department for Business as it related to work it was doing. You will be familiar with the very strict confidentiality protocols around information of this nature, but we received two pieces of information in, I believe, May and July. We passed those appropriately to named individuals in the Department for Business, given the sensitivity of the information. Again, the Wyelands issue was a distinct issue from Greensill.

Q545 **Chair:** Would it be fair to say that, when it came to Greensill, there was nothing that you were aware of, back at that time, that would have caused you to feel there was a looming major problem for that business coming down the track? We know that, ultimately, the business collapsed. Nothing at that point led you to think that.

**Rishi Sunak:** That is correct. We were not aware of any specific concerns with Greensill at that time from the Bank and others, other than what they had told us, which was a particular financing issue in the commercial paper market that financed the supply chain side of it, but no particular issues around their own business at all.

Q546 **Chair:** Turning to the second issue that I raised, the amount of time spent looking into this, when asked the question, "Did you give this the same amount of time that you would have given this matter, had it been brought to your attention not by a former Prime Minister but just by somebody else?", as you will know, the Bank, the Permanent Secretary and the Second Permanent Secretary to the Treasury said, "Yes, we did not give it any special treatment. We did not spend any more time on it than we would otherwise have done".

In all honesty, do you feel that is a credible position for the Treasury and the Bank to be taking? A former Conservative Prime Minister gets in touch directly with the current Conservative Chancellor of the Exchequer and pitches him and other Treasury Ministers. He goes directly to the very top of the Civil Service as well. At one point in early April an absolute barrage of messages and lobbying is going on. Is it credible for us to assume that it had no impact, over and above what the impact would have been had the approach come from someone else unknown to anybody, without a public profile or the political track record that David Cameron has? Is that really a credible position to be taking?

**Rishi Sunak:** I cannot speak for the Bank, but, with regard to the Treasury, I would agree with the Permanent Secretary and Second Permanent Secretary. Indeed, in my own view, it is absolutely right that we spent the right amount of time on this situation to get to the right answer. In the context of what was going on in the economy, it was absolutely right to be looking at ways to provide finance, credit and liquidity to small and medium-sized companies. We were aware of a looming financing crisis for the sector. Members of this Committee themselves raised it with me in Parliament. This was clearly an issue that needed resolution. It was an important part of the work at the Treasury.

In spite of all the attention on this particular strand of the work, I can say that, of all the things that I spent time on during this time—the same would be true for the Second Permanent Secretary—and of all the things that we looked at to provide finance, credit and liquidity to small and medium-sized companies, this probably occupied among the least amount of our time. It was a very small amount of my time and a very small amount of Charles's time compared to the multiple other interventions that we pursued at this time.

If you think about it, over this timeframe we introduced the CBILS loan scheme in March; in April, we essentially had CBILS 2.0, where we revised lots of conditions and the way the CBILS scheme worked in order to make it work better; we also introduced the CLBILS scheme in April. Then in May we upsized the CLBILS scheme; we introduced the bounce back loan scheme and the future fund. In June, we introduced the trade credit insurance fund. On top of that, we did three calls for evidence regarding financing for small and medium-sized companies looking at other things, which we ultimately did not take forward.

That was just on the providing of finance to businesses, let alone the half a dozen other policies we had to support businesses, whether that was furlough, VAT cuts, business rates cuts, VAT referrals and the like. There was an enormous amount of work going on, rightly, to support businesses. In the area of providing finance to them, this was really a very small part of that. Ultimately, we decided not to take this forward, but it was absolutely right to diligence the options in this space, not least because it had been alerted to us that this particular segment of the market may be one that required attention.

Indeed, the Bank of England Governor, at one of your own hearings in early March, specifically called out supply chain finance as an area that may need focus and attention because of the crisis. It was entirely reasonable and proportionate to be looking at this space and entirely right to spend time to diligence proposals that might have helped small and medium-sized companies. In no way was there disproportionate effort on this particular set of proposals. It comprised a small amount of our work and, crucially, we did not take it forward in the end, whereas we did take forward multiple other financing schemes.

**Q547 Chair:** In a sense, isn't the fact that you did not take it forward part of the point here? The fact that there were all these other things going on that took a huge amount of time and generated a lot of pressure is also part of the point. If you are under a lot of pressure and you have a crisis, you really need to decide what you are going to invest your time in. It appears that this approach from Greensill, certainly in this Committee's reading of it, seemed to be kind of doomed from the beginning, and yet it went through all these different iterations and ended up with a call for evidence. In a way, it seems that rather a lot of time was spent on something that was not going anywhere and did not go anywhere, at the same time, you are saying, quite rightly, as there were an awful lot of things that could have been usefully occupying the senior levels of the Treasury.

**Rishi Sunak:** Again, I would respectfully disagree. This is not something that we spend a lot of time on. It might look like that, because there is all this attention on it, and every email and everything else is available, but of all the things that we did—I keep stressing this, and Charles and Tom said this previously—it occupied a very small amount of our time and the Department’s time during this process.

It was not a major consumption of our time, but it was right to diligence it properly. It is all well in hindsight to say, “Because you did not take it forward, you should not have done any work on it at all”. You cannot say that, because that would be the case for anything that we stop work on. It is right to diligence things. The amount of time it takes is determined by the merits of each case and the context in which you are operating. During this period, financing for companies was acutely important. As I say, many members of this Committee raised it with me in Parliament and in other forums. It is right that we were attuned to this.

We provided lots of different schemes in the end, but that iterative policymaking process led us to explore multiple things, some of which we took forward and some of which we did not. At the beginning of the process, you do not know where you are going to end up. At the beginning of this, I certainly did not think I would end up doing a 100% loan guarantee programme, for example. When it came to larger companies, as you probably heard from Charles earlier, there were multiple options to try to solve the financing gap. We looked at a CCFF-minus; we looked at a CBILS-plus option; we looked at CLO structures; we looked at deferred equity.

I did not know, and nor did Charles or anyone else, at the beginning of that process where the policymaking process would end up. It is right that we do the work on these things and that we get to the right answer. In this particular case, the right answer was not to take this proposal forward. The other interventions that we put in place did work, but, again, we did not know that at the beginning. Bounce back loans were something that we only created—

**Chair:** Chancellor, thank you. You have very strongly made that point. That is registered; it is a perfectly valid point. The feeling the Committee may have is that, okay, at the beginning—you are right—you would not have known that it would not necessarily lead anywhere, but there was a point maybe during the third wave of work, as the Treasury has referred to it, leading to the call for evidence, at which it felt that it was pretty much a dead horse that was constantly being gone back to in order to see whether something could be made of it. You have made your point very clearly, and I am grateful for those points.

Q548 **Anthony Browne:** Chancellor, I have questions, first of all, about the lobbying process but then about the lessons learned. On the question about the lobbying process, we know that David Cameron sent a text to Tom Scholar saying that he was now calling the Chancellor, Gove and everyone in his barrage of engagement with Government. We know he did then do that. He talked to you; he texted Michael Gove and Sheridan Westlake in No. 10, one of the senior advisers to the Prime Minister. I am

just wondering what happened after that. Did you then get approached by the Cabinet Office or No. 10? Did it all end up coming back to you?

**Rishi Sunak:** Everything about my interaction with David Cameron has been disclosed through the various FOIs and other things. The sum total of my interaction with him is in the public domain. There were the text messages that he has disclosed to your Committee, my replies that I have already disclosed and the two brief phone calls that we had.

Q549 **Anthony Browne:** I was just wondering whether other parts of Government also came to you, like Michael Gove and No. 10.

**Rishi Sunak:** I am trying to think whether there is anything else. I do not believe I had a conversation with Michael about it at the time. If I was sent anything, it might well have been forwarded to officials, as one would expect. As I say, I do not recall any particular conversation with, for example, Sheridan Westlake.

Q550 **Anthony Browne:** To the Chair's question, you gave a very robust defence of what the Treasury did. Part of our role as a Committee is to oversee the role of the Treasury and how it has performed. David Cameron said that he had lessons to learn from this in the way he approached engagement and that he would do things differently in future. Are there any lessons here for the Treasury at all? Even if you ended up with the right answer in the end and rejected the lobbying, would you do things differently in future?

**Rishi Sunak:** No. As I said, I stand very firmly behind the approach we took. It was entirely right that we considered these proposals on their merits, given the context at the time. I stand by the decision that we made not to take the proposals forward. The team did excellent work, working with me, during this period on a variety of things. We were working in a very high-stress environment; they displayed nothing but supreme excellence in their policy analysis and hard work to try to get to the right answer on all of these things.

In terms of the process and the outcome, the right thing happened. You heard from the Perm Sec earlier about record keeping. I can see what he says. We spent very little time on Greensill at the time, and we have spent considerably more time on it subsequently. Thankfully we have a decent amount of all the records in place in order to answer all your questions. I am glad that we do. Ordinarily, one might not expect to have every single twist and turn of an iterative policymaking process to hand a year later, but I am very glad that we do.

Q551 **Anthony Browne:** One of the primary concerns at the beginning of the whole Greensill saga was the use of taxpayers' money, and whether any of it went to help former Prime Ministers and their employers. One of the primary responsibilities of the Treasury is as the guardian of taxpayers' money. Can you reassure taxpayers that none of their money has been frittered away or used inappropriately in this whole Greensill saga?

**Rishi Sunak:** I can outline the facts for you. Of course, businesses fail all the time, and members of this Committee will of course appreciate that. That is a fact of life. When businesses fail, sometimes all of us taxpayers

lose money because people owe money, for example, for unpaid tax bills to HMRC.

I can tell you in this case, from the information we have from the administrator, that Greensill owes about \$8 million—oddly, these numbers are in dollars—to HMRC, about \$168,000, from memory, to local authorities and \$10,000 or so to the NHS. That is not to say that all that money will not be paid. There is an administration process, and there might be recoveries on some of that. Those are the direct potential liabilities to taxpayers.

Indirectly, Greensill benefited from the CLBILS programme and CBILS programme, which provide taxpayer-guaranteed loans. That is an indirect liability, because ultimately the person Greensill lends the money to owes the money back. In the event that they do not pay the money back, the guarantee can be called. As I am sure the Committee will be very familiar with, those guarantees have currently been suspended pending an investigation of those loans by the British Business Bank. At the moment, that guarantee is not even in place. Again, that is an indirect exposure, not a direct exposure.

**Q552 Anthony Browne:** Do you know the scale of that indirect exposure? Is it £400 million? Is that right?

**Rishi Sunak:** I would note the comments that Lex Greensill made to this Committee about it being in that ballpark. We have not disclosed this and the British Business Bank would not normally make those disclosures before a longer period of time, particularly while the investigation is going on. You have the comments from Lex Greensill on that point.

**Q553 Anthony Browne:** The direct liabilities that you listed at the beginning are all relatively small sums of money in the grand scheme of things. From what you say, I understand that none of that directly results from any of the engagement and lobbying that David Cameron did for Greensill. Those liabilities came through other routes.

**Rishi Sunak:** Yes, those are the ordinary liabilities that any business might have when it fails. Sadly, businesses fail all the time. When they do, they often fail owing money to HMRC or local authorities. That is part of the ordinary course of life. It is nothing with regard to the situation we are discussing.

**Q554 Anthony Browne:** The big picture in all of this is about a business trying to engage with Government and hiring a former Prime Minister to do that. Looking to the future, do you think businesses could, should or will engage with Government in different ways or just not engage at all?

**Rishi Sunak:** Businesses should engage. The policymaking process would be poorer without it. I would imagine that this whole thing might change the way people feel about engaging with Government, but we will have to see.

**Q555 Anthony Browne:** You think it might change the way they feel about engaging.

**Rishi Sunak:** Yes, if every informal conversation is essentially the subject of a public interview. People might be more reluctant to share private or prospective thoughts with Ministers, which might help inform policy and provide broader context on what is happening, if they think it cannot be private. We will have to see. It may well serve to have that effect.

Q556 **Anthony Browne:** It will have a chilling effect. What would your message to business be, then?

**Rishi Sunak:** This is not just business. Whether it is trade unions, trade organisations or civil society, it is important for the policymaking process that people feel they can engage with Ministers and officials. Policy is better as a result of that. Often, informal conversations as part of that process or people providing a private perspective on things can help with the policymaking process.

It has certainly been my experience over the last year, making policy in very difficult circumstances, that I have in particular benefited from conversations that I have had with trade organisations or trade unions at pace to develop various scheme. If people feel they cannot or that it would come under enormous exposure, it might serve, as you said, to have a chilling effect on it, which would be disappointing and damaging to the policymaking process.

**Anthony Browne:** I have other questions, but I have run out of time. Thank you, Chancellor.

Q557 **Felicity Buchan:** First of all, I want to say thank you for all of the work that the Treasury has done in putting together these business support schemes, which my constituency certainly benefited from enormously.

Can I just pick up on Anthony Browne's final question? Were you saying in your reply to that you think there is a risk that we overreact? Whether it be business groups or trade unions, people might not feel they can be open with Government going forward as a result of inquiries such as this.

**Rishi Sunak:** That might well be the case, but ultimately people will want to make that decision for themselves. If they feel that every single communication they have with Government is necessarily available for public consumption, they might think twice about wanting to engage, whether that is to protect commercial sensitivity or for other reasons. We will have to see.

Q558 **Felicity Buchan:** Let me take you back to the text message you received from David Cameron on 3 April, I believe. Just to put that in context, can I ask how well you know David Cameron? Was it a surprise to receive this text message or was that part of ordinary communication?

**Rishi Sunak:** I do not know David Cameron very well at all. I had not spoken to him since I was a Back-Bench MP and he was Prime Minister. In one sense, it was a surprise to receive the message.

Q559 **Felicity Buchan:** David Cameron had obviously been in contact with Tom Scholar. Had you been warned by Tom Scholar that David Cameron was

lobbying? Did you have knowledge of the lobbying that had gone on before your direct communication?

**Rishi Sunak:** I cannot recall; I am sorry. It might have been something that was mentioned to me, but I cannot specifically recall.

Q560 **Felicity Buchan:** When David Cameron was lobbying, did you see him lobbying as a former Prime Minister wanting to talk about policy ideas or did you see him very much as a representative of Greensill?

**Rishi Sunak:** You can see from the messages that he sent me exactly what he said. He has already spoken to you. On our end, I spoke to my private office and officials about the contact. We discussed internally how to respond, as appropriate, down the line.

Q561 **Felicity Buchan:** At this stage, how familiar were you with Greensill as a business? I heard your remarks to the Chair that you were not aware of the foreign regulator's concerns until October, but, personally, were you aware of Greensill as a business? Charles Roxburgh mentioned that he was aware of reputational issues or potential reputational issues. Were you aware of any of those?

**Rishi Sunak:** I did not know the business at all. What Charles is probably referring to is what was broadly in the public domain. There were various stories about things in the public domain, and that was the sum total of the knowledge that certainly I had, and that I think we had collectively, about the company. Those were press stories, so there was nothing substantive that we had been told by regulators or otherwise.

Q562 **Felicity Buchan:** When Greensill was having discussions with Treasury, whether it was David Cameron or anyone else from Greensill, did you ever have doubts about their motivation? They were pitching this as them wanting to help the SME sector, but did you have any concerns that they may want this financing almost to help their business model stay afloat? I know it was not going to them directly; they were passing it down through the supply chain, but it was to keep their business model afloat.

**Rishi Sunak:** No. As Charles probably said previously and as I said earlier, they were open from the beginning about the disruption and challenges they were seeing in financing this particular segment, these receivables. That was not surprising, given that we knew that globally, and certainly here, there was disruption in short-term financing markets. They were open about that from the beginning. That was not a surprise.

We did not have any instinct at that point that there were any issues with them financing their own business, or that there were any solvency issues with their own business. It must have been at some point in 2019, a few months before we were having these conversations, that they had raised \$1.5 billion from SoftBank, for example. So we were not aware of any insolvency issues in Greensill, but they were open from the beginning about the financing challenges in this segment of their business, which, as I said, were unsurprising given the broader challenges in short-term financing markets at that time.

Q563 **Felicity Buchan:** If any other supply chain finance business had come to

you at that time, can you confirm that you would have treated it in exactly the same way, regardless of whether it had a former Prime Minister as its lobbyist?

**Rishi Sunak:** Yes. Indeed, in the second phase of our work, we put out a call for evidence to 11 other market participants that were interested in this space to collect feedback from them on this particular issue. The proposal in the call for evidence was one that any supply chain finance firm could have used, had they wanted.

In the latter phase of work, Greensill mentioned that there were two other firms that were interested in using another iteration. We checked with those two firms themselves and heard back from them that they were not interested, which informed part of the decision-making at that point. We were open to talking to all other firms, as was of course appropriate.

Q564 **Felicity Buchan:** Did the persistence of David Cameron and Greensill's communications with Treasury raise any alarm bells with you?

**Rishi Sunak:** No, not in particular. Of all the things I was doing at the time, this was a very small strand of work. It was by no means close to the top of my to-do list.

Q565 **Felicity Buchan:** Yes, I understand. Clearly, Treasury came to the right decision when it came to Greensill. I know Anthony asked you about the lessons learned. Is your view that Treasury played everything by the book and came to the right decision, and that is it?

**Rishi Sunak:** My strong point of view is that we did the right thing in the circumstances and the context in which we were operating. Given the challenges facing small and medium-sized businesses, it was entirely right to examine these proposals. They were a small amount of the work on this particular topic at this time, but we spent the right amount of time on it to get the right answer, and I believe the right answer was ultimately to reject the proposals.

Q566 **Dame Angela Eagle:** Chancellor, are you aware of how unusual it is for ex-Prime Ministers to behave in this way, lobbying in their direct financial interests so vociferously and so persistently?

**Rishi Sunak:** David Cameron can speak for himself, but I do not know that many former Prime Ministers. I do not really have anything to compare it to.

Q567 **Dame Angela Eagle:** There has not been any sign that any of our ex-Prime Ministers have behaved in quite this manner. I was quite shocked that you seem to be making the argument that transparency on these matters, in this case discovered by good investigative journalism, will worsen outcomes. Surely transparency when it comes to lobbying, especially in one's own financial interests, is absolutely crucial.

**Rishi Sunak:** I completely agree: transparency is important. That is why we have a set of guidelines and frameworks in place that manage that. The question I was asked was, "Does this, on the margin, make businesses less likely to want to engage with the Government, if they feel

there is not a space for private conversations about policymaking processes that might be specific to their industry or have commercial sensitivity?" I cannot answer that question; I am not an external party. We are all used to that degree of transparency and scrutiny. Is it conceivable that businesses or other organisations may react differently, as a result of all of this? It is perfectly plausible. I could not rule that out.

Q568 **Dame Angela Eagle:** The *Wall Street Journal* published a piece that said David Cameron had taken a multimillion pound pay-out in share options in 2019. There has been widespread reportage that, had this company floated, he would have been in line for a multimillion pound pay-out. This is not the normal behaviour of other Prime Ministers. As Chancellor, you surely must have known that.

**Rishi Sunak:** Again, I can only speak for my own actions. You have had David Cameron in front of you, and he is best placed to talk to you about what he did.

Q569 **Dame Angela Eagle:** You texted Mr Cameron with a message on 23 April, in which you said, "I think the proposals in the end did require a change to the market notice but I have pushed the team to explore an alternative with the Bank that might work". What did you mean by "pushed the team"? What did you actually do?

**Rishi Sunak:** I really would not personally read too much into that word. It is just a turn of phrase synonymous with "asked". It is a reasonably common phrase that I would use on an almost daily or weekly basis when talking about work that is being worked on in the Department. It is nothing more than a turn of phrase. The substance of that message was, almost verbatim, the same message that Charles and the team were delivering to Greensill at exactly the same time. In that sense, there is no new information of substance contained in it. As I said, the word is just a turn of phrase.

Q570 **Dame Angela Eagle:** Were you trying to use that phrase to get him off your back because he was hassling you?

**Rishi Sunak:** I was just conveying to him exactly the same message that was being conveyed to Greensill at that time by officials almost verbatim.

Q571 **Dame Angela Eagle:** What was the alternative that you were suggesting to him that you would put in front of the Bank?

**Rishi Sunak:** That was the alternative that the team had worked up that we ultimately did a call for evidence on. That was the one that I was speaking about earlier. We issued a private call for evidence. That call for evidence was given to the Committee when I wrote back to the Committee answering all your questions. You have a copy of it. That is the alternative proposal, which, as Charles mentioned before, would have been a very good and practical solution to this issue, if there was appetite for it.

We developed something that would have delivered value to small and medium-sized companies in the UK, doing so in a way that meant that our credit exposure was largely to the same companies that we already

had credit exposure to through the CCFF—that is, investment-grade corporates, and we were not breaking any credit limits. It was all pound-denominated, and it would have worked for any supply chain finance provider that wanted to use it. Ultimately, there was not demand for it, but that was the proposal. The Committee has a copy of the call for evidence that goes over that proposal.

Q572 **Dame Angela Eagle:** You did not exaggerate that in order to get him off your back. You were just trying to generalise in order to get away from this very particular ask that Greensill had made in its own interest, and towards supply chain finance more generally.

**Rishi Sunak:** I was delivering almost verbatim the same message that the team was delivering to Greensill or had delivered at that point, which was that there was a way that we thought you could help small and medium-sized companies get access to supply chain finance through the CCFF but in a way that respected the things that were important to me and the team, namely that we were taking only investment grade credit risk, that we were supporting small and medium-sized companies in the UK and that the money was going to be used to pay them quickly. That was the alternative proposal. As I said, it was a policy that was developed and consulted on through this call for evidence. You have all the details.

Q573 **Dame Angela Eagle:** We have seen David Cameron’s increasingly frantic lobbying of other members of the Government, spads and various other people as well. None of that came back to you. You were not aware that he was spraying those requests across the Government far and wide.

**Rishi Sunak:** As I said, I cannot recall any conversations I had with others. I may have been forwarded something, which I then forwarded on to the Department. Beyond that, as I said, I was not aware of the broader thing. He was in touch with the Economic Secretary in the Department. I assume I would have been aware of that at the time, although I do not have a specific recollection of that.

Q574 **Dame Angela Eagle:** Should he not have been shown the red card for timewasting at a time of crisis in pursuit of this plan, which was really to shore up his own very lucrative personal interests?

**Rishi Sunak:** I will refer you to the same answer that I gave the Chair and others: I am strongly of the view that we spent the right amount of time on this particular proposal or particular set of proposals given the context we were in. To reiterate, this was a small amount of our time, a very small amount of my time, Charles’s time and the team’s time, given everything else we did. I will not list all the other things again because it would get repetitive, but we introduced half a dozen other schemes. We considered three others that we did not take forward, and that was just on the finance to business side. This was a tiny piece of work in the overall business support policies that we were working on.

Given the context, given what the Bank of England Governor has said about the importance of supply chain finance and given what you, indeed, and other members of this Committee had pressed us on, to get cash to small and medium-sized businesses, it was entirely right to diligence

these proposals properly, examine them on their merits and ultimately reject them.

Q575 **Dame Angela Eagle:** To sum up, you are saying that David Cameron's involvement did not have any effect whatsoever in any way at all. Going forward, it would be entirely pointless for anybody to ask any kind of ex-Minister, much less an ex-Prime Minister, to do any of this work on their behalf, because it will have zero effect. That is what you are saying.

**Rishi Sunak:** It is for other people to determine what they want to do. I can tell you that, in this instance, we took the right amount of time to diligence the proposals, given the context of enormous pressure on liquidity to small and medium-sized businesses. It was a small strand of work in a large amount of other work going on. It was entirely right and proper to iterate and diligence policy options that might have helped and, ultimately, to reject them. That is what we do all the time.

In a crisis, particularly a crisis unprecedented in its scope and scale, in which we had to do lots of things that were different and novel, policymaking was at a premium. We were creating policy across the board in ways that we had not ever done before, so it would have been slightly odd if we were not at full tilt in exploring every avenue to try to help the economy at this time and do what it required.

Ultimately, we did not take this forward, but it was right to diligence it, as we diligenced many other things, in not just this policy area but lots of others, that we ultimately did not take forward. That is what you would expect me to do.

**Dame Angela Eagle:** I hope that everybody watching has noted how pointless it would be, at any time in the future, for any Minister or ex-Minister to try to go into the lobbying world.

Q576 **Chair:** Can I just ask you this, Rishi? Why would you not just say, "At the end of the day, of course we all know that, if a former Prime Minister weighs in and pushes a proposal, people are likely to take more notice of it than if it is just some unknown individual. At the end of the day, it went through the right process. Yes, it may have got a little more attention along the way, but the right thing was done by the Treasury. Of course, if somebody at that level pushes something, it gets more attention than otherwise"? Why can the Treasury not say that?

**Rishi Sunak:** Because I do not believe it is right. It was important to look at this regardless of who was raising it with us, because we were dealing with a financing crisis for small and medium-sized companies. This was a proposal that potentially addressed a segment of that market that was known to us to be an area of vulnerability. The Bank of England Governor at your Committee highlighted it specifically.

Regardless of who proposes it, when a company comes forward with a proposal that it at least represents can help hundreds of thousands of small businesses in this country, it would be more odd for us not to look at it properly on its merits and consider it. As I said, it did not occupy a huge amount of our overall time. As I said—

**Chair:** With respect, I am going to move on now. That is characterising what I said as something I did not really say. I did not say that you should not have looked at it, invested any time in it, explored it or whatever, for the reasons you have given. It is more that it just does not seem credible that, if it is a former Prime Minister pushing something as vigorously as he did at the very highest level, one would not automatically expect it to get a little more consideration at least than if it was somebody who was completely unknown. Anyway, I guess the point has been made and you have made your point. I am going to go to Siobhain, please.

Q577 **Siobhain McDonagh:** Thank you, Chair. You are just so polite. Mr Sunak, I cannot be quite as polite. There were 25 texts, 12 WhatsApps, eight emails, 11 calls and nine meetings with senior Ministers and officials. Can you name me another company that got that amount of access at the height of the crisis?

**Rishi Sunak:** Charles has probably spoken to this, but throughout the—

**Siobhain McDonagh:** I am asking you.

**Rishi Sunak:** I can tell you personally that I had two calls very briefly with David Cameron. I had far more calls, meetings and interactions with the TUC than I did with David Cameron.

Q578 **Siobhain McDonagh:** There were 25 texts, 12 WhatsApp messages, eight emails, 11 calls and nine meetings, all about one thing: money for Greensill. Was the Treasury not already under immense pressure without a former Prime Minister phoning friends for a fraudster?

**Rishi Sunak:** I would refer you to what I said previously. This did not occupy a huge amount of our time. We worked pretty hard on multiple things. As Charles and I have said, this just did not occupy a huge amount of our time. Regardless of people's inbound messages, the time we spent on this, my time, Charles's time and others' time, was really just not very expansive. It really was not. So I cannot—

Q579 **Siobhain McDonagh:** It is simply not true that David Cameron's lobbying was not successful, because they were directed to the British Business Bank and we believe they got £400 million. The British Business Bank, on its website, says it is a 100% Government-owned but independently managed bank, bringing expertise and Government money to the smaller business financial market.

We all know, because Mrs Thatcher told us, that there is no such thing as Government money; there is taxpayer money, and £400 million of it. Do you not feel embarrassed that a Government-owned bank gave Greensill £400 million?

**Rishi Sunak:** Siobhain, let me just take your points. Greensill was not successful in what it wanted. What it wanted when it approached the Treasury primarily was to have access to the CCFF facility, in order to provide supply chain finance to hundreds of thousands, or whatever, of small and medium—

Q580 **Siobhain McDonagh:** Mr Sunak, I do not think they cared what the fund was called. What they wanted was money to prevent their business going down the tubes. That is what they got.

**Rishi Sunak:** Maybe I could answer your question. They were not successful, in that we rejected their proposals for access to the CCFF. It is not right to compare what they wanted from the CCFF with access to the CLBILS programme. Those are two completely different programmes that work in two completely different ways. The CEO of the British Business Bank has written in a letter and explained that as well.

On your last point, it is wrong to say that they were handed however much money from the taxpayer. The British Business Bank does a huge variety of things, some of which involve direct Government investment into entities, as part of, for example, our patient capital initiative to solve financing gaps as companies scale up and to solve market failures in small and medium-sized companies. It provides direct financing there to funds of funds and other things. Most recently, the life sciences investment partnership is an area—

Q581 **Siobhain McDonagh:** Mr Sunak, you can complicate it as much as you like, but they got guarantees for £400 million. Unless I am wrong and that did not happen, they got £400 million in guarantees, when in 2019 Greensill sued Reuters when it wrote articles about its business model. At the same time, Lord Myners was asking questions in the House of Lords about the Greensill business model. We now know that, at that time, a bank owned by the company that Greensill gave the most money to was being investigated by the Serious Fraud Office. Is not that embarrassing, given how important financial services are to the UK economy?

**Rishi Sunak:** If you are ready for me to answer, I will say that there is a direct difference between providing direct cash and providing a guarantee, which is a contingent liability. Those are just practically and tangibly different things. What the British Business Bank does with the CLBILS programme is provide a guarantee worth only 80% of the loan, which is made to a third party and not to the entity itself. It is not to Greensill or whoever the CLBILS-accredited provider is; it is to whomever they lend the money to. If that third party fails to pay it back, the intermediary will receive a guarantee on 80% of that value. That only happens if the third party does not pay the money back.

In this case, because of the various things that have gone on, there is an investigation of those loans that Greensill has made to third parties under the CLBILS programme. So I cannot comment on it further, other than to say that the taxpayer guarantee has been suspended pending the conclusion of that investigation.

Q582 **Siobhain McDonagh:** As we discussed with Mr Roxburgh earlier, if I guarantee that my friend is going to pay her loan for a car, and she stops paying, I end up paying. You were guaranteeing to me that the British taxpayer will not meet any of those £400 million guarantees.

**Rishi Sunak:** Your example is exactly right. The distinction is that you yourself did not come up with the money and give it to your friend for her

to buy the car. You did not give money to the person she bought the car from; she gave the money to the person she bought the car from or they lent her the money. Then, if she does not pay it back, you are on the hook. There is a difference. You are not out of pocket on day one. It is only if the person does not pay it back that you are on the hook. That is how a guarantee works versus what you were saying earlier, that the money had been handed over at the beginning.

The guarantee is currently suspended. It is not in place currently, pending an investigation. I cannot say anything further about it, other than that there is an investigation. The guarantee has been suspended and so is not in place currently, pending the outcome of that investigation.

Q583 **Siobhain McDonagh:** So Greensill's administrators are not coming back after the British Business Bank, and you are going to win in court.

**Rishi Sunak:** I cannot comment legally on an ongoing investigation, other than to say—

**Siobhain McDonagh:** I am not a lawyer, but I do not think you are in a good position.

Q584 **Rushanara Ali:** Good afternoon, Chancellor. On this final point, I want you to think about HMG, not just Treasury. I appreciate what you are saying and what the Permanent Secretaries have said about the Treasury not approving any loans, but CLBILS was then accessed by Greensill, as I asked in the earlier session. For the taxpayer and the public, the thing they will care about is whether our Government thought about this across Departments. This is where I would say that Government fell short, because the checks and balances ultimately did not prevent Mr Greensill accessing the loans and then making them available through these eight times £50 million loans to Mr Gupta's company.

Would you be able to just reflect on why, given so many significant concerns were raised, ultimately the CLBILS scheme was the one that he managed to access through the publicly owned British Business Bank? Would you just be able to reflect on that? I appreciate that it is not your direct responsibility, but your Department did announce that scheme.

**Rishi Sunak:** As you acknowledge, it is not our direct responsibility so there is a limit to what I can say. You said that significant concerns were raised. To reiterate the conversation I had with the Committee at the beginning of this session, during the time of these discussions, no significant concerns had been raised with us by regulators about the solvency of Greensill itself. It is wrong to say that significant concerns had been raised at this time; we were not in possession of any, and we had no reason to think at that point, from the information we had, that there were any. That is the first point.

The information we had about Wyelands and others, as you know, at GFG had been passed to the Department for Business, but that is separate to Greensill. Those are distinct entities. Greensill is its own entity, and there was no reason to think that there was any issue with Greensill at that moment based on the information we had.

With regard to the British Business Bank, it runs the accreditation process for Greensill or for anyone accessing CLBILS according to criteria that have been in place since 2009. They were designed for a different loan guarantee scheme, the enterprise finance guarantee scheme. The CLBILS programme mirrors that accreditation process. You have received a letter from the CEO of the British Business Bank. Treasury Ministers or officials have nothing to do with the—

Q585 **Rushanara Ali:** I acknowledged from the beginning that it is not your direct responsibility. You have said that publicly in the past as well.

Let us move on. I know you will have seen ex-Prime Minister Cameron's session with us. In his evidence session, I wonder what you made of his remarks to the Committee that there is not really a roadmap for a young ex-Prime Minister who wants to get stuck in and help a business grow and expand, and that it would have been beneficial for some type of committee to give evidence.

Should he have been able to work out that it is actually not that complicated to declare a personal financial interest ahead of all the lobbying that he did? Actually, it is not beyond the wit of a very talented former Prime Minister who won two elections to just do that. He might have spared all of this grief for himself and everybody else, and not compromised some of the things you have talked about before.

**Rishi Sunak:** I cannot speak for David Cameron. He has obviously been in front of your Committee and you have had the chance to ask him those questions directly. I did not actually see the hearing—apologies for that. As I said, your question is better directed to David Cameron.

Q586 **Rushanara Ali:** Let me put it a different way, then. Lots of people have tipped you as a future Prime Minister. What would you want? What would be your guiding principles? When you retired after a successful career as a Prime Minister, what would you be looking for in terms of the approach so that your reputation as a former Prime Minister is protected and you can conduct business, if you went on to work for a company? Learning from this experience, how do we make sure that we protect the integrity of our system and that these conflicts of interest do not end up being quite damaging? It is not for the reasons that you said, because the head of the TUC did not personally profit from lobbying you; charities do not personally profit and so on. That is where the crux of this issue is. We are all very uncomfortable about what has happened here, and actually most of all the ex-Prime Minister. Could you reflect on that, at least?

**Rishi Sunak:** I am not actively planning for my retirement, so I have not put a lot of thought into it.

**Rushanara Ali:** I was referring to what you might do after a successful career as a future Prime Minister.

**Rishi Sunak:** My understanding is that, not that I am familiar with them, there are a set of rules, guidelines and frameworks that govern the behaviour and interaction that former Ministers—and I think senior officials, although I am not sure—have with Government after they leave their positions. It is my understanding that this framework exists. I think

Eric Pickles and others have written to your Committee about that. That is a matter for the Cabinet Office. I would imagine that, as part of the reviews that are going on, Eric Pickles has written to the right people and that his thoughts and reflections will be taken into consideration. That is probably the best reflection I can give on the situation. It is not something I am very familiar with.

**Q587 Rushanara Ali:** Given the way that lobbying interfaced with your Department, other Departments and public money, it is a very serious matter, is it not? You have spoken about how this, in your interpretation, might put off businesses and others from coming to Departments like yours, but there is a broader issue around damage and the lobbying Act frankly, by the ex-Prime Minister's own admission, not addressing some of these wider issues. He said, "In my representations to Government I was breaking no codes of conduct and no Government rules". While that may be true, should there have been rules, given the conflict of interest? He was set to profit, if the lobbying was successful.

**Rishi Sunak:** I am not trying to be unhelpful. This is just not an area that I know. These are matters for the Cabinet Office. My understanding is that Eric Pickles is in active discussions with the Cabinet Office about ACOBA or whatever it is that governs all these things. I am not involved in the discussions. I would imagine that the Cabinet Office is looking at it and that is probably the right forum to decide on the right framework going forward. The points you raised may well have merit; I am just not familiar with the system so I cannot speak to it. Like I say, it is a responsibility for the Cabinet Office. Eric Pickles has written to them and is talking to them about the exact way to do it.

**Q588 Rushanara Ali:** I appreciate that. Thank you. Can I just bring you back to the point that you made? Charles, in his session, talked about a total of about four hours that had been taken up by the time that was given to Mr Cameron. You mentioned that the Department entertained others who came forward during the crisis. I know others have raised it as well, but would your office be able to give us a comparator? If it is the case that Mr Cameron's overtures towards your Department did not take up that much time, it would be good, as part of our inquiry, to see a comparison between his approach and others'.

I raise this because it is important that people feel that, as you and others have pointed out, it does not matter who you are—if you have a good idea, you are going to get the attention that the idea deserves—and that there is some sort of merit, not least because of the recent scandals around the VIP lane, for instance, the NAO report and the scandals and allegations around Conservative donors who have access to Government procurement contracts. I appreciate that is not your Department, but there have been issues in relation to other Departments.

You will appreciate why I am asking this, I hope. It is about public confidence in the process and civil servants not ending up—in your Department, officials did not, but slightly more junior officials might feel under the cosh—feeling like they cannot speak truth to power in terms of those who are powerful ex-Prime Ministers, ex-Ministers or their own Ministers.

**Chair:** Charles, did you want to come in quickly?

**Charles Roxburgh:** Very quickly, to clarify, I was referring to my calls with Greensill. Only one of those calls involved Mr Cameron.

**Rushanara Ali:** I meant the whole affair. Mr Cameron was employed by Greensill. Perhaps I should have clarified: I meant Mr Cameron and Greensill.

**Charles Roxburgh:** He was only on one call. He was a participant on that call. All the calls were with Mr Greensill and Mr Crothers.

Q589 **Rushanara Ali:** It was four hours with the organisation and its representatives, including Mr Cameron.

**Charles Roxburgh:** He participated on one call out of nine. I estimate that the nine calls in total took me approximately four hours of time over nearly four months.

**Rushanara Ali:** It is the four hours that is key.

**Rishi Sunak:** I will reiterate what I said before. As you have heard from Charles and me, this did not occupy a huge amount of our time. The record is there. As I have described, you can look at the half dozen other schemes that were launched during this period: CBILS, the iteration of CBILS, CLBILS, bounce back loans, the trade credit insurance, the future fund. That is just in the financing space. We issued three other calls for evidence, which are private and confidential calls for evidence, on three other aspects of financing. You will be familiar with all the things we have done, whether it is business rates, furlough, et cetera.

That was the amount of work that we were doing. This was a small amount. The Bank has provided an estimate of the number of FTEs over the several weeks that it thought it took. I cannot imagine that ours would have been, in aggregate, much different from that.

**Rushanara Ali:** It would be great if we could have something in writing on the relative comparison between how much time was spent on Greensill and others. Thank you.

Q590 **Julie Marson:** Good afternoon, Chancellor. Aside from the lobbying issues that have been covered just now, I would like to ask you if you have reflected on what you considered the main regulatory lessons that we might be learning from the Greensill saga.

**Rishi Sunak:** That is a good question. I cannot pre-empt what the FCA is doing. You heard evidence from Nikhil earlier about some of the things it is looking at. It is conducting an investigation into the various Greensill entities. One of the questions that we always get is about the regulatory perimeter. We keep that under constant review anyway. Whether it is the Bank, the Treasury or the FCA, we are in dialogue constantly about that. "Is it set in the right place? Do we have the right powers that we need?" Nikhil spoke a little bit about having information powers on businesses on the other side of the perimeter and whether that might be helpful, as an example.

Secondly, there is the appointed representative regime, which may turn up through the work that is going on through this Committee as something that needs looking at. Indeed, we have already started work to examine this, with some calls for evidence.

Q591 **Julie Marson:** That is one of the areas, like you say, that Nikhil Rathi has raised. Are you prepared to look at that seriously and, if necessary, potentially stop that or change it completely?

**Rishi Sunak:** The FCA is doing its work. We will let that finish and then have a dialogue. We always work with it constructively and continuously on developing a better understanding on exactly how the AR regime is working today. It is fair to say that, first of all, this is a longstanding feature of our regulatory system. Its legislative underpinning dates back to the 1980s. More recently in the 2000s, FSMA, the Financial Services and Markets Act, gives it its legislative underpinning. It has been around for a long time.

It has grown over time beyond the smaller number of firms that it started with. Some of that is for good reason. To give you an example, a typical branded travel agency might be offering travel insurance as an AR of a large insurance company. In general, the regime has been seen as one that will allow market entry and innovation, which is good for the consumer. If this episode sheds some extra light on it and it needs looking at it, we will of course do that.

We have probably already started doing that already. The FCA has already started work looking at the AR regime. At the end of 2020, in September, there was a call for evidence on the consumer investment market, which talked about the AR regime. In spring this year, in April, a further consultation started about the additional fees for principal firms to provide more effective scrutiny. It is already an area that we are looking at. Depending on what comes back from the FCA, we are prepared to look further at it.

Q592 **Julie Marson:** Charles gave some thoughts about this in his session earlier, but I would be interested in your views on whether there is a wider case to regulate commercial lending, which has been thought of over previous years.

**Rishi Sunak:** In our approach to financial services regulation, what are the things that we really want to regulate? Primarily, it is banks, because they take deposits and make loans to consumers. They are an important part of the financial system. Then you want to regulate things that involve customers at a retail level. Those are the things that are of particular importance. Typically, business-to-business lending is not a regulated activity. Again, that is a longstanding feature of the system when you are balancing consumer protection with costs on businesses and the cost of the product. We regulate very small business lending—it comes under the Consumer Credit Act—which is why we had to make some tweaks to bounce back loans in order to make them possible, because we normally regulate lending below £25,000.

That is the general thing. On supply chain finance in particular, it is not a regulated activity in the US, in Australia, in Canada or in most large EU states. We are not out of line in treating it that way. I will wait to see what comes back from the NAO, various committee hearings and the FCA's work, and then we will decide what we need to do. If there are lessons to learn and things that we need to take forward, I am very happy to look at that.

**Q593 Julie Marson:** When the Governor of the Bank of England has told us that the capacity of this country for tackling economic crime is not good enough, does that give you cause for concern?

**Rishi Sunak:** On economic crime, I can tell you what we are positively doing, which is quite a good set of actions. In the summer of 2019, we published the economic crime plan. I recently published an update to that—this is a co-owned piece of work with the Home Office, from memory—that showed that there were 50-odd recommendations in the economic crime plan and that 20 of those had already been met, and we are making good progress on the rest, which is good news. Earlier this year, we brought into legislation new money laundering regulations on things like crypto, for example. Betting was part of that.

In the Budget, I announced the new economic crime levy, which will raise about £100 million as a levy on those firms that are regulated for anti-money laundering to help us improve investment in this space. That is all quite a positive story.

FATF, the Financial Action Task Force, which is the global policeperson on this, has said that we are best in class or gave us a very high rating for our approach to all these things. We were the first G20 country to have public beneficial ownership registers as well. BEIS is committed to taking forward further legislation on Companies House. If you look at it in the round, we are doing a pretty good job. We will be doing an even better job with the resources coming in from the economic crime levy, which I talked about.

**Q594 Julie Marson:** Is there a case to give the FCA more responsibility for economic crime? Clearly, that would mean it would probably need more resources and funding. Is there a case for that?

**Rishi Sunak:** I cannot recall whether that forms part of any of the 50 proposals that we have come up with to further our work on this. You will have to forgive me. The plan that we put together did bring together law enforcement agencies and regulators, et cetera, to figure out the best way forward. As I said, the £100 million that we will be raising through the levy is significant extra investment in tackling economic crime.

We are always open to a conversation. There is a board between the Home Office and us, which we chair, that meets regularly. The Economic Secretary is very good on all of this. You will probably be talking to him or writing to him about it. We are in a pretty good place. I cannot remember specifically whether there was something related to the FCA that we were going to do, but we are quite committed to action in this area. Our track record is very good.

Q595 **Harriett Baldwin:** I just wanted to pick up on Julie's line of questioning, which was around lessons for the regulators from Greensill Capital's failure. I want to move on to lessons for us all in terms of the financial stability issues that we have learned from Greensill. It strikes one that what they were doing was packaging accounts receivable and future accounts receivable, putting an insurance wrapper on it and selling it on to investors. It does ring bells from the run-up to the financial crisis, does it not? I wonder whether you have any concerns generically about what happened there.

**Rishi Sunak:** In terms of what I was saying before, supply chain finance in its regular plain vanilla sense has been historically perceived as a relatively low-risk activity. That is why it is not regulated in most jurisdictions, because it is standard business-to-business lending. To your point, what Greensill ended up doing probably moved quite significantly away from plain vanilla supply chain financing, because it was starting to securitise receivables on future earnings that had not come in yet. That is slightly different.

As I said, Nikhil spoke a little bit about this. When the FCA has finished its investigation into the various Greensill entities and what they were doing, that would be the time for us to have a conversation and see whether there are lessons that can be learned or things that need to be changed going forward.

Q596 **Harriett Baldwin:** As for the Bank itself, so much UK business is now within the ring-fenced banks and the non-bank sector has grown enormously. We heard from Sir Jon Cunliffe that it has grown very rapidly as more business is being done outside the traditional ring-fenced banks. There is a sense that some of the activity is being pushed into the non-bank sector. Are you worried about that or do you welcome that?

**Rishi Sunak:** That is an excellent point. You are right: there has been a growth in non-bank lending over time. There are benefits to that. It diversifies financing sources for businesses and often works quite well to serve particular market segments. That is the positive case for it. What we saw, though, in spring of last year is disruption in those markets. There was this dash for cash, and we saw quite a lot of disruption in both Government bond and repo markets, which highlights some of the issues here.

The FCA and the Bank are regularly looking at this. They report on financial stability on a semi-annual basis—Charles will correct me if I am wrong—in the *Financial Stability Report*. There are three specific things. First, before the crisis even started, the FCA was looking at the liquidity mismatch in open-ended funds. That is one of the areas where there could be an issue. That process is already underway. Secondly, the FCA recently started work on open-ended property funds, because is one of the parts of this non-bank market that showed disruption during the early stages of coronavirus. Thirdly, in the remit letter that I sent to the FPC last year, we recommended that it provide a detailed assessment of the oversight and mitigation of systemic risks from the non-bank sector, and it is due to come back to us in Q2 of this year.

That is all the work that we are doing because, like you said, the growth in this sector means that we need to keep a close eye on it. It is also important that we co-ordinate internationally, because of the cross-border nature of this type of lending. The FSB is responsible for this internationally. It had a review in November of last year, and there are five strands to that work, which we are closely involved in. The one that I would highlight is money-market funds, which is another area, like these open-ended funds, where there might be issues that we need to consider.

Q597 **Harriett Baldwin:** I have a couple of follow-up questions on that, then. Is the Treasury doing its own analysis in terms of financial stability or are you delegating all of that to these other pieces of work through the remit letter?

**Rishi Sunak:** Charles will correct me if I am wrong, but in our system financial stability is directly the responsibility of the Bank and the FPC. It is right that they do the work. They monitor financial stability and system-wide risk. They are the right forum to do the work and come back to us, and then we will take a look at it.

**Charles Roxburgh:** I sit on the Financial Policy Committee as the Treasury representative. I am a non-voting member, but I sit on it. We are completely plugged into the work the Bank is doing. We do have a financial stability team in the Treasury that works closely with the bank and can provide its own advice to Ministers on what the Bank says. We rely on our independent Bank and the independent Financial Policy Committee to produce this advice, but we have enough capacity within the Treasury to understand it, advise Ministers on it and challenge it. We take the independent advice from the FPC at the Bank of England.

Q598 **Harriett Baldwin:** In terms of the international aspect that you were mentioning, Chancellor, is this on the agenda for next week's G7 Finance Ministers' meeting—the lessons learned from this crisis in terms of financial stability?

**Rishi Sunak:** I cannot recall whether it is on the specific agenda for the formal meeting. It is something we have discussed in the G7. The FSB is on all of our calls in general. It is not just the seven of us. The FSB, the IMF, the World Bank and the OECD are always on these calls, together with the central banks. Randy is there. We talked about non-bank lending a while ago. I cannot remember whether it is specifically on the agenda for next week, but it has been discussed.

Q599 **Harriett Baldwin:** Can I change the subject slightly to something that came out of Dominic Cummings's testimony yesterday? It was about the Bank of England and senior officials in the Treasury and the Cabinet Office thinking, "If we go into lockdown, we will have to borrow huge amounts of money. What if the bond markets suddenly spike, go crazy and refuse to lend to us? We will then have to find emergency powers to tell the Bank of England to buy the debt, et cetera". Were you involved in those conversations, Chancellor?

**Rishi Sunak:** That is not something that I specifically recognise. Obviously, we have independent monetary policy. What we did have to

do, which I wrote to you about at the time and which was public, was, in Chancellor speak, to activate the ways and means facility, which allows the Bank to provide short-term financing to the Government if there is a mismatch between month-to-month cash flows. Because we were a bit uncertain about exactly how the crisis was going to work, we took the prudent step of making sure that we had access to that facility. That is a matter of public record.

Q600 **Harriett Baldwin:** Can you reassure the public that you personally, as Chancellor, would never contemplate a situation where you basically took over the Bank of England and started printing money to buy Government debt? For the benefit of future generations, that is not something you would consider doing or allow.

**Rishi Sunak:** I am very happy to give you that firm reassurance.

**Harriett Baldwin:** Thank you, Chancellor.

Q601 **Mr Baker:** I refer to my registered shareholding in Glint Pay, and I do so because I am going to ask you about fintech, Chancellor. David Cameron in a text message said to you that Greensill was a "British fintech success story". What did you think of that claim?

**Rishi Sunak:** I do not think I thought much of it, beyond what I have already said. What we knew about Greensill was that it was a reasonably significant company involved in the provision of supply chain finance. It had this large investment from SoftBank a year ago of \$1.5 billion. It was representing that it provided a lot of support to 100,000 small and medium-sized businesses. It seemed to have blue chip clients. That is what we knew. I did not see "fintech" and think anything different of it.

Q602 **Mr Baker:** Did David Cameron at any stage take the time to explain what he meant by "fintech"? For example, I had an exchange with Mr Greensill about the way machine learning was used to forecast prescription fulfilment and extend credit on that basis. Did David Cameron talk about that machine learning or any other clever advanced technology?

**Rishi Sunak:** No, not that I recall.

Q603 **Mr Baker:** Might the Government be vulnerable at all to a sense of excitement about innovation and, therefore, to anyone who has the right connections and can use the right buzzwords to try to get alongside Ministers?

**Rishi Sunak:** I would like to think that we are able to diligence things on their actual merits, rather than what the marketing spin of them or the branding might be. You have heard me talk about this for an hour and whatever. I probably have not mentioned the word "fintech". This was about providing credit to small and medium-sized companies and supply chain finance. That is really all there is to it.

I am a big believer in our fintech industry. It is something that we are globally very successful at. There is more fintech money raised here than anywhere else. I will not go over all the stats again, because that is not what this hearing is about, but as a country we should feel very proud of

our fintech industry. It is doing very well. Ron Kalifa from Worldpay was commissioned to do a report into the industry. We have accepted a lot of the recommendations in that, including a regulatory scale-box, visa reform, et cetera.

Q604 **Mr Baker:** Just to pick up on that, as a software engineer, of course—I have had to declare my interest—I am an enthusiast for fintech. Might our enthusiasm sometimes blind us to conventional financial risks? That seems to have been what brought down Greensill. They were not adequately insured, as they explained to us, and there were possibly some other matters. Could this enthusiasm blind us to routine risks?

**Rishi Sunak:** That is the challenge that we have as policymakers. We need regulatory frameworks that are pro-innovation yet can still provide consumer protection or systemic protection to the system. That is always the challenge. Our track record when it comes to fintech is pretty good. People look at the FCA's regulatory sandbox and around the world it is broadly seen as something that gets that balance right. It has allowed enough innovation to happen, which has created new products and services for consumers, and been good for jobs and growth, while providing protections. The scale-box is the next iteration of that.

You are right, though. There is always a tension. That is what policymaking is about: trying to set the right balance between those two things.

Q605 **Mr Baker:** Can you tell me a little bit about how you chose to set the balance when you gave your remit letter to the FPC? You expressed your enthusiasm for the promotion and support of fintech. To what extent did you consider this balance of risk when you set out that remit letter?

**Rishi Sunak:** There are probably lots of other things in that remit letter that are important to the financial stability side, which is their core remit. It is important. There are always going to be things that we want to highlight and make sure we are looking at.

Because fintech is a growing industry, it is important in two ways. There are two sides to the coin. It is not just about looking at the opportunities and being pro-growth; it is also about realising that with new markets come new risks. Crypto and stablecoin is another example where we see that actively, where, again, we have consultations out on what the right regulatory framework for stablecoin is, for example. Crypto is already being regulated for money laundering, and, as it grows, we are consulting on regulating it for financial promotions.

As new markets come along, the regulation has to keep pace with that. It is on both sides of the coin; we just need to be aware of the change and make sure that the regulatory system keeps up with the change, both to capitalise on the opportunities and potentially to safeguard against new risks.

Q606 **Mr Baker:** I will not labour the point about the merits of gold, physical gold in a vault, being reinserted into the finance system; that is for another forum. Are you concerned that, if you put extra requirements on

regulators, you could divert them from their core function of looking after these much more routine risks? They have only so much capacity. The market is complex; they have an enormous array of things to do. Could you not divert their attention from where it needs to be?

**Rishi Sunak:** They always have a core and primary purpose. Regulators will always make sure they work to fulfil that. As they are doing that, there are always going to be considerations alongside that, which at any point in time might be particularly important or more relevant. It is important for them to have sight of that in their heads as they are doing that. Those evolve over time.

That is why we have remit letters, the bulk of which stays exactly the same. As policy conversations evolve, as things evolve, it is right that, on the margins, some of the emphasis or some of the extra things will evolve. New things will replace old things. The core purpose of why we have these regulators and what they do has not changed since they were set up. Charles can probably correct me if that is wrong, but I would imagine that the core remit of the FPC probably has not changed substantively.

Q607 **Mr Baker:** Conscious of the time and wishing to leave a bit of space for other colleagues, just finally, what is the main lesson to be learned so far for fintech firms, for the regulation of firms claiming to be doing fintech and generally for the regulation of large innovative firms in general?

**Rishi Sunak:** The key thing for those firms will be to engage on Ron Kalifa's scale-box idea. That is a set of things that the FCA will look at, and it is an evolution of the sandbox. That is probably the most important thing for companies in that industry to engage with, and ditto, as I said, our consultation on stablecoin. These are the new growing areas. We want to get people's views and we want to get the policy right, so people should feed in.

**Mr Baker:** Thank you very much, Chancellor. That was really appreciated.

Q608 **Alison Thewliss:** I have some questions around the question of corporate debt. Interest rates have been pretty low since before Lex Greensill founded his firm. Is there a risk that cheap credit incentivises firms to take on too much debt and become fragile, which, on the other side, is incentivising investors to take riskier and riskier bets in the search for yield from that?

**Rishi Sunak:** Are you talking about Greensill in particular?

**Alison Thewliss:** You can generalise it, if you would like. It is a wider concern.

**Rishi Sunak:** We are talking about Greensill. I am not sure what the particular takeaway might or might not be. In aggregate, if you look at corporate debt levels as a percentage of GDP—the IMF has a pretty good comparative set—you will see that currently we are at about 70%, which is lower than Canada, France and probably Japan, about in line with the

US and Italy, and a bit behind Germany. Across the G7, we are closer to the better end and we have lower leverage levels.

If you look at what has happened over the past 10 years or so since the financial crisis, the reduction in our corporate leverage levels has actually been quite significant. It has gone down from about 90% to about 70% over that period. Coming into the crisis we were, relatively speaking, both compared to other countries and compared to our recent history, in quite good shape.

The Bank of England has some quite good data on the build-up of corporate deposits over this crisis. People focus a lot on the consumer deposit side. Over £100 million of excess corporate deposits have been built up over the past 12 months as well. That is going to differ slightly by sector, but in general it does not look like there is an aggregate issue. There certainly was not, coming into this, and the Bank of England data does not suggest that there is currently.

**Q609 Alison Thewliss:** Do you feel that there is any public intervention required at this stage on the level of corporate debt that has been coming through during the pandemic?

**Rishi Sunak:** Again, this is a broader question than Greensill. You have the aggregate statistics. We have tried to ease credit repayments for companies. The biggest exposure that the Government have is through the bounce back loan scheme, which has benefited about 1.5 million businesses to the tune of £45 billion, so an average loan size of about £30,000.

Last year, we announced an ability for those businesses to restructure those loans at their option very easily and to turn them from five-year into 10-year loans after the completely interest and payment-free first-year period. In doing so, that reduces the monthly repayment by just over 40%, which is quite a considerable cashflow benefit to those businesses.

They also, at their option, can take six-month payment holidays or interest-only periods. None of that will affect their credit rating, as long as they do it in advance of the payments coming due. That will help cashflow for those 1.5 million small and medium-sized businesses and really support them through the recovery. That is what we have done.

Similarly on CBILS, we cannot do the same thing, because it is not a 100% guaranteed product, but we have allowed banks to extend our guarantee out to 10 years, if they want, to restructure those loans.

**Q610 Alison Thewliss:** It is going to take quite a while for some businesses to get back up and running to the level that they were at before the pandemic, while also carrying this debt. For some, it will not be a case of income that they can defer, but income that is just lost altogether from not being able to trade in the way that they could do. Are there wider implications for the economy from this?

**Rishi Sunak:** Again, I know we were meant to be talking about Greensill. People have used our facilities to get through the crisis. They are on very

attractive financing terms, and the interest rate on bounce back loans is 2.5%, for example, and extended. We are also balancing the needs of the taxpayer alongside supporting businesses. As everyone knows, we have provided an enormous amount of support for businesses: direct cash, massive tax cuts, loan guarantees and subsidised loans. The combination of all of that will help businesses get through.

Interestingly, last year, corporate insolvencies in the UK were even lower than the year before. That was quite a surprising outcome, which is probably a proof point that we have been able to support businesses to get through this period. The statistics that we see from CFO and business confidence surveys, and the various PMI indices, are all in extremely positive territory, so business confidence at the moment is high by historic standards, and intentions to invest are strong, spurred on by things like the super deduction. The outlook is reasonably positive, and more positive than it has been in a very long time, which is something that we should all be grateful for.

**Q611 Alison Thewliss:** You talked about surveys. Make UK has said that it will take until at least 2022 for it to return to full production capacity, and that it needs support equivalent to the Marshall plan. Is what is being provided just now enough to see it through that?

**Rishi Sunak:** Again, it is a bit wider than Greensill. We have provided over £400 billion of support. It is the largest programme of fiscal support since world war two, so it is hard for anyone to say that what we have done is not significant and commensurate to the scale of the challenge that the country and the economy has faced.

**Q612 Alison Thewliss:** Is there currently a bias within the financial system regarding taxation and regulation towards providing debt rather than equity?

**Rishi Sunak:** That is probably a larger topic for a whole other conversation. We have the tax system that we have and, in the interests of time now, it is probably not the right forum to delve into all the various details of exactly what tax policies support capital raising and in what ways.

**Q613 Emma Hardy:** I intend to pursue my line of questioning from earlier. In evidence to the Public Accounts Committee, Sir Tom noted that, on Greensill's pharmacy deals, "The Treasury has always been institutionally sceptical of that kind of proposal". Would you, as Chancellor, have signed this off?

**Rishi Sunak:** It is hard for me to answer that, because I was not around in 2013. That was when the original proposal was signed off. Charles will correct me if I am wrong, but 2013 was when the PEPS scheme was signed off, and the iterations subsequent to that did not involve the Treasury. I share Tom's view that, instinctively, this should not be something that is massively necessary in the public sector, for the reasons that Tom gave. Our cost of borrowing is low and is going to be cheaper than the private sector, and we are a prompt payer. That is where the Treasury's scepticism towards these things would have come

from, and that is based on a sound rationale. I cannot speak to what happened in 2013, because I was not here, and in the iterations subsequently.

Q614 **Emma Hardy:** To clarify, I asked whether you, as Chancellor, would have signed this off. In the future, would you, as Chancellor, want to sign off similar deals to this?

**Rishi Sunak:** Again, this is completely hypothetical. It is a proposal that does not exist in front of me. I need to consider things on their merits and diligence them properly. Clearly, in the past, someone thought it was worthwhile. It is not common, but I cannot tell you, without seeing a proper proposal and without vigorously diligencing it, what I might or might not do.

Q615 **Emma Hardy:** How worried are you by how Greensill got into Government and whether that enabled him to get an insight that his competitors may not have been able to take advantage of?

**Rishi Sunak:** I can speak only to the interaction that Greensill had with the Treasury. The broader interaction that he and the company had with other parts of Government or in the past are not things that I can speak to. With regard to the interaction that we had, we have spoken about it extensively during this Committee hearing. It was a small part of what we did. It is right that we diligenced the proposals, said no to them and ultimately took forward lots of other things instead.

Q616 **Emma Hardy:** One aspect of Greensill's offer was Earnd, which I mentioned in my line of questioning earlier. I also mentioned that, in your letter to us, you noted, "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". Does that worry you?

**Rishi Sunak:** Again, Charles will correct me if I am wrong. It happened, I would imagine, way before I got this job, but it is just something that is operated by a different Department.

**Charles Roxburgh:** It is a decision by the NHS foundation trusts, which have significant independence to do this. It did not come to us, so Treasury approval was not sought. It is a decision for the foundation trusts. It is a departmental matter for the Department of Health and Social Care as to whether it wants to take further action on that.

Q617 **Emma Hardy:** My concern is that, as I mentioned earlier, by offering Earnd for free, the Government demonstrated approval for it. It allowed the company to promote the fact that it was a supplier to Government. Should the Government not be a little more guarded in whom they say it is alright to work with, even if there is not a cost to the taxpayer?

**Rishi Sunak:** It is tough for either me or Charles to talk to this scheme, because it is not one that we had any direct responsibility for or knowledge of. It is a health matter.

**Charles Roxburgh:** Let me remind the Committee that we wrote to all accounting officers to say that we were sceptical of these sorts of complex, sophisticated financing arrangements. They would normally count as novel, contentious and repercussive and, therefore, Treasury consent would need to be sought. We have put in place a mechanism to make accounting officers flag them up to us, so that we can look at them in detail, give proper advice and decide whether they should go forward, in the context of our being pretty sceptical about them.

Q618 **Emma Hardy:** The purpose of this line of questioning is to look at what lessons are learned. Our inquiry is talking about what lessons have been learned by Greensill. I respect, Chancellor, that you were not the Chancellor at the time that these deals were signed off, but I have been pursuing the questioning and asking what you would do differently now. What lessons have been learned from using apps like Earnd, which was able to collect data, as I mentioned before, from all NHS staff who used it? It was able to promote credit to those members of staff and we have no idea where that data is now. I am asking you, as Chancellor, what you would do differently to prevent the Department of Health from allowing people offering products for free that can be used to promote credit products to our NHS workers.

**Rishi Sunak:** I cannot add anything to what Charles has said. Guidance has been provided to accounting officers, so things might come to us for approval. Much as I, Charles and the Treasury might like to be able to control every single thing that happens across Whitehall, that is not always possible. Beyond that, this scheme is not one that I know the details of or am directly responsible for, so I cannot necessarily learn the lessons from it, but I am sure that DHSC, in whatever line of inquiry is happening with it on these matters, is probably better placed to speak to it.

**Charles Roxburgh:** The Boardman review is looking at the use of supply chain finance across all of Government, and so we await his findings with interest as he is looking at all these issues.

Q619 **Emma Hardy:** Should it not just be easier for the Government to pay their suppliers quickly, regardless of the potential costs that may ensue? Therefore, we would not need to be so reliant on supply chain finance.

**Rishi Sunak:** To echo what I said at the beginning, the Government are generally a very prompt payer and have a low cost of borrowing, which is why these things ought to be quite rare, exactly because of the reason that you mentioned and that I highlighted at the beginning.

Q620 **Emma Hardy:** My final question is again one that I asked earlier. In the release from the FCA, Greensill is on record as noting that the pharmacies deal meant it could offer Earnd for free in perpetuity. Do you not think that it is shocking that a firm was making enough from one part of public services, which, as we keep reminding ourselves, is taxpayers' money, to allow it to offer something for free? How is that value for money and what is going to change in the future?

**Rishi Sunak:** This is a scheme that I am not familiar with. It is an NHS scheme that I just do not know the details of, so I am sorry but I just cannot answer the question. It is not something that I have responsibility for or oversight or knowledge of.

**Chair:** That brings us to the end of this session. Could I thank both Charles and you, particularly, Chancellor, for having appeared before us this afternoon? We do appreciate how extraordinarily busy you are and the vast number of massive challenges that you face on a daily basis, given the crisis the country is going through. Inevitably, we have dwelt at length on the response of the Treasury to the lobbying from David Cameron, Lex Greensill and others, and that tends to take the limelight, but there were, of course, also the matters of future regulation that we have touched upon, as well as other issues, some of them not even related to Greensill, in fact, during this session.

We are grateful to you for your answers on that, as we are for the response that we received to my letter asking for all sorts of information from the Treasury. I appreciate that that would have taken quite a long time to put together and has been very helpful in informing our inquiry.