

# Public Accounts Committee

## Oral evidence: Lessons from Greensill Capital, HC 169

Thursday 22 July 2021

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Mr Mark Francois; Peter Grant; Antony Higginbotham; Nick Smith.

David Fairbrother, Treasury Officer of Accounts, and Simon Reason, Director, National Audit Office, were in attendance.

Questions 1-163

### Witnesses

I: Catherine Lewis La Torre, Chief Executive, British Business Bank; Patrick Magee, Chief Commercial Officer, British Business Bank, and Senior Reporting Officer for CBILS and CLBILS; Sarah Munby, Permanent Secretary, Department for Business, Energy and Industrial Strategy; Charles Roxburgh, Second Permanent Secretary, HM Treasury; and Sir Tom Scholar, Permanent Secretary, HM Treasury.



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Report by the Comptroller and Auditor General  
Investigation into the British Business Bank's accreditation  
of Greensill Capital (HC 301, Session 2021–22)

## Examination of witnesses

Witnesses: Catherine Lewis La Torre, Patrick Magee, Sarah Munby, Charles Roxburgh and Sir Tom Scholar.

**Q1 Chair:** Welcome to the Public Accounts Committee on Thursday 22 July 2021. Today, we are returning to the subject of Greensill Capital and what lessons should be learned from its collapse in March of this year. With great thanks to the National Audit Office for its quick investigation, we are working on and focusing on how Greensill Capital secured accreditation to lend £400 million under the coronavirus large business interruption loan scheme. This was intended to go to different businesses, but ended up going to, arguably, one business group. That is an area we want to look into, and which is the subject of several ongoing investigations, but we want to try to get as much of the truth and facts out as we can in today's hearing.

This whole saga has raised concerns about the general approach by Government to providing business support schemes under covid-19. We all appreciate this, and as MPs we were supporting our own local businesses to get support at the time, but we are anxious to get to the bottom of some of the things that may have been lost—particularly, doing further checks—in the decision to go fast.

I give credit to our sister Committee, the Treasury Committee, whose report came out on Tuesday. We are obviously going to refer to that. We are not going to repeat its work, but we have read the report and found it very useful. Of course, our other sister Committee, the Business, Energy and Industrial Strategy Committee, is also looking into the issue.

I am going to introduce our witnesses. We have in the room with us Sarah Munby, permanent secretary at the Department for Business, Energy and Industrial Strategy—welcome to you—and Catherine Lewis La Torre, chief executive of the British Business Bank. The British Business Bank is the body that was managing and owning the loan scheme. Although this Department is the sponsoring Department, the bank is independent. Patrick Magee, chief commercial officer at the British Business Bank, is also here in the room with us. Online, we have Sir Tom Scholar, permanent secretary at the Treasury, and Charles Roxburgh, second permanent secretary at the Treasury, with whom we have obviously discussed this before.

I want to go first to you, Sir Tom, on the general approach to accreditation. We went through with you in detail, the last time you and Mr Roxburgh were in front of us, what decisions you made about Greensill for a different loan scheme, which you eventually turned them down for. Why do you think different parts of Government were making different decisions on supporting Greensill? *[Interruption.]* We can't hear you, Sir Tom. I'm not sure what's happening. Sir Tom, would you like to start again?

**Sir Tom Scholar:** Thank you very much. As you know, and as the Committee knows, in the first half of last year, the Government opened various schemes to support businesses through the early stages of the



pandemic. Each scheme was designed with a different objective in mind and with different rules, and each one exposed the Government to different financial risks. As you say, a number of them were administered by different parts of the Government, or, in one case, by the Bank of England on behalf of the Government. The criteria were different, and the risks were different, so it's not surprising that different conclusions were reached accordingly. If you are interested in going through this in further detail, I might ask Charles to go through some of the detail of what was different about the schemes, but the basic answer to your question is that they were schemes with different rules, different eligibility criteria and different risks, so as to achieve different purposes, and that is why the outcomes were different.

**Q2 Chair:** We are very clear on what the different rules are for the schemes, and obviously we talked to you in detail last time. What I am interested in is this: even if they have different criteria, there is information that, when you are looking into accrediting any body, you will have gained—gleaned. Why wasn't that shared more? Are there any lessons that you think, at the top of the Treasury, should be learned about how Government shares information on businesses—particularly ones like Greensill, which was not a bank and a regulated bank, and was fairly new to the market—in the sense that it was outside the normal group of organisations that you would expect Government to be dealing with?

**Sir Tom Scholar:** We have looked very carefully at this. You referred to a non-bank organisation; in fact, the rules of CBILS and CLBILS were specifically set to make them open to non-bank companies, precisely in order to improve the supply of credit to the economy, because non-banks were an important source of that credit.

In terms of the information we shared, we believe that we shared at every point in time the information that we could and should have shared. In some cases, information—particularly regulatory information—is subject to pretty strict legal restrictions on its onward transmission; it is only shared for strict purposes, and cannot be further disclosed beyond that. That is certainly also the case with, for example, any kind of investigation or criminal investigation, so we have gone back and looked very carefully at it. We feel that the information was correctly shared and that, at each point in time, each organisation making the decisions that it made had the information that it needed to make those decisions correctly.

**Q3 Chair:** You mentioned criminal activity or investigation there. Did you tell the British Business Bank at any time about the Serious Fraud Office and the National Crime Agency's investigation into possible criminal activity at Wyelands bank? From what you have just said, you are saying that you could not share that information.

**Sir Tom Scholar:** I will answer to the best of my knowledge. Charles might want to come in to add, but information on a possible criminal investigation is among the mostly tightly restricted information, for extremely important reasons—namely, not to compromise an ongoing investigation. We were not allowed to share that information, but in any case, the information was about Wyelands bank. It was not about Greensill, which were two entirely



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separate legal entities. Wyelands bank was not applying to the British Business Bank for accreditation, so it was a completely separate entity and a separate exercise.

Q4 **Chair:** Let's pursue this point, and then I want to go back to the wider network of what information is known and shared. Mr Roxburgh, could you go into a bit more detail about why information about that could not be shared?

**Charles Roxburgh:** The information we received was from the Bank of England, and they were sharing with us information about Wyelands bank, which is part of the GFG Alliance. They were sharing that information under what are called information gateways, and the rules for sharing that information are set in legislation—the Financial Services and Markets Act. It can only be used for very strict purposes as defined in the legislation, so that regulatory information about Wyelands bank was not information that we could share broadly around Government.

The Bank did write to us with more detailed, specific information on—let me just get the date right—15 May. Because at that stage we knew that the Department for Business was in discussions with Liberty Steel, another part of the GFG Alliance, we judged that the information we had received from the Bank about Wyelands was relevant to those discussions with Liberty, which was part of the same grouping of businesses, so we did share that information with the Department for Business. We did not share it with the British Business Bank because, as Sir Tom said, they were not looking at Wyelands bank. They were looking at a completely separate business, Greensill, so we could only share it for the specific purposes that were relevant to the discussions.

Q5 **Chair:** When did you pass that information over to Ms Munby's Department, the Department for Business? Was that as soon as you had it?

**Charles Roxburgh:** We received it on 15 May and we shared it with named individuals on 19 May.

Q6 **Chair:** Okay, so Ms Munby, that arrived in your Department. You were aware of that information?

**Sarah Munby:** It is important to say, I think, that the information was shared, as Charles has said, on a named-individuals basis. This was not shared broadly across the Department.

Q7 **Chair:** Were you the named individual?

**Sarah Munby:** No, the named individual who had the information was the steel director, who was the person leading our interactions and beginnings of negotiations with Liberty Steel. They were not at liberty to share that as they felt necessary. As Charles and Tom have said, it was not information about Greensill and, therefore, it was not shared with the British Business Bank. Had the British Business Bank been involved in discussions with Wyelands, I am sure the same protocols that Charles used to share that information with our steel director would have, on the same basis, been



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used to share the information more widely with people who were dealing with that specific company, because that is what has allowed it to be shared.

Q8 **Chair:** That is the one person in your Department who had the right to have that information under the legislation?

**Sarah Munby:** Yes, that is right.

Q9 **Chair:** Ms Lewis La Torre, when did you know that there was a problem with this bank, where the major shareholder was the GFG Alliance? Would that have been useful information to know when you were making the decision about accrediting Greensill?

**Catherine Lewis La Torre:** I don't recall the date when I would have known that.

Q10 **Chair:** Will you be able to write to us with that date?

**Catherine Lewis La Torre:** Yes. Would that have helped us with the accreditation process that we were going through for Greensill? Probably not, because as Charles has said, we were looking very specifically at accrediting lenders.

Q11 **Chair:** Not who they were lending to?

**Catherine Lewis La Torre:** Yes, and Wyelands made no application to the British Business Bank to be an accredited lender under any of our schemes.

Q12 **Chair:** That brings me back to you, Sir Tom. This information is quite critical. In the normal, real world—take away the legal stuff—if part of an organisation is interconnected and is being investigated for potential criminal activity, most of us would want to know that. You have legal constraints, which we understand, and I thank Mr Roxburgh for laying that out so clearly, but is there anything that, in retrospect, you think would have been helpful? Is there anything within the law that could have enabled information to be passed to the British Business Bank or anywhere else in Government? Could there have been a backstop to say that this needs to go through the Treasury or the relevant bit of the Department for Business, in order to be agreed? Notwithstanding the British Business Bank's independence, certain things needed to be escalated so that intelligence could have been applied to something that, in the end, was a taxpayer-backed loan. It is the taxpayer's money that we are obviously interested in here.

**Sir Tom Scholar:** First, as I said earlier and as others have said, there are strict legal constraints, and we acted within those constraints. I do not think those constraints would have permitted us to share any additional information.

Secondly, and perhaps more importantly, as Catherine has just said, the information was not relevant to the British Business Bank's accreditation decision because it was not information about Greensill. It was information about Wyelands bank, which is an entirely separate legal entity. Catherine and Patrick may want to come in on this, but my understanding is that that



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would not have changed their decision because it was not relevant to their decision.

- Q13 **Chair:** To be clear, Ms Lewis La Torre, you were obviously accrediting lenders—we understand that—but you must have been aware. You clearly were aware because we have had detailed information. You wrote a letter to the Chair of the Business Committee in which Mr Magee detailed all the exchanges between the Department for Business and you. You knew that there was a strong interest in Greensill being accredited because of its connections to the steel industry and lending there. We will not go through all the paperwork we have seen on that, but we know that that is an issue. You must have known, when you were looking at Greensill, that the money was likely to go to the Gupta Group. Did you do any checks about the Gupta Group at all? Did it occur to you that that was necessary?

**Catherine Lewis La Torre:** I think it is helpful for Patrick to respond.

**Patrick Magee:** We were aware that GFG were a client of Greensill's, and we had asked about them. We knew that they were a potential client, but a wide pipeline of clients had been provided. Given that we had limited the accreditation to £50 million, we felt that that was the maximum amount we had there.

- Q14 **Chair:** So that was your safeguard? The limit on the money was your safeguard to prevent too much from going to this group, which you were aware was having problems?

**Patrick Magee:** We were aware that GFG was a client. We were aware that Greensill and they had a significant client relationship. Again, if you step back and look at the context here, we were in the middle of a pandemic, the Government was setting objectives to set the scheme up, we agreed a process to accredit, and there was a ministerial direction to move forward at pace to get money into the economy, and very understandably so. So, of course, you have to move through that process and work out what protections there are for the taxpayer. The £50 million limit was a protection that we were aware of.

- Q15 **Chair:** You had a lot of contact from the Department for Business, Energy and Industrial Strategy, but there was also media coverage of this major client of this lender that you accredited. Ms Lewis La Torre, or whoever wants to take the question, did you have a sniff test?

**Patrick Magee:** Yes, absolutely. The NAO Report says that with more time, more scepticism and more diligence, we might, but we did question; we were sceptical. We looked at those press reports. The one in particular that was quite relevant was the one on 4 May, which would have been presented to us in the accreditation application. Greensill had a very good track record, in terms of very low levels of losses. On 4 May, the *FT* presented losses that Greensill had incurred. We picked up the phone, or the virtual phone—we had a video conference—and asked them about those losses. A lot of them were focused around a company in the healthcare sector, which a number of lenders had lent to. There were issues in that underlying company, and a number of lenders had done it, so it didn't look to us like a systemic issue





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with Greensill getting that lending decision wrong. There was something wrong in that underlying borrower and a number of lenders had looked at it, so we did look at that quite sceptically.

Q16 **Chair:** So you looked at that. When you talked to Greensill, did you undertake detailed checks of what happened there? Did you undertake detailed checks of the application information from Greensill more generally?

**Patrick Magee:** Absolutely.

Q17 **Chair:** Could you explain what they were?

**Patrick Magee:** I will maybe step back and give you a way to think about the protections we put in place for the taxpayer. We are obviously actively using those at the moment.

If you look at it, there are three broad phases to the framework. There is an initial accreditation, there is then post-lending assurance, and then there are legal and contractual protections within the guarantee agreement. You asked about the accreditation, so let me take you through the steps that we went through in terms of the accreditation.

The NAO Report helpfully sets out the seven criteria we looked at. The way the accreditation process works, we publish an RFP with those seven criteria, and they put in an expression of interest, which is checked at a fairly high level to see whether they are even remotely sensible, so a lot of people get pushed out at that stage. Obviously, Greensill presented themselves with significant net assets, significant finance facilitated and low levels of losses, so they went through a detailed formal proposal, which was critically assessed by the accreditation team. The accreditation team then put that forward to the investment committee, of which I was a part.

We had a number of discussions, and we didn't say yes to everything. We actually turned them down for supply chain finance and the larger scheme facility. Hopefully, that gives you a sense of the detail and the thorough process that we went through on the accreditation side.

Q18 **Chair:** Just to say, if anyone is following, page 22 of the NAO's Report, figure 4, has the helpful list. You touched on that but didn't give the reference. The Report also highlights, in paragraph 2.16 on page 28, that you did have an understanding of Greensill's relationship with various of the Gupta firms—Liberty Steel, in particular. You said that you were "comfortable with this risk as many large banks had exposure to similar clients." Do you want to unpack that a bit? Were there any warning signs? Looking back with hindsight, could you have picked up more about Greensill?

**Patrick Magee:** I have to say, in the context we are in, I have spent a lot of time as the SRO of the project thinking about what more we could have asked for. Knowing what we know now in July 2021, in terms of what was available in May 2020, I do not think there is anything that was missed. As the NAO Report says, with more time and a different process, etc., we may have uncovered something. Obviously, you now see regulatory





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investigations in Germany. There are criminal prosecutions there, etc. I spend a few hours a night thinking about that, but I think there is nothing we missed. I think we very thoroughly followed a process that we had used for over 10 years, and evolved and improved. We discussed it with Government and took a ministerial direction to move forward. If you remember the context at the time, there was significant pressure from industry groups, MPs and the Government. Everyone was saying, "We need to get this money into the economy."

**Q19 Chair:** I think we all agree that there was pressure and that the ministerial direction requested speed, but the British Business Bank was a really important backstop, as a professional organisation, to determine where you drew the lines. As an independent body, you have the power to say no. Ms Lewis La Torre, do you think you should have said no at any point? You had a lot of correspondence from the Department, as laid out in the letter, which I am sure is now published, from Mr Magee. It is a 14-page letter listing all the interactions you had with the Department for Business. Do you think you should have said no?

**Catherine Lewis La Torre:** It is again important to realise what we know now and what we knew then. Based on the information provided, there was no legitimate reason not to move forward with the accreditation of Greensill; in fact, I think it might have looked like an odd decision at the time if we had properly followed the process. Having said that, we did know that delivering all our schemes to market at speed would open up certain risks, and we tried to mitigate those risks in different ways. With regard to the CLBILS scheme, we have a very important legal, contractual undertaking with every lender. I think it is fair to say that the interests of the taxpayer are very well protected in that document.

**Chair:** We will go into that later, as you will appreciate. We see this whole matrix of stuff going on, and sometimes the process seems to overtake what might seem common sense. I will bring in Nick Smith very briefly on one point, and then I will go to Antony Higginbotham MP.

**Q20 Nick Smith:** Thank you, Chair. Sarah Munby, you say that your steel director knew that there was an SFO investigation into Wyelands, which was closely associated with GFG. Did the same steel director encourage the British Business Bank to loan to Greensill, presumably also knowing that Greensill had very close links to GFG?

**Sarah Munby:** If you go through the correspondence between us and the British Business Bank that the Chair just talked about—it is worth saying that it is not directly between the steel team and the British Business Bank; it is between our sponsoring team and the British Business Bank—

**Chair:** Your sponsoring team of the British Business Bank?

**Sarah Munby:** Exactly. There are three teams involved here: the steel team, which passes on messages to the sponsoring team, which is then talking to the British Business Bank. If you go through those emails—as you can imagine, I have been through them quite a number of times, asking myself exactly that question—they are not putting pressure on the British



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Business Bank to accredit Greensill. They are asking the British Business Bank when it will accredit or not accredit Greensill.

The reason we were asking that question, and the reason we asked it several times, is that, at that point, our steel team was in very active live discussions with not only Liberty but a whole range of steel companies about the impact of the pandemic and working out what the different paths might be to provide Government support to those companies where it was needed and where it made sense. A good example is that, ultimately, at the beginning of July, we agreed a bespoke loan-based solution for Celsa—just to give you a sense of the live action that was going on. It was really important for that team to know whether or not the British Business Bank solution was going to yield accreditation, and hence a loan, because if that process was going to work, we did not need to run a separate process to provide some sort of bespoke support.

- Q21 **Nick Smith:** To quickly summarise your answer, you are saying that your steel director did not encourage the British Business Bank to accredit Greensill; he or she was just asking about the date by which they would be accredited.

**Sarah Munby:** Yes. Asking for updates on when the decision would be made so that we could decide, in a separate part of the Department, how much energy and time to put into the very intense process of working up a separate bespoke solution, which might have been required, as it was in the case of Celsa, if the British Business Bank process was ultimately going to end in a no.

- Q22 **Nick Smith:** Do you think that asking for a date by which it would be accredited might be seen by the British Business Bank—? On receiving this contact from the Department, did you at the British Business Bank read into the question about if and when you would accredit Greensill as encouraging the accreditation of Greensill, or just an inquiry about the date?

**Catherine Lewis La Torre:** That is a very good question. I came in as accounting officer at the beginning of September, and on hearing and reading about various things in the press, I also wanted to make sure that our processes had not been interfered with in any way. Helpfully, I had been with the British Business Bank for many years; I know how we operate. I thought that that would be unlikely, but it was something that I absolutely wanted to test. We introduced a review within the bank, led by our legal team, together with our internal audit, to test whether there had been any compromising of our processes or independence in the decision-making processes. We shared that information with the NAO. I think the NAO says that it could see from our review that, in our view, although there was an unusual level of interest from BEIS, it did not have any impact on the decisions that we took with the Greensill accreditation.

- Q23 **Nick Smith:** Being fair to the NAO, I think it says that you said that there was no external influence.

**Catherine Lewis La Torre:** I think that is right.



Q24 **Nick Smith:** Just to be clear about that—

**Catherine Lewis La Torre:** Yes. It is right, but we came to that conclusion after quite a rigorous review that was conducted by people who had not been involved in the accreditation. I was not involved in the accreditation. I wanted to make sure that our independence had not been compromised. It was very important to the board, as you can imagine, to understand that our independence had not been compromised and that we could come to a conclusion following a review that looked at the evidence. That included, of course, all the email exchanges that we have now released to the BEIS Committee. We are very confident that it did not have an impact.

In a public development bank, it is not unusual that sometimes people are extra-interested in certain things. It does not mean that we change our processes or take different decisions.

**Chair:** We are going to go into more detail on the whole relationship with steel.

**Sarah Munby:** Just to say, for those who are not looking at the emails, it is important to point out that they are not from senior members of the Department. There are no Ministers or senior civil servants involved. These are relatively low level.

**Chair:** I just stress that this is information that is now—I am sure we have published, but I can check with the Clerks—published on the Business Committee’s website. It is all available there, and they speak for themselves. We know where they stand.

Q25 **Nick Smith:** I hear Sarah Munby’s emphasis on junior officials. However, your steel director knew about the investigation. Did the steel director ask about the date by which Greensill could be accredited?

**Sarah Munby:** Absolutely. He was extremely interested in the date. He asked via the BBB sponsorship team, as I said, because that had very meaningful operational consequences for his team and the work that they needed to do.

**Chair:** We will come back to the steel element.

Q26 **Antony Higginbotham:** My questions are on the initial accreditation process generally. This is probably one for Ms La Torre and Mr Magee. First, what level of engagement did you have with the Financial Conduct Authority as part of your general accreditation, when a bank or a non-bank lender came to you and said they wanted to take part in the scheme? What kind of conversations happened with the regulator?

**Patrick Magee:** On a case-by-case basis, we were not interacting with the FCA. Again, it takes regulatory information. If we were to call it up and say, “What do you think of company x or y?” that would not be an appropriate conversation. Of course, we did have conversations with the FCA in setting up something like the bounce back loan scheme, so there was co-operation at the appropriate times with Government. However, on a case-by-case



basis, it would not have been part of our standard process to speak to the FCA.

**Q27 Antony Higginbotham:** So you would not have made a decision that you wanted to have a quick check with the FCA whenever someone applied, because for example you wanted to check whether it had any systems and controls-type concerns about an individual organisation or whether there were any skilled persons reviews ongoing? That, you would think, would be quite a quick conversation about whether the regulator had any serious concerns.

**Patrick Magee:** No, that would not have been part of our standard process. Again, it would be quite difficult for the FCA to share that because if concerns were being raised, and they were being spread quite widely, that might compromise their investigation. Of course, we were in touch with BEIS and the Treasury. If they had had concerns, they could have raised those with us. On this point about gateways, I understand that the sharing of information across Governments is very important, but it was not standard to have a chat with the FCA.

**Q28 Antony Higginbotham:** But presumably, as a minimum, you would look at the publicly available information on fines that the FCA had levied and all that stuff. Would you look at all of that if it were publicly available?

**Patrick Magee:** Yes. The seven criteria that the Chair helpfully referred to include the regulatory status, so we would have done a search of publicly available information.

**Q29 Antony Higginbotham:** That is helpful. Earlier on, Sir Tom said that the scheme was deliberately designed to enable non-bank lenders to take part, as well as bank lenders. Did you differentiate between non-bank and bank lenders in your accreditation process at the start?

**Patrick Magee:** Yes, very much so. As set out in the report, there were three levels of accreditation. There was an accelerated process for PRA regulated banks or existing lenders who we had worked with for some time. Then there was the standard accreditation process, which was thorough and detailed as the report sets out. So, we did differentiate between the regulated banks and the non-banks.

Then there was the third level—the enhanced level—that we decided Greensill would not have been capable of passing. So yes, there was differentiation and a tiered approach. That had been discussed among our executive committee and we fed into advice to Ministers to say this was the approach to accreditation. As I say, we had over 200 applications and we accredited over 100 new people. We said no to 100 people and yes to others, so it was an expansive process, but it was very much tiered between the different types of lenders.

**Q30 Antony Higginbotham:** Just to be clear, what tier was Greensill in? Obviously, it was not PRA regulated and authorised, and it was not FCA regulated, for the purposes of lending. Was it in the highest risk tier? Presumably that would then justify having the highest level of scrutiny, but



still did not justify bespoke conversations with the conduct authorities.

**Patrick Magee:** It was in the highest tier appropriate for its lending. When it applied for the £50 million to £200 million, it would then have had to have gone higher still, but it went through the step above what would have been done for PRA lenders. It was the highest appropriate. We absolutely put it through the right process at the time.

Q31 **Antony Higginbotham:** Thank you. Do you think that your processes have kept pace with the change and the increase in non-bank lenders? Historically, lots of what the British Business Bank would have done is focused on those dual regulated big banks. This was a big expansion of non-bank lenders entering the market. Have your processes kept pace or does this saga show that you need to do a little bit more in this area?

**Patrick Magee:** It is a really interesting question. If you look back over the history of the BBB, between 2005 and 2014, we have always had a core objective around diversity. We have worked with many non-bank lenders. That is an important part of the competitive environment and the healthy finance market in the UK in which we work.

We have worked with dozens of non-bank lenders, I would say, but the process whereby Government can set up CBILS, where Government is effectively going to pay the interest, meant that we had many more people coming towards us. We have had to scale up our accreditation and we know that those delivery partners have more clients now.

We have been keeping pace and we have learned a lot more about the non-bank finance sector. I was at an APPG with Ministers yesterday, which is important. We have learned a lot more about the sector. We are obviously improving and tweaking our processes as we go. We are now rolling out a recovery loan scheme and getting to know these delivery partners better, so we have moved along. Over time, there will be benefits from us having deeper and better understanding of the non-bank finance sector.

Q32 **Antony Higginbotham:** Do you think there could be better engagement with the regulators when it comes to accreditation?

**Patrick Magee:** That is something we could certainly consider over time, but there would be questions about the gateways and what a regulator can appropriately share with us as a commercially minded delivery partner and a development bank. We could certainly consider that as part of our future lessons learned.

**Antony Higginbotham:** That is helpful. That's it from me, Chair.

Q33 **Sir Geoffrey Clifton-Brown:** Good morning to all our witnesses. Perhaps I will start with you, Mr Magee, and what you did in terms of accrediting Greensill. In paragraph 2.15 on page 28 of the Report, it says: "The Bank"—you—"did carry out some cross-referencing of Greensill's application to its 2018 audited accounts, but important figures, such as Greensill's stated £120 billion of financing in 2019, could not be verified using publicly available information." What did you as a bank do to satisfy yourself about that figure?

**Patrick Magee:** That is a figure that I would imagine is accurate, because they have run many securitisation programmes and there would be private market information. What that is saying is that there is not one aggregated source that brings that together, but there is plenty of evidence out there of Greensill having run very significant debt investment programmes for significant global investors across the world, so we are absolutely aware. We have known about Greensill. We did not have a commercial relationship with them before, but we knew them as a leading player in the UK finance market and we had observed their work in the capital markets. We had met them before. They said that the markets were providing billions of pounds' worth of finance, so they did not need to work with us before the crisis. We were very well aware. There was just no public source to aggregate that, but they were certainly facilitating billions of pounds—we were very well aware of that.

- Q34 **Sir Geoffrey Clifton-Brown:** In the footnote on page 28, it says: "Carillion was a British multinational company that provided facilities management and construction services. It declared insolvency on 15 January 2018. Many of Carillion's sub-contractors were paid through supply chain finance." Did you do any due diligence on how much Greensill lost due to the Carillion insolvency?

**Patrick Magee:** I do not think we looked particularly at Greensill and Carillion. They certainly had not declared losses, or they had declared a very low level of losses across time.

- Q35 **Sir Geoffrey Clifton-Brown:** Right. Moving on to your own role, the investment committee approved a £1 billion facility, but you actually chopped that down to £400 million. Why did you do that?

**Patrick Magee:** That was a very common part of the way we operated, as you can imagine. With 200 applications coming in and 100 approved, our investment committee had to meet very many times—sometimes a couple of times a week—and go back a few weeks later to say, "We will now increase the limit." The reason why we initially cut it down—again, it was my decision to cut it down to £400 million—is that Greensill had initially asked for supply chain invoice finance and accounts receivable finance. We had decided that the supply chain finance was a different type of finance, with different types of security and a different type of lending, so we felt that it did not meet the scheme.

- Q36 **Sir Geoffrey Clifton-Brown:** I understand that, but it must have broken it down into the various categories of lending that you had. How much did supply chain finance amount to in that original £1 billion application?

**Patrick Magee:** I would need to check on that number, but it was in the region of 40% to 50%. Therefore, we took that out of Greensill's application and said, "Let's start them on \$400 million and see how the lending goes. If it is spread over the first couple of months, we will be able to get in an audit assurance." It was a risk-based judgment to take out supply chain finance. We had looked at the pipeline of products and said, "You are not doing supply chain finance," so we took it down in that way.





**Q37 Sir Geoffrey Clifton-Brown:** After you had approved the loan on 4 June, Greensill made another application, for presumably an additional £1 billion, on 12 June. Did you have any concerns about that additional application and the cumulative effect of the two applications?

**Patrick Magee:** Just on one point of clarity, it was not cumulative. We reallocated its initial allocation. The explanation that had been provided to the accreditation team, as I understood it, was that with the accounts receivable invoice finance product, the clients' need was more for these term loan or revolving credit facilities. Again, because the objectives of the scheme were to get capital to businesses in need across the economy, it felt appropriate to the accreditation team and the MD forum to make that award. But again, it was not cumulative. It was all within the original—

**Q38 Sir Geoffrey Clifton-Brown:** You did not reset the £400 million facility that you had granted it, up to £1 billion. You still kept it at £400 million, so you must still have had concerns, to be reinforced in your judgment that you should only give it a facility of £400 million.

**Patrick Magee:** As I was saying, it was a new lender to us. The coronavirus large business interruption loan scheme, or CLBILS, was, as the report describes, a new product. It was taking us above the £5 million area where BBB normally operates. So, again, applying commercial judgment in terms of the objectives of the scheme, and the risk appetite of Government, it felt appropriate. Okay, if they want to use the £400 million for different products that fit with the scheme, that's fine, but we didn't sort of go, "Here's another £400 million". We kept it to the original £400 million.

**Q39 Sir Geoffrey Clifton-Brown:** How curious were you about the client base that Greensill were going to lend to? I ask that because when they originally approached you, it was originally for a £5 billion facility, covering 40 or 50 clients. Their actual application was cut down to £1 billion and 10 clients. Did you actually ask them what sort of clients they had in mind who they might lending to?

**Patrick Magee:** Yes. I think the figures, for the £1 billion, were between 30 and 50 clients, with £20 million to £30 million each. They did provide us with a detailed pipeline, of which GFG was one client within that. Again, we did diligence their pipeline and did discuss that with them. So, absolutely, we did look at the pipeline.

We wouldn't do a credit assessment on the underlying borrowers because, again, 1.6 million loans went out, so I don't think we could have. It was quite a bit of work to get 100 lenders accredited, so assessing 1.6 million lending decisions would be difficult. But we absolutely—in line with the criteria on page 22—looked at their track record and their pipeline. Again, it appeared an appropriate pipeline.

**Q40 Sir Geoffrey Clifton-Brown:** I will now ask you a few questions about when you actually began to have concerns and what caused you to have concerns about Greensill. For example, were you aware in March that, as part of the dialogue, the German regulator—BaFin—and the PRA received limited information suggesting there was a possible weakness in controls





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at Greensill? Were you aware of that?

**Patrick Magee:** No, that was in March. I think that was then shared with Treasury in October or November. It was only after that time that we became aware of that.

Q41 **Sir Geoffrey Clifton-Brown:** Right. And, critically, were you aware that in July 2020, the Bond & Credit Co—BCC—and Tokio Marine & Nichido Fire Insurance Co., Ltd, or TMNF, started to develop particular concerns about Greensill, which makes them reluctant to provide any insurance cover. If a lender loses its insurance, it has lost its ability to lend, hasn't it? So, did that not ring any significant alarm bells?

**Patrick Magee:** I don't think we were made aware of that, and I think, from the Treasury Select Committee, it was September when Mr Greensill admitted that, but that was not brought to our attention during that time.

**Sir Geoffrey Clifton-Brown:** That was written evidence from the Bank of England. So, then, let's just turn—

Q42 **Chair:** Is there any way you could have— This is what we are getting at. We find, looking at this, that lots of information was floating around, but it was not always in the right place at the right time. Is it not reasonable to expect that your antennae, as the British Business Bank, might have picked up the issue that Sir Geoffrey has just highlighted?

**Patrick Magee:** There would be commercial negotiations between a lender and insurance providers and funders, etc. Quite often those are discussions that can lead to repricing or a restructuring of the debt, so we do not get insight into all those commercial discussions that a lender would be having with their funders or their insurers. Those are part of the commercial— Of course, if something comes to our attention, we would look at it. But we can't and don't track every piece of funding and every piece of insurance that all of our lenders would have.

Q43 **Sir Geoffrey Clifton-Brown:** May I just ask one more question about this, because this is really important? Once your accredited insurance is withdrawn, that is a really important event. Would not your standard terms of lending have included a clause that would have said that any material change in the financial circumstances of your lender should be notified to you?

**Patrick Magee:** I would have to go back and have a look at the—

Q44 **Sir Geoffrey Clifton-Brown:** Could you, because that seems to be a really material point?

**Patrick Magee:** A sort of ongoing material representation, yes. We will have a look—

Q45 **Sir Geoffrey Clifton-Brown:** Something as major as that would seem to be pretty important, really.

In December 2020, two things happened, and this is in oral evidence from Lex Greensill himself and in written evidence from David Cameron. BaFin



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proposes a plan to reduce Greensill's particular exposure to one customer, which Lex Greensill himself said was going to be impossible to comply with. He also called David Cameron in December 2020 and tells him that the "planned capital raising was not going as well as had been hoped."

Clearly, the City had significant concerns about Greensill. Did that not again come to your attention and raise alarm bells about the financial stability of the company?

**Patrick Magee:** I do not want you to come away from this discussion with the view that our commercial antennae were not out there. Again, when there was a credit downgrade in September, we were aware of that. I did say that when BaFin had let Treasury know, they let us know that there were growing regulatory concerns, so by November or December, we knew that a regulatory issue was out there. Of course, they had made the loans at the end of September, so it was perhaps a little late by that stage, but obviously we were picking up on those things.

**Catherine Lewis La Torre:** I think it is fair to say that at that stage we were already investigating Greensill. That started in October. We were already in very active discussions with them at that point, before this information came to light.

Q46 **Sir Geoffrey Clifton-Brown:** Perhaps staying with you, Ms La Torre, may I take you to paragraph 3.10? Why, given all those facts and many others, which I have just asked Mr Magee about, did it take you as long as until 2 March to write your letter of concern?

**Catherine Lewis La Torre:** You will appreciate that this is a very complex situation. We had external advisers working with us to make sure that we were gathering the information and the evidence required. We wanted to make sure that we followed the process properly as well, as a public entity, before putting forward our concerns formally in our letter of concern. All I would say is that we went around that piece of writing very carefully indeed, taking advice, to make sure that the letter of concern was properly structured.

Q47 **Sir Geoffrey Clifton-Brown:** I hear that justification, but with hindsight and bearing in mind the possible risk to taxpayers' money, should you not have been able to issue that letter of concern much quicker?

**Catherine Lewis La Torre:** I think that was possible. With hindsight also, it was probably unadvisable. What we did do is immediately stop Greensill from making any further loans under the schemes, and we were also very well aware of the protections that we have in the guarantee agreement.

Q48 **Sir Geoffrey Clifton-Brown:** Okay. Perhaps I should correct—I think you did correct it, Mr Magee. I may have—

**Catherine Lewis La Torre:** Mis-spoken.

Q49 **Sir Geoffrey Clifton-Brown:** Mis-spoken, or inadvertently put the wrong thing with the expression of interest in the £5 billion and the number of borrowers, and the expression of interest in the £1 billion and the number



of borrowers. You put it right, so thank you for that.

A little more about the due diligence. Taking you to paragraph 3.9—“Between October 2020 and March 2021, the Bank instructed Ernst & Young (EY) to provide it with debt advice on all eight Greensill CLBILS loans”—will you tell us something about that advice? What did it say?

**Patrick Magee:** Obviously, that is a critical piece of evidence from our point of view. I will take you back to the framework. We have the accreditation, the insurance and the investigation, and we are in the investigation phase here. When we are looking at the investigation, our investigation concerns not just the group status—whether these were several loans or one loan—but whether they were a prudent lender, whether they had fulfilled the standard of care, whether they had acted in good faith and whether they had brought the scheme into disrepute. We sent EY in to have a look at all those things, which then feeds into the letter of concern—maybe that builds on Catherine’s answer on why it took some time from starting the investigation in October to issuing the letter of concern in March. That is a helpful piece in terms of looking at what our protections were and then investigating whether there might have been breaches of that contract. That is what the role of EY was.

Q50 **Sir Geoffrey Clifton-Brown:** Again, given that this was a non-bank lender—there were only three of them, with 24 bank lenders, previously. The NAO Report says: “A post-accreditation audit of Greensill began on 16 October. This...is a standard part of the Bank’s post-accreditation lender monitoring”. You relied on all this due diligence, but the post-accreditation audit was going to be perhaps even more important than the pre-accreditation work. Given these concerns about Greensill, why did it take so long to start that post-accreditation procedure, and what did it show?

**Patrick Magee:** Let me just give you the way we think about the audit assurance process. Again, it’s the middle part of the framework—accreditation then assurance. We looked at our governance around that. We set up a new audit review panel. We wanted to make sure we were prioritising the lending appropriately. And if lending hasn’t been done, you can’t audit it. Greensill, although they were accredited in June, didn’t do anything in July, didn’t do anything in August, didn’t do anything in September, so there was no point going out to audit them. And then they did a lot of lending in September, and obviously we started the audit assurance then, because you actually need the lending to be done before you can audit it. So that gives you some sense as to why: that audit assurance requires you to go in and look at samples of the lending done. Hopefully that’s helpful.

Q51 **Sir Geoffrey Clifton-Brown:** I would appreciate a candid answer to this. At what point did either you or Ms La Torre actually contemplate sending Greensill a letter of concern?

**Patrick Magee:** Again, I am in the detail of that still. Again, from primarily October—obviously, our concerns were raised then—we knew the process we needed to go through. You investigate. You then get to a position where you have a well-founded statement of concerns, having done investigation.



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Then you send a statement of concerns and then you get into a formal exchange around those. So, we were working through that process, if that's helpful.

**Q52 Sir Geoffrey Clifton-Brown:** Given that this was probably the most serious lender on your books, on either of the schemes that you were in charge of, it still does seem to me—I will press the question—that it took quite a long time, between October and 2 March, to issue this letter of concern. Perhaps you could answer that, Ms La Torre.

**Catherine Lewis La Torre:** Yes. Again, we discussed this frequently. We also had advice, I think, that there was no real benefit from rushing the process.

**Q53 Sir Geoffrey Clifton-Brown:** “No real benefit from rushing the process.” Can you explain that?

**Catherine Lewis La Torre:** Yes; we wanted to make sure that we couldn't be challenged on any steps that we were taking in going through that process appropriately. So, there was a very conscious decision that we would do things in a certain order, at a certain time.

**Q54 Sir Geoffrey Clifton-Brown:** Would it be possible for this Committee to see, on some terms or other—maybe fully open to the public, maybe in confidence, or whatever—that advice that you got from EY and the post-accreditation advice, and what happened after the post-accreditation advice, as in the actual investigation that followed, because the post-accreditation audit never really got completed, did it? It morphed into a proper investigation by you. Could we see all that information?

**Catherine Lewis La Torre:** Could I just say that the investigation is ongoing, and we are waiting for a response to our letter of concern, from the joint administrators? Until we have had that response—

**Q55 Sir Geoffrey Clifton-Brown:** That is due in August, I gather. Is that correct?

**Catherine Lewis La Torre:** That is the expectation. We were asked to provide more time for the joint administrators to—

**Q56 Sir Geoffrey Clifton-Brown:** Yes, and it was extended.

**Catherine Lewis La Torre:** And it was extended. We decided to do that; we felt that was appropriate, because we have a very detailed series of concerns and we would like a very fulsome answer to those.

**Q57 Sir Geoffrey Clifton-Brown:** So when you get that letter in August, then would it be reasonable for this Committee to see that information?

**Catherine Lewis La Torre:** Like this Committee, our priority is really to protect the taxpayer's position, so if there wouldn't be any compromises to the taxpayer's position by sharing those documents, then we would do so.

**Sir Geoffrey Clifton-Brown:** It would be—

**Chair:** I think that was a yes—a qualified yes.



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**Catherine Lewis La Torre:** A qualified yes. Obviously, we wouldn't want to do anything to compromise the taxpayer's position.

**Sir Geoffrey Clifton-Brown:** No, I understand that.

Q58 **Chair:** Just to be really clear, Sir Geoffrey is talking not about putting it in the public domain, but about giving it to us on a reading room—

**Sir Geoffrey Clifton-Brown:** In confidence.

**Chair:** In confidence.

**Catherine Lewis La Torre:** Yes.

**Chair:** Thank you.

Q59 **Sir Geoffrey Clifton-Brown:** This Committee has never leaked, so if we could see that, that would help us inform as to what really did happen—

**Catherine Lewis La Torre:** Understood.

**Sir Geoffrey Clifton-Brown:** Chair, I'll leave it there. Thank you.

**Chair:** Thank you, Sir Geoffrey. I am going to turn to Nick Smith MP. Mr Smith, back to you.

Q60 **Nick Smith:** My question is to Ms La Torre. Are GFG, at £350 million, the biggest or largest borrower under CLBILS? I think that's the case, but I'm not sure and I just wanted to confirm that.

**Catherine Lewis La Torre:** They are not. I think it is set out in the NAO Report that they are fifth.

**Patrick Magee:** Greensill are the fifth biggest, I think.

Q61 **Nick Smith:** There is a query on that. Could you double check it? It talks about Greensill being the fifth biggest lender. I am trying to work out whether GFG are the biggest borrower.

**Patrick Magee:** The maximum exposure to a single borrower or borrower group is £200 million under the scheme.

Q62 **Nick Smith:** My point is that GFG are therefore the biggest borrower.

**Patrick Magee:** If you regard them as a group.

**Nick Smith:** I know that is a subject of discussion.

**Patrick Magee:** It is probably difficult to go much further, but I understand your question.

**Nick Smith:** You get where I am coming from.

**Chair:** It is worth perhaps highlighting, if anyone is trying to follow this, because I recognise that for a lot of people it might be quite confusing, that figure 7 on page 35 of the National Audit Office Report lists the total value of loans issued, and Greensill is in that list, but of that £400 million, whether



it is separate or not, there are eight discrete loans—they are packaged as eight. Either side you have Lloyds Bank with £606 million and around 50—round numbers here; I do not have the precise ones—and then Santander, on the other side, with £373 million—just shy of that £400 million—and 60. That rather illustrates the point that Mr Smith was trying to make.

**Q63 Nick Smith:** Thank you, Chair. That is really helpful. It seems to me that what we have heard so far is very technocratic. Your actions are very process driven. We sort of understand that, given your roles, but as part of my homework for this session I looked at a feature from 2018 in the *Financial Times*, which pointed out that “Greensill’s financial alchemy has created cash today for GFG out of revenues that will not land for years to come.”

I got my dictionary out to try to work out what the definition of alchemy was. I thought that was quite important. It said that alchemy was a “medieval forerunner of chemistry”. So far, so good, but then it went on to say that alchemy was “concerned with the transmutation of matter, in particular with attempts to convert base metals into gold or find a universal elixir”—a seemingly magical process.

That was written in 2018, and then there were bags of question marks over Greensill and the way that it operated thereafter. I have heard your strong technical answers about whether or not there was going to be a problem with Greensill. I am just not persuaded by it. Mr Magee, you said that you had a grip of this and that you thought it had got through the sniff test, but I just don’t get it. Convince us once again that you thought Greensill was the right company to give the public’s money to.

**Patrick Magee:** Again, I go back to what Catherine was saying earlier in terms of looking at the application against the criteria. This was a firm that had facilitated billions of pounds worth of finance—probably in the region of £120 billion—to hundreds of companies across the globe. We were in a pandemic. We were trying to get money into the economy to save businesses that were struggling. They had attracted significant capital—over £1.7 billion—from leading global investors, such as General Atlantic and SoftBank. They had run very significant securitisation programmes, and I know that those programmes have very significant levels of due diligence.

On the one hand, you have the journalistic comment of “alchemy”, but you have facts here put to us that this firm has the capability to get finance to businesses, so that was the balance that we had to strike. We were aware of some of that commentary, etc. and journalists have the ability to put nice phrases about it, and you gave a lovely summary of them, but again we had to balance the facts that were put to us as facts, and the accreditation, versus some of those factors. Yes, it was a delicate decision, but we felt at the time, and it remains so, that it was an appropriate decision at the time.

**Q64 Nick Smith:** Questions to Sarah Munby and Catherine Lewis La Torre. We will start with you, please, Sarah Munby. How much did the fact that Greensill supported the steel industry affect your decision to guarantee, or support, its lending?





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**Sarah Munby:** If I may give a technocratic answer on the “your” in that sentence, the decision was taken by the British Business Bank, and my understanding—although you should ask the BBB—is that it was not a factor.

**Catherine Lewis La Torre:** It is fair to say that we were aware that all sorts of sectors were suffering during the pandemic. We had incoming calls and pleas, including from many parliamentarians, to support certain sectors. The retail and hospitality sector, which was suffering enormously, comes especially to mind.

We were aware that business out there was hurting, and hurting badly. It was not just the steel sector; it was right across the economy, with some sectors being hurt more than others. We were absolutely aware of that.

Q65 **Nick Smith:** A question to Sir Tom Scholar, and to Sarah Munby again: how many other companies, like Liberty Steel, part of the GFG Alliance, that failed to get direct Government support from you, or through the plethora of other initiatives at the time, got support through other covid-19 finance schemes via their lenders?

**Sarah Munby:** I do not have a precise numerical answer, or indeed the information required to give one, but it would be a pretty substantial number. What was happening at the time, at least for BEIS and the sectors that we handle, was that many companies were in potential distress. We were in close dialogue with many companies. Part of the discussion with each of those companies involved asking questions such as, “Have you applied for CCFF? Have you applied for CLBILS? Who are your lenders? Have they been accredited?” and so on.

Given the pace, it could not have been an entirely sequential process. We were parallel processing all sorts of different options for the right route of Government support to each company, so there will have been many companies that were ultimately supported through the British Business Bank schemes but which, at some point or another, were in the frame for different kinds of support. I do not have an exact number, but I am not sure that the exact number would tell you very much.

Q66 **Nick Smith:** Sir Tom, have you got anything to add to that?

**Sir Tom Scholar:** Just that the various schemes that the Government established were designed to meet the financing needs of businesses. For the vast majority of businesses, those schemes were available and what they used. It is certainly the case that there were a small number that found that none of them quite met their requirements and, in some cases, they approached us directly. Those discussions are commercially confidential—we have been extremely careful to respect that confidence—but, as Sarah has just said, for the great generality of business, they would have been able to access one or another of the standard schemes set up for those purposes.

Q67 **Nick Smith:** Thank you for that. I suppose the point going through my mind is that pretty much everyone else turned down Greensill, apart from





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BBB. I am trying to understand why that happened. Sir Tom, have you got any thoughts on that?

**Sir Tom Scholar:** I don't really think I can add to what Mr Magee, in particular, said just a few moments ago. The scheme had published rules and criteria; it was the job of the BBB to assess them against those, and I think he has explained how they reached their decision.

**Sarah Munby:** The reason for that is that the relevant scheme for Greensill was the BBB scheme. It is for Treasury to comment on this, but on the discussions about whether Greensill might be accredited for CCFF support, or other kinds of Treasury support, the fundamental reason why Greensill didn't receive a "Yes" was that it fundamentally did not meet the criteria—not in a subtle way, but in an "on the face of it" way.

The scheme was designed for financial institutions to help them get lending out into the economy quickly and sensibly, and you have heard the detail of why Greensill was accredited, but just on the face of it, it was a financial institution that did lending, so this was the relevant scheme.

I don't think the fact that other schemes were not relevant to Greensill really tells you anything about whether the right decision was taken in this case. That is a question of the detail, as Patrick has described.

**Charles Roxburgh:** On the CCFF, we went through in a lot of detail—it is in the Treasury report—the reasons why Greensill did not qualify. The CCFF was for non-financial companies, so in fact none of the financial institutions that qualified for BBB schemes, which were designed for financial institutions, would have qualified for the CCFF. They were fundamentally different programmes. The other one mentioned in the NAO Report is the UK Export Finance scheme, which was designed for companies involved in exporting, and it concluded that Greensill did not meet the policy intent of that scheme. These were different schemes, different objectives and different criteria. It is not surprising that firms did not qualify for all of them. They are designed in very different ways.

Q68 **Nick Smith:** I hear that, and I think that that sounds as if it was a technical fit—the right place for Greensill to go. It is just that I am also aware that maybe all the other funders and lenders thought, "I'm not sure this is the right place to risk public money." I suppose that is the question that is outstanding for me after what I have heard today.

**Sarah Munby:** I do not think that any of the other schemes got close to the point of needing to really assess that question. It was not as though Greensill reached formal investment committee-type processes in any other scheme and was then declined by them because it did not qualify for the other schemes. It never got to that phase, whereas it did on the face of it qualify for this scheme. Therefore, it underwent the level of scrutiny that Patrick has described. I do not think that it is quite parallel to suggest that decisions were made in other parts of Government that were different because of some level of additional information about Greensill's lending practices, for example.



**Q69 Nick Smith:** Thanks for that. Perhaps again to you, please, Sarah Munby, what do you think Greensill meant when it talked about receiving political steers that its support for the steel industry would be welcome?

**Sarah Munby:** I do not know. I have not been able to find any evidence that anyone in my Department—any Minister in my Department—provided any level of political cover for Greensill’s actions under the scheme. That question has been asked explicitly to all our Ministers, not least in our response to the NAO, which asked us to double check that question, although in fact we had already gone round that loop in responding to the Boardman review, so I do not know.

If I may very briefly speculate, it was of course in their interests to have political cover, and it is true that, of course, Ministers were keen to see the steel industry supported, so the principle that there were lenders who would use these schemes to make money available to the steel industry absolutely had political and official level support. On the idea that any lender would abuse scheme rules in order to do so, and there is a question about whether Greensill did that or not, and we will have to reach a conclusion on that, there is absolutely no evidence of any political cover around that.

**Patrick Magee:** That comment was made to me in a meeting on 13 October when we were going round and asking the questions of Greensill to say, “£350 million of loans—explain.” Having asked those tough questions, they said, “We thought our support would be welcome.” I said, “Yes, but your support has to be within the scheme rules.” There was no further clarity and, as we say, we have asked stakeholders across Government. It also says: “development bank”. Quite often people claim to have ministerial cover but perhaps do not.

**Nick Smith:** Thanks for that. Let’s just pull this a bit further.

**Q70 Chair:** Before you move on, I was just trying to find the reference. The National Audit Office highlights, and the correspondence that the British Business Bank provided to the Business, Energy and Industrial Strategy Committee— Well, let me quote a bit. I hear what you are saying, Ms Munby, but let’s be honest: in Government, special advisers and Ministers do not send memos to each other. They have an office at the Minister’s door. They have a side door into the Minister’s office. You don’t even know, as the permanent secretary or the private secretary, what conversations they are having.

There is nothing wrong with that. It oils the machines of government if it is done properly, but let’s be clear that a special adviser to a Minister speaking can be a proxy for a Minister. One quote is: “unfortunately, Spads are pushing back and want information about when Greensill will be accredited to offer CBILS loans of up to £200 million”. This is proxy for Ministers asking questions of the British Business Bank.

**Sarah Munby:** Yes, SPADs were asking for information about when Greensill would be accredited. To be very boringly practical, that specific email was written in the context of a reply to John Healey, MP. There was a question about what to put in the reply. We were asking the question, “Look,



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if you are just about to accredit, we are not going to send the letter now. We'll wait until you have accredited. If you're not going to, will you tell us, because then we will send a letter fast that is different?" It was not a question of putting pressure on the decision; it was, as I said, a question of wanting to know when the decision would be taken. And, if we'd had any early indications of what that decision might be, it could of course have helped us to make decisions about other conversations with the steel industry.

- Q71 **Nick Smith:** We all understand your point about when a decision would be made, not encouragement of your officials, SPADs or others' to make a positive decision. Mr Magee, to what extent were the number of requests that the Business Department made about the Bank's accreditation of Greensill unusual? Were you getting a lot of heat? Was that unusual compared with other lobbying or advocacy, or heat that you were getting from politicians and others?

**Patrick Magee:** We had considered it unusual, but I was watching the Secretary of State's testimony yesterday, and the whole circumstances of the pandemic were unusual. There were eight emails, back and forth. I certainly was not covered in those emails. I only found out about those emails and saw the content long after, because my policy team said, "We're making independent decisions here." While it was unusual to have as many questions, it did not feel like—

- Q72 **Nick Smith:** It was unusual, but you didn't feel it?

**Patrick Magee:** Given the context of the pandemic, there was often, "What are you doing for the travel sector?", or, "What are you doing for the hospitality sector?", so it was understandable that the Department in charge of looking after business would ask how various things were progressing. Sarah answered a question earlier on whether we had discussions about other companies that had asked Government for support—particularly CLBILS, where it was larger tickets. Some companies were backed in the transport and hospitality sectors. There was understandable interest by the Department in not just this case but others.

- Q73 **Nick Smith:** How surprised were you then when Greensill used all its CLBILS allocation, becoming one of the largest scheme lenders overnight? They got that money out of the door pretty quickly, didn't they?

**Patrick Magee:** The information was put on to our portal on the 30th. It came to the attention of my colleagues on the 2nd. They immediately asked Greensill and got some information as to why they thought it was appropriate lending. The investigation is ongoing and still to reach a conclusion, but from what I was told on the 6th, I immediately phoned Catherine, and I immediately convened the investment committee and started to look at this, because, given the fact of the pattern that we had said no for £50 million to £200 million, to have £350 million go to GFG Alliance companies did surprise me.

- Q74 **Nick Smith:** How did you feel?

**Patrick Magee:** Surprised.



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Q75 **Nick Smith:** Anything else?

**Patrick Magee:** Very surprised.

Q76 **Chair:** Did you feel a breach of trust?

**Patrick Magee:** That is a very strong form of words. I think it is important—

**Chair:** That is polite in our world—slightly understated, actually.

**Patrick Magee:** I think we have a role here to listen to the representations that come back to that letter of concern, and come to the end, so “breach of trust” would be very strong. It is our duty to go through it and investigate it.

Q77 **Chair:** You had very much highlighted what your consideration of a group was. You specifically highlighted that British Steel would qualify for £50 million and its subsidiaries would not qualify for an additional £50 million of loans.

**Patrick Magee:** May I draw a line at “very surprised” and leave it there?

Q78 **Nick Smith:** There is £320 million of public money at risk here, and “very surprised” is the strongest phrasing you have got for it.

**Catherine Lewis La Torre:** Maybe I can just build on that. On seeing the information in the portal and having that escalated by the team up to Patrick, Patrick did call me, and I can confirm that “very surprised” is probably the right way to phrase it. What we then talked about was what to do next, having been surprised by the information we viewed. The first thing I said was that we needed to test this—to go back to them and to ask for an explanation. Before jumping to conclusions, let’s go back and have that conversation directly with them. So that was the immediate next step that we wanted—

Q79 **Chair:** Okay, but it is now over a year since you were very surprised, and you have had conversations. Is there anything else since? You have the benefit of hindsight, Ms Lewis La Torre.

**Sarah Munby:** I wonder whether I could just come in here; I am coming in for a specific reason, which I am happy to explain. The reason why we are being appropriately careful here is that ultimately this is a question of the results of the investigation. Did a breach take place? That is something that would ultimately be decided in a court of law.

**Chair:** We are very aware of that.

**Sarah Munby:** It is not that we are unwilling to share with the Committee; this is a matter of protecting the public purse here, so—

Q80 **Chair:** We appreciate that, but we nevertheless feel it is important to press, so one more time, Ms Lewis La Torre. You were very surprised then. You have done some further investigation. Obviously, that might lead to other things—we do not want to get into hypotheticals. Is “very surprised” still where you settle? Are you disappointed personally that this happened?



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**Catherine Lewis La Torre:** This is not something that you should be disappointed about, actually; this is—

Q81 **Chair:** Well, it is taxpayers' money, so in that sense—

**Catherine Lewis La Torre:** Let me describe what I mean. It is really important that we professionally follow the correct processes to protect the taxpayers' position. That is our priority. It is not about how I feel personally; it is about, what do we do professionally to protect the taxpayers' position?

Q82 **Nick Smith:** Sarah Munby, what was your reaction when you heard that £350 million had gone out of the door and there was a high risk to the public purse because of that?

**Sarah Munby:** That we should now make sure that the actions that we take from now until the point where this episode is closed are exactly the appropriate ones to protect the public purse. And that means being very confident in our facts, really understanding what happened and ultimately being able to demonstrate, because it will ultimately be a factual question, whether the rules of the scheme were breached or not? That is the question we need to reach an answer to. Clearly, if the rules of the scheme have been breached, the taxpayers' money will not be at risk. As we have all described here, there is clearly a possibility that that is the case. And that is why we have suspended the guarantees. I really have very little to add to what Catherine has said, because I think she has put it exactly correctly.

Q83 **Chair:** Do we know where the money is? Has it gone offshore? Do you know where the money that was lent has gone?

**Patrick Magee:** In terms of the operational flow through the GFG group, there is an administration process going on. I am sure it will be tracked through that and we will find a way to find it through there.

Q84 **Chair:** You will, as the British Business Bank, be following that through and trying to find out where the money has gone?

**Patrick Magee:** Yes.

**Sarah Munby:** But it is important to say that that is not—no public money has gone to anyone. I just think that is an important point—

Q85 **Chair:** The guarantee is suspended, so at this point, as it stands—maybe I should just lay this out. The taxpayer, through you as the Government, is not at this point—there is no taxpayer backing of those loans. There is obviously a further process to go through, but if the guarantee does get enacted again, there is a risk to the taxpayer.

**Sarah Munby:** That is exactly right, so the question is—it goes also to the line of questioning to Catherine about why we have not acted more speedily. There is not public money here to go and reclaim. We are waiting for a moment at which it could be the case that a future call on the guarantee is made, and it is important that at that moment everything is clear.

**Chair:** Very briefly, Mr Francois, because Mr Grant is going to come in.



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Q86 **Mr Francois:** Very briefly, someone famously once said, "Follow the money." Because there is a potential liability for the taxpayer, are you sure you and your colleagues have done enough to follow the money?

**Sarah Munby:** In this case, it is following the rules that will be the relevant question.

Q87 **Mr Francois:** With respect, if it is a potential liability to the taxpayer of a third of a billion pounds, it is not just about following the rules; it is about following the money, isn't it?

**Sarah Munby:** It is us who currently have the money. The question is: will we have to pay it out or will we not have to pay it out? That will be determined by a question of the rules. There is no public money currently out there in this case.

**Mr Francois:** We well understand that. Anyway, I think I have made the point.

**Chair:** Okay. We can pick this up. Mr Grant might come on to this.

Q88 **Peter Grant:** Can I first come back to Mr Magee and one of your answers to a previous question? When you were asked about the sniff test for Greensill Capital, you referred to the *Financial Times* article of 4 May 2020, which highlighted a number of quite significant potential loan defaults that might have damaged them. Can you explain again what you did at that time to get assurances that those defaults were not going to undermine the viability of Greensill within the CLBILS scheme?

**Patrick Magee:** As I said, the accreditation team got in touch with Greensill—I think it was a particular company in the healthcare sector that was the biggest loss. The losses were described to us—what had caused those losses, underlying issues and the impact on various people. We looked at that versus the financial position that had been put forward from Greensill, in the context of something that had put itself forward as well capitalised and as something that could be absorbed.

They were above their historic level of losses, but again, within the range of losses you would expect. Things do go wrong, and lending companies do fail. They came back with what appeared to be a plausible answer. That was taken into account.

The fact was that other lenders had taken similar losses on the same company. That was something that was probably determined—it did not feel like a Greensill-specific issue.

Hopefully that helps, but I am happy to discuss further.

Q89 **Peter Grant:** To be clear, you have discussed assurances that you sought and thought you had received from Greensill. You haven't indicated whether you asked anybody else for assurances at that point. There was a press article that raised concerns about Greensill. You asked Greensill and Greensill told you, "That is not really anything to worry about," and you accepted it. Is that a good summary?





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**Patrick Magee:** The sound was a little unclear, but I think you were asking if we asked anyone beyond Greensill. It would be our normal practice to talk to the lender. Again, we would tie that back to the story and look at that. I think it is section 2. We would put a commercial sceptical lens over that and see if it felt plausible and the accreditation team did feel that they were satisfied with the response.

Q90 **Peter Grant:** A further follow-up, Mr Magee. When you were asked about the claim by Greensill that they had received political steers that their action would be welcomed, you expressed, if I may, a degree of scepticism as to whether those political steers had ever existed. Did that lead you to adopt a more sceptical attitude to Greensill in general?

**Patrick Magee:** The meeting that I was referring to happened on 13 October. By that stage, we were very surprised. We were in an investigation, so we were in an investigative and sceptical mode, I would say.

Q91 **Peter Grant:** At what point did you realise that Greensill's intention was to use the vast majority of any guaranteed loan funding to lend significant amounts of money to Liberty Steel and to companies that you believed were associated with Liberty Steel?

**Patrick Magee:** 6 October.

Q92 **Peter Grant:** Thank you. The initial expression of interest from Greensill on 19 April, when they were hoping to be authorised to lend something in excess of £5 billion, said they had 10 companies lined up in the pipeline. Did you ask Greensill who the 10 companies were that they referred to as being prospective borrowers in the initial expression of interest?

**Patrick Magee:** I think there was an initial request, as was said in response to Sir Geoffrey's question. Initially there was £5 billion that was quickly discussed down by the team to £1 billion, and then we took out the supply chain finance. I think they had said that they would do 30 to 50 loans for the £1 billion, which was 20 to 30 companies, and then when we accredited it for the two variants that we did accredit, I think they updated the pipeline to say who the 10 or 11 companies that they would probably do the £400 million to. I could go back to the accreditation team and give you more detail, but I know that there were discussions as we went through that. We were looking for a credible pipeline, which was provided at each stage in the discussion.

**Peter Grant:** Did—

**Chair:** Mr Grant, I am sorry, we are having such difficulties with your sound that I propose, if you are able, to bring in another Member and for you come to down to the Committee room. We will resume your questioning when we come to the right gap. It is difficult for us in the room to hear you, and it might be difficult for people online as well. I am sorry to cut you off, but I am going to pause your questions. We will come back to you when you are physically present. I hope Mr Mark Francois is warmed up because I am now turning to him.

Q93 **Mr Francois:** Ms La Torre, in making your judgments about Greensill, what





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weight did you place on their auditors Saffery Champness' opinion about the financial health of Greensill?

**Catherine Lewis La Torre:** Again, I think that is probably more a question for Patrick.

**Patrick Magee:** That was disclosed and considered in the accreditation process. Again, I think they are a reasonably sizable—obviously not one of the big four—but again quite often people say, “Well, we want diversity in the audit market”, so we did not draw an adverse conclusion because that would have been discriminatory against non-big four firms, but we did note it.

Q94 **Mr Francois:** Did you basically take the auditors' word for it? They gave them a pretty clean bill of health, didn't they?

**Patrick Magee:** I think you have to place reliance on audited accounts. If you are going to accredit 100 different companies, you have to place reliance on the audited finances that are put in front of you, because there are obviously significant liabilities for auditors if they do not do that. If we were to reaudit accounts for a lender because we did not like their auditor, I think we would find it very difficult to accredit people.

Q95 **Mr Francois:** On 28 June, BBC Online published an article entitled “Greensill auditor under investigation by watchdog.”

**Chair:** You are talking about this year, to be clear.

**Mr Francois:** Yes, sorry. I will quote briefly from the article: “The Financial Reporting Council has begun a probe into accountancy firm Saffery Champness. It also announced an investigation into PwC”—PricewaterhouseCoopers—“which audited financial statements made by Wyelands Bank. The bank was controlled by Mr Gupta but also lent money to his other firms. The FRC said it was looking into Saffery Champness's audit of Greensill Capital's financial statements for the year to 31 December 2019.” So, we now know that the FRC is investigating Greensill's auditors, on top of everyone else who seems to be investigating everyone else, too. You have just told the Public Accounts Committee that in essence you were entitled to rely on the auditors' opinion because that is what auditors are there to do—to give, in the famous phrase, a true and fair record of the financial health of a company. With hindsight, do you think you should have been slightly more sceptical, or do you think you were entirely in your rights to rely on that audit?

**Patrick Magee:** I think we were within our rights to rely on that audit. As the NAO Report says, with a more sceptical approach, we might have come to a different outcome, but again if our standard process had been to reaudit accounts that had been audited by a regulated firm—if you call accountants regulated, which I believe they are—with hindsight you can unpick everything. There has been quite a bit of discussion here about the speed of investigation. As this story unfolds, more and more facts come to light, whether it be an FRC, an FCA, an SFO or a BaFin regulation. There may be other facts that come to light here, so we will obviously be looking at that in the broader context of the investigation that is ongoing.



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Q96 **Mr Francois:** Thank you. Could I turn to Sir Tom Scholar, please? Sir Tom, in recent years, especially since the FRC's investigation into KPMG's failure to correctly identify the financial risks at Carillion, which as you remember became insolvent in 2018, carrying £5 billion-worth of debt, there has been a great deal of criticism of the audit profession in the United Kingdom. Is that a source of concern to Her Majesty's Treasury?

**Sir Tom Scholar:** It is obviously a debate that we keep a very close eye on, but the policy responsibility does not sit with the Treasury; it sits with the Department for Business, and they have been extremely active on this. It is really for the Department to answer, rather than the Treasury, so perhaps I can turn that to Sarah.

**Mr Francois:** That was brilliantly swerved, if I may say so, Sir Tom.

**Sarah Munby:** I would have been offended if Tom had attempted to answer on my behalf.

**Chair:** Always leave the good woman to answer.

**Sarah Munby:** Yes, absolutely, all that you say. That is why we have a consultation out on audit reform now. We would expect to see audit reform work move through Parliament in due course. Working out the right future for the audit market in the UK is high on our priority list.

Q97 **Mr Francois:** I am glad to hear that because financial services, or services generally, are a critical part of the United Kingdom economy. They are one of our absolutely key exports. Financial services are an extremely important part of services in general. Aren't you worried about the reputational risk to the City of London, as it were, from all these criticisms of the audit profession, which is massively dominated by four companies?

**Sarah Munby:** That is why we are looking at exactly which reforms we should use to broaden the audit market. That is, for example, one of the aims of the consultation paper that is out at the moment. It is also fair to say—I am now treading into Tom's and Charles's area—that the City of London is doing all right.

Q98 **Mr Francois:** In seriousness, I asked the permanent under-sec of the Treasury that because the whole issue of the reputational solidity of the financial services sector is very important to the British economy. Some would argue that we have a very cosy cartel within the accountancy profession. We had the five families in "The Godfather", and we have the big four in the UK accounting profession and, indeed, worldwide. Government, for years, has been promising to do something about this, but it never really actually does anything meaningful at all, does it? We now have the FRC launching multifarious different probes into the big four when there have been terrible audit problems. At the end of the day, if they cannot provide a true and fair record of a company that they have audited, which then goes massively bust, what's the point of them?

**Sarah Munby:** I absolutely agree that the future of the audit market is critical. That is why when our new Secretary of State took office, the audit reform consultation came out in very short order. It is absolutely a priority



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of the Department's work to convert that into the right programme of reforms and move them through Parliament.

Q99 **Mr Francois:** Okay. I have one last question, and then I will hand back. In July 2020, the UK Financial Reporting Council told the big four that they had to submit plans by October 2020 to separate their audit and consultancy operations by 2024. One of the criticisms has been that sometimes the big four audit company A but also provide very lucrative financial services and consultancy advice to company A, and even despite the so-called Chinese walls, that could have some effect on how rigorous they are in the audit. That is a broad accusation in general about the industry, if you will. Have the big four done as the FRC asked and submitted their plans to separate their consultancy services?

**Sarah Munby:** I am going to come back to you in writing on that.

Q100 **Mr Francois:** Forgive me, but that is something I would have expected you to know.

**Sarah Munby:** As you can imagine, audit wasn't number one my list of things to prepare for today. I am very happy to come back to you in short order in writing. It is a factual question and don't want to misspeak, particularly when I am talking about the actions of large private sector outside bodies.

**Mr Francois:** On balance, that is a fair answer. A lot of people have looked at this whole thing and, it is fair to say, it has spun off in many different directions. One of those directions is that, yet again, we appear to have a serious audit failure, not by one of the big four firms, as Mr Magee said, but it seems that somebody conducted an audit that the British Business Bank relied on. I take their point; they thought it was a true and fair record. There is something wrong with the audit industry in the United Kingdom.

**Chair:** Our sister Committee, the Business, Energy and Industrial Strategy Committee, has been looking at that, as we have on the public audit side. We could have a lot of sessions on audit. Thank you, Mr Francois. It is important that we ensure that we bring that point into what has happened with Greensill.

I am delighted to welcome Peter Grant, physically in the room, where we can both see and hear him easily. Back to you, Mr Grant, and sorry for the rude interruption earlier.

Q101 **Peter Grant:** Thank you, Chair. I apologise that you weren't able to hear me earlier on. I was asking about the claims that Greensill were making in various submissions about the number of companies they had prospectively lined up as borrowers under the scheme. The first question you didn't quite catch was that their initial expression of interest indicated a pipeline of 10 prospective borrowers. Did you make any inquiries as to who those 10 might be?

**Patrick Magee:** I would have to go back and check with the accreditation team. The facts that I have recalled were the billion-pound pipeline. It was 20 or 30 companies with £30 million to £50 million each and then there



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were about 11 companies put forward for the £400 million, but I would be happy to go and check that for you.

**Q102 Peter Grant:** Given that all of the non-lobbying emails that your officials had received from officials at BEIS, about Greensill and the reliance of Liberty Steel on Greensill, wouldn't it have been prudent to probe further as to how much of the borrowing facility was intended for Liberty and Liberty Group, and how much of it was intended for other companies?

**Patrick Magee:** Again, given the pipeline that we were presented with, we thought the maximum exposure would have been £50 million.

**Q103 Peter Grant:** You said that you were presented with the pipeline. How can you know the maximum exposure is £50 million if you don't know who the other companies are in the pipeline?

**Patrick Magee:** There were two controls and protections in place. Unless you had the enhanced accreditation to do larger scheme facilities, the maximum you could issue was £50 million to any borrower or borrower groups, so that is why I had the assumption that £50 million was the maximum for GFG.

Say one company had a £30 million loan and another lender wanted to put £50 million on top of that to make £80 million, that is what we call a trigger scheme facility. That trigger scheme facility would have to come to us. As I have explained, these are delegated schemes, but it was actually the BBB who, in close consultation with BEIS and HMT, said, "Do we want to wake up and find that we have £200 million of exposure without any prenotification?" So, we designed the trigger scheme facility process.

If anyone was going to make a loan that would take exposure under CLBILS to over £50 million we would have to be pre-notified. We would have done checks and then said, "Yes, put that into the scheme" or "Pull back". The combination was that, first, Greensill was limited to £50 million single borrower group exposure and, secondly, because of the trigger scheme facility. That explains where we were and why I was surprised in early October.

**Q104 Peter Grant:** I appreciate that we have to be careful given that it may well end up in court, but have you any indication as to how Greensill has come up with such a completely different interpretation of those rules, which you thought were quite clear when they were set?

**Patrick Magee:** There is always scope for lawyer to interpret different rules and different definitions differently. It is probably not a good idea for me to start commenting on their advice or any.

**Chair:** We appreciate where you are at the moment. It is a very important question, nevertheless.

**Peter Grant:** To be clear, did they give any indication at the time that their intention was to lend the vast majority of the money to companies in the same ownership? They didn't. Did it strike you as surprising when the initial expression of interest turned into a formal proposal that, despite the



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fact that they were asking for permission to lend five times less, they suddenly had four or five times as many people lined up to borrow that money? Didn't that seem contradictory?

**Patrick Magee:** Again, in the early stages of the process, it probably would have been a discussion with the accreditation team, but by the time it was coming to the investment committee, it was definitely down to a billion. Again, I could not quite see how 10 into £5 billion would work, because the maximum under CLBILS is £200 million. I think I have undertaken to come back to you in terms of the accreditation team and the presentation of the pipeline, but the scaling back, as I understood it, was 30 companies and then down to 10, from the billion down to £400 million.

Q105 **Peter Grant:** We do know that subsequently, they were very keen to be given higher-level authorisation to be allowed to make bigger loans.

**Patrick Magee:** Which we pushed back on.

Q106 **Peter Grant:** Again, had you any indication that that was their initial intention at the start of the process?

**Patrick Magee:** If I go back to the way that we thought about the scheme, Government set the policy and the objectives, and we put the process in place. The last element in that is risk appetite, and Government had a risk appetite to do £50 million per underlying borrower, or £200 million with pre-approval. Again, there was no pre-notification to us that they would have such a significant amount going to GFG Alliance companies.

Q107 **Peter Grant:** Thank you. The final question on that part of the process is about the 40 to 50 businesses that they suddenly found they had lined up that they hadn't had lined up when they were bidding for the £5 billion. Did you make any inquiries at all as to who those businesses might be?

**Patrick Magee:** Again, I will follow this up in terms of the accreditation and in terms of the representations around the pipeline. We did have named companies in that. They may not want their details to be put out that they were potential clients of Greensill, but we did examine the pipelines.

Q108 **Peter Grant:** Have you confirmed with those companies, even confidentially—did they know that they were in the pipeline, even if you can't tell us who they were?

**Patrick Magee:** Again, we would not have been looking at the underlying borrowers, but there were known names in there that had represented to us that they had been significant clients previously.

Q109 **Peter Grant:** Thank you. I may come back to you later, so don't relax too much just now.

Ms Lewis La Torre, I want to ask you about the inquiry that the bank did into the possibility that external influencers may have been seeking to influence either the timing of the Greensill decision or the outcome of that decision. At the time of the NAO Report, I think there had been an interim report on that review, but it had not been concluded. Has the review been concluded yet?



**Catherine Lewis La Torre:** The review is still in some ways open because we are looking at information on a continuous basis. There has not been any information that has come to light since we shared the draft review with the NAO that would change anything that was in the draft review.

Q110 **Peter Grant:** The draft review found no evidence that either the timing or the outcome of the decision had been influenced by anybody, but the purpose of the review was not to find out whether anybody had succeeded in exerting influence; it was to find out whether anybody had attempted. Has the review come to a conclusion as to whether there were attempts made by external parties to influence the process?

**Catherine Lewis La Torre:** What the review was looking to do was find out whether there had been any external influence that had had an impact on our decision, and whether our independence had been undermined in any way.

Q111 **Peter Grant:** But the NAO Report says that the purpose of the review is to find out whether there had been any attempt to exert influence. It is clearly very much to the credit of the bank if attempts were made but were successfully prevented. Just to be clear, has the review looked at the question whether there were any attempts made to influence your independence?

**Catherine Lewis La Torre:** Yes.

Q112 **Peter Grant:** What conclusions have you come to on that so far?

**Catherine Lewis La Torre:** We concluded that there were not attempts to undermine our independence.

Q113 **Peter Grant:** The letter that Mr Magee sent to the Chair of the BEIS Committee, which colleagues in BEIS published, I think, just earlier today, includes redacted copies of a number of emails between officials in the Department and the bank. I appreciate that these were described as relatively junior officials—I don't know how junior they were.

As early as 6 May, someone in BEIS was emailing someone in the British Bank, saying, "Is there an update on Greensill's CLBILS accreditation? Minister Zahawi has asked, following a call with Liberty group." That was 13 days after the initial application had been submitted—and remember that they had submitted their application before they were invited to. On receipt of an email less than two weeks after an application came in saying that the Minister wants to know what is happening to that application, would it have been unreasonable for the junior official at the British Business Bank to feel that they were being put under pressure?

**Catherine Lewis La Torre:** That is a very difficult question for me to answer. All I can say is that there is constant dialogue between people within our policy team and within our Government stakeholders—that is part of the process—so I would say unlikely, but you would have to ask the question of that person.





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In our review, we interviewed people who had been involved in the accreditation. We talked to colleagues in our policy team as well. From what I have seen, in the conclusions of the review, no one said that they felt under particular pressure.

The other thing that is important to say, which I think Patrick mentioned earlier, is that that information did not find its way to the decision makers in the investment committee. It was a very unsuccessful attempt, if it was indeed an attempt to influence.

Q114 **Peter Grant:** How common is it for the bank to get an email less than two weeks after an application has come in for anything, saying the Minister wants a quick answer? I know that this exchange of emails has been described as unusual. Is it unique, or close to unique, for a Minister to be named as wanting to chase up an answer as quickly as that?

**Catherine Lewis La Torre:** I would say that we were living through very unusual times. Speed was often of the essence. You will recall, I think, that we were being heavily criticised for being too slow in what we were doing to deliver funding to market at that point. To be fair, we resisted those attempts. I will paraphrase, but it was, “We don’t care about your processes”—this is from businesses that were concerned, or MPs who were worried about businesses in their constituencies. “Why are you worrying about your processes? Please do just get the money out there.” We did not do that, because we felt that was the wrong thing to do.

Q115 **Peter Grant:** Thank you. All the emails talk about Greensill and Liberty, and we cannot find any other company being named as anxious for an answer—this is possibly more to you, Mr Magee. Given that all those emails to members of your staff were pushing for an answer, because Liberty needed an answer, should that not have flagged up the possibility that Greensill was not interested in lending to anybody apart from Liberty and other companies under the same ownership?

**Patrick Magee:** I would characterise this, to build on what Sarah was saying earlier, as an understandable interest from the BEIS steel team, because as has been disclosed in the Report, there were other discussions ongoing. So, it was understandable that BEIS was interested—Greensill has a client, GFG, and this might be a source of money for them. I would not impute from that, and I would not have imputed it at the time, that just because they were going to lend to GFG, they were not going to lend to the other people on the list. I think that is what you are getting at.

Q116 **Peter Grant:** The amounts of money that Greensill was clearly trying to solicit in order to lend on to Liberty were way above any amount that the British Business Bank was ever likely to allow them to lend. I realise that hindsight is a wonderful thing, but should it not have been possible at the time to ask whether this was just a way to get a taxpayer-guaranteed loan out to one of their biggest clients, which by that time certainly everyone else in Government knew was in difficulty, even if the British Business Bank did not?

**Patrick Magee:** That Greensill was in difficulty, or GFG?





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**Peter Grant:** No, GFG.

**Patrick Magee:** I think it was acknowledged that GFG and the steel sector were under pressure. Will you rephrase the question for me? I have slightly lost the exact point that you are trying to make.

Q117 **Peter Grant:** Given the fact that all the emails about Greensill talked about Liberty, and that Greensill was known to be approaching basically every Government Department and every Government agency that had money to give out, trying to get that money in order to pass it on to Liberty, should that not have raised a concern that, regardless of what they put in their expression of interest and regardless of what they put in their formal application, they wanted that money in order to lend it to Liberty, one way or another?

**Patrick Magee:** Again, it gets back to the way that we considered it, and again we have been absolutely instrumental in working with Government to design the scheme. So, when the £50 million—we went from CBILS to CLBILS and went from £5 million to £50 million. Our suggestion was that we need to make sure we are the senior loan and that Government do not get pushed down the stack, as we call it, in finance terms—we don't get pushed into a junior position.

When the proposal came to put it from £50 million to £200 million, we were absolutely consulting with Government and we put in this pre-notification requirement around the trigger scheme facilities. So, again, that was the control.

It was clear that Greensill and GFG were a financier and a client with a close relationship, so we certainly were not surprised to see GFG in the thing, but we were expecting them to lend within the scheme rules and other limits that they were set.

**Peter Grant:** Thank you.

Q118 **Sir Geoffrey Clifton-Brown:** Mr Magee, can I come back to your answer about this £120 billion? I shall quote from paragraph 2.15 of the NAO Report, which says "as Greensill's stated £120 billion of financing in 2019, could not be verified using publicly available information." Now, I have not got the transcript in front of me, but it struck me from memory as a somewhat complacent answer by you as to whether you could have done more to verify. I mean, that is a fairly simple question to ask them about their financing and £120 billion is an awful lot of money. It is surely absolutely key to the accreditation of whether they should have been given the CLB loan or not.

**Patrick Magee:** Again, I think—sorry if I, in any way, came across as—

Q119 **Sir Geoffrey Clifton-Brown:** I want to try to get to the bottom of it, because it is critical.

**Patrick Magee:** Let me describe how the Greensill business model worked. They would have gone to the capital markets and I think they came to

Treasury in March and said the capital markets were freezing up, and that was why they wanted the CCF—

**Chair:** Yes, yes, we know all that history.

**Patrick Magee:** The point I was trying to make is that they would have had programmes for different lenders. So, they would have said, “Okay, we’re issuing today £100 million for GFG in short-term notes to cover supply chain finance and then that will be repaid quite quickly.” They had multiple programmes in the capital markets, where those programmes would go out and come back in again.

So, what I was trying to say earlier is that there is not an easy public source whereby you could say, “Well, go and tot up how much was issued and how much was repaid, etc.” But were we aware of their significant position in the capital markets and people buying billions of pounds of their paper through different investment programmes? Absolutely. So, was it £120 billion or £110 billion? That was not that material in many ways. It is that they really had a presence in the market. They were known to us as a significant player in these debt securitisation markets.

I can understand the question, but to us at the time we were aware, we had seen the company grow over time, and we knew they were issuing billions of pounds-worth of paper. What was more important to us was how well capitalised were they, what did their accounts say and what was their level of losses. We checked those and then when we saw the press reports.

Again, I am just trying to give you a sense of the critical overlay, but the fact that they were multi-billion-pound players was absolutely clear to us.

Q120 **Sir Geoffrey Clifton-Brown:** Can I take you to paragraph 14 on page 43, looking at the NAO’s approach, and draw your attention to the fact that the auditor—who, as Mr Francois has identified, is Saffery Champness—“informed the administrators that it planned to withdraw its certification of the lender’s 2019 annual accounts”. Did that make any material difference to your assessment of the company?

**Patrick Magee:** Again, that is on 23 April 2021—

Q121 **Sir Geoffrey Clifton-Brown:** I understand that, but when you received those 2019 accounts— When did you receive those 2019 accounts, because they were not available when you did your accreditation in 2020?

**Patrick Magee:** If I have got this right—if I am mistaken, I will correct it— what I believe we were given was the audited accounts for 2018. We were given the draft accounts for 2019 for Greensill Capital UK and—

Q122 **Sir Geoffrey Clifton-Brown:** When?

**Patrick Magee:** At the time of the accreditation, so we had those for the investment committee on 4 and 12 May.

It was sometime after that—sometime in June—that we then received the finalised, audited reports for GCUK. There were some variations and



changes in the narrative up front, but the audited financials had not changed, I believe, so we did check those when we received them. I think it was in June. We certainly had the draft accounts, and then they came in and they were checked against those when they came in in June.

**Q123 Sir Geoffrey Clifton-Brown:** The NAO, in paragraph 14 on page 43, notes after “it planned to withdraw its certification of the lender’s 2019 annual accounts, after allegations of irregularities” that, “The identified risk of fraud informed our audit approach and the methods selected.”

Did it ever occur to you at any point before you wrote your letter of revocation—it was not actually of revocation; of concern—that there might be fraud involved?

**Patrick Magee:** I have listened with great interest to the Treasury Committee briefing and the BEIS Committee. We have looked at administration filings. We have listed SFO and so forth. These things were beginning to unfold from late last year. It was very much in that period that our concerns— Your colleague earlier talked about the alchemy. There wasn’t proven fraud there. As you get into later last year, there were more and more concerns being raised by more and more parties.

**Q124 Sir Geoffrey Clifton-Brown:** I want to go through that period of later last year. I want you to be very specific on this and, if necessary, give the Committee a letter on it. You want to demonstrate your independence, but, on the other hand, you need to be fully responsible for your decisions as to why—I come back to this question—it took you so long, until 2 March, to write that letter of concern. I want to be very precise about this question. What discussions, either formal or informal, did you have with either the Department or the Treasury about the financial strength of Greensill?

**Patrick Magee:** During the time of accreditation, we were in discussion with— We use within the bank a framework called RACI—responsible, accountable, consulted and informed. As we were accrediting BEIS and Treasury, we were informing them of the progress, and if they had concerns, they obviously could have told us about them. Through the period of accreditation, we were informing them. Then, when we got to the stage of early October—the concerns were escalated to me on 6 October—I immediately went to Catherine. In the next two or three days, we spoke to BEIS and to Treasury. We really began to consult them then about—

**Q125 Sir Geoffrey Clifton-Brown:** In October last year?

**Patrick Magee:** In October last year, yes. So that is when we really got into the investigation stage. When we got into that investigation stage, we were obviously consulting them, because these were decisions that we would be making on behalf of Government, because the Secretary of State stands behind those.

So, we were informing Government of our progress on accreditation, and that was the response to the emails. When we got into the investigation stage from early October, we began to consult more heavily, because these are important processes and could prove to be litigious over time.



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Q126 **Sir Geoffrey Clifton-Brown:** Presumably you are aware—we have had the letter from Sam Woods—that the Bank of England passed information about BaFin’s concerns about Greensill on to the Treasury. Did you have any discussions about that particular letter?

**Patrick Magee:** I believe that was November. Yes.

Q127 **Sir Geoffrey Clifton-Brown:** It was November 2020?

**Patrick Magee:** Yes. Treasury did raise that with us.

Q128 **Sir Geoffrey Clifton-Brown:** Ms La Torre, I ask you again, because it does seem to me that there was sufficient evidence out there in October and November of last year, why it took you until March to issue this letter of concern?

**Catherine Lewis La Torre:** I do not know if I can add anything more than I said previously. We wanted to make sure that we had the right facts and the right evidence to put us in the strongest position—

**Sir Geoffrey Clifton-Brown:** You have already said that.

**Catherine Lewis La Torre:** We started the investigation immediately—immediately—and we protected our position by, at that point, stopping any further loans that Greensill could make. We took advice, as you would expect, very carefully, to make sure that there weren’t any missteps that could upset the process that we were following.

Q129 **Sir Geoffrey Clifton-Brown:** Your answer there raises another very interesting point: when did Greensill make these four loans to GFG?

**Patrick Magee:** I’ll take the detail on that. The six loans were made, I believe, on 30 September. There had been one loan made to CIMIC earlier in the summer; six loans were made on the 30th—

Q130 **Sir Geoffrey Clifton-Brown:** So the whole lot were made on the same day, on 30 September?

**Patrick Magee:** Correct—I believe that’s right. They were certainly notified to us on the portal, but I think everything happened simultaneously on 30 September.

Q131 **Sir Geoffrey Clifton-Brown:** So actually, by then, it had all gone; the money had been lent, so there was no possibility—all you could do was withdraw your guarantee.

**Catherine Lewis La Torre:** As Sarah said earlier, no money was out, obviously, because we weren’t providing funding to Greensill, so we have the money—to your point, we have the money. So, it is not as if—what we are trying to do, obviously, is to protect the position in terms of any of our moneys being called, due to the guarantee agreement.

Q132 **Sir Geoffrey Clifton-Brown:** Mr Roxburgh, I’m going to ask you this. If a major financial institution had shown that it was insufficient, in the same sort of trouble as Greensill was in in October and November, would the Treasury have taken as long as until March to start to take decisive action?



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**Charles Roxburgh:** First, as Catherine has said, what is really important in this is to follow the process, build the case and make sure that when you do send a formal letter of concern, it is totally rigorous and totally robust. And I have no reason to doubt that the British Business Bank did that as purposefully as they could. We in the Treasury are completely aligned with the British Business Bank on the need to ensure total robustness of this process, so that there is no flaw that could put public funds at risk.

As for your hypothetical question of how long we would have taken in different circumstances, I can't answer that. What I can say is that we would follow the same process as the BBB have followed, which is to move very quickly, as they did, very quickly to start the investigation, to do the investigation as rigorously as we could, and to take the right amount of time to ensure that we had a robust answer and a robust intervention that withstood potential challenge. So, I have nothing further to add to what Catherine has said.

**Chair:** Thank you. Nick Smith MP.

Q133 **Nick Smith:** Mr Magee, the Report says that the British Business Bank told Greensill that there was a cap of £50 million that they could use to give to a borrower. Exactly how did you emphasise that to Greensill, and when?

**Patrick Magee:** It is set out very clearly in the—there is a guarantee agreement that is signed between the BBB, on behalf of the Secretary of State, and Greensill, so it's very clear in that; it's emphasised there. I believe there was discussion with the accreditation team where they made it very clear—I think it's cited in the NAO Report.

We had actually used British Steel as an example; obviously, it's a different steel company. We said, "It's £50 million for the whole of British Steel, not per subsidiary." So not only had they signed a legal agreement with these restrictions in it; it had been a specific point of emphasis in the accreditation process. And I believe that was all done before the legal agreement was signed, in early June. Again, I can double-check in that email—I'm trying to remember hundreds of emails going back and forth. But I'm pretty sure that the accreditation team were very emphatic on that.

Q134 **Nick Smith:** Did it surprise you that Greensill pushed back on that?

**Patrick Magee:** You can see from the dialogue and some of the emails here that they were keen to push to see if they could get the £200 million limit, and we pushed back on that—

Q135 **Chair:** You said no, of course?

**Patrick Magee:** We said no. Commercially, I can understand, working for a Government development bank, lots of people want Government support in lots of ways. And it's our job to thoroughly and professionally look at the scheme objectives, look at the controls, have them in place, and say where the Government's risk appetite sits. And that is the process that we went through.

Q136 **Nick Smith:** Did they tell you that they had legal advice that meant that



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they could lend more than £50 million to one borrower?

**Patrick Magee:** There was no pre-notification of their intention, which is why I was surprised on 6 October.

**Nick Smith:** We found it greatly surprising.

**Chair:** We were very surprised.

**Patrick Magee:** Very surprised. I was also going to cite that the legal agreement requires the borrower and the lender to act in good faith. That was part of our letter of concern.

**Nick Smith:** You would be apoplectic.

**Patrick Magee:** Maybe I have become measured over my time in Government. In 20 years in investment banking, I have always found that it is better to be measured. In terms of analogies, I regard this as a marathon, not a sprint. You do not want to rush off and make a mistake; it is better to pace yourself for the full course.

**Chair:** Thank you, Mr Smith.

Q137 **Mr Francois:** Ms La Torre, I read history at university. Historians would say that, if someone takes a decision, it is always important to try to establish the context at the time when looking at why they did what they did.

In fairness to yourselves, you have made the point that there was great pressure to get money out there, particularly in industries such as hospitality. As a constituency MP, we were getting constant pleas for help from businesses in our patch. In fairness to yourselves, BEIS and the Treasury, it is important to remember that that was the ground truth of what was going on.

You get this request for help—what do you do? I am sorry to hammer the nail, but this is important. One of the first things you do is to look at the financial record of the company, so you go to what the auditors can tell you. If the auditors have given them a pretty clean bill of health, that must have played an important part in your judgment, bearing in mind that you were having to decide these things under pressure. Mr Roxburgh was talking about the context as well. Is that a fair summation of what happened?

**Catherine Lewis La Torre:** The fair summary is that we had some very well thought through criteria that lenders had to comply with, and we checked that lenders could comply with those criteria in order to be accredited for the scheme.

The criteria—they are set out in the NAO Report, as you know—looked at very different areas that we did our due diligence around at that time. The audited accounts would have been one part of what we were looking at, absolutely.

Q138 **Mr Francois:** I think the investigation is ongoing, so we should not





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prejudge it, but it could be that one of many failures here is that there was a serious audit failure as well.

**Catherine Lewis La Torre:** I cannot comment on that.

Q139 **Chair:** In this whole matrix of who Greensill was contacting and trying to get money out of, there is obviously the UK Export Finance model as well. It seems, on a basic reading of this, that UK Export Finance did not want to open a facility to Greensill because of the sniff test, really, and the other publicity around it at the time.

Mr Magee, you were there at the time. Were you in touch at all with UK Export Finance? These decisions were made very close together, but with very different results. Were they aware of different concerns from you?

**Patrick Magee:** I do not think so. Again, it was not Greensill per se; it was one of the lenders they worked with who went to UK Export Finance. I think the primary concern was about whether it was an export-led guarantee and so on. The Report says it had concerns about some of the media reports. We looked at those media reports and questioned them, so I do not think that UK Export Finance spotted anything that we did not. Their decision was around eligibility against their own criteria, as was ours.

We obviously looked at the press speculation and so on, but we weighed that against the report and accounts. They raised £1.7 billion from global investors and have managed billions of pounds. Some of the FinTechs that we were guaranteeing the lending of were quite small, so we were used to dealing with companies that were quite small. Here was a company that had raised significant capital and—

Q140 **Chair:** I think, as you know, the Treasury Committee is quite sceptical, as a number of us are, about whether Greensill was even a FinTech company. As the MP for Shoreditch, I know the—

**Patrick Magee:** It is one of those words that has many definitions, I guess, so we will leave it there.

Q141 **Chair:** A lot of FinTech companies are small and emerging organisations. It is quite a gamble, because lots fail and lots do well, and it is difficult to know at the early stage which is which. Greensill was a slightly—I digress.

Sir Tom Scholar, when Greensill was originally approaching the Treasury—Mr Roxburgh was obviously involved as well—he and Mr Cameron talked about supporting small and medium-sized enterprises. Clearly that did not happen, but that was the basis on which you were having the discussion. Mr Magee, did you think that any of this was going to go? There was a list of borrowers, but no small or medium-sized British businesses were originally proposed.

**Patrick Magee:** I see where you are coming from. Our core mandate is around SMEs, and we managed to stand up CBILS and then BBLs. The Government was looking at a market gap for lending to larger firms.

Q142 **Chair:** So this bit that you were dealing with was entirely for the larger end of the scale?



**Patrick Magee:** Yes.

Q143 **Chair:** Going back to you, Sir Tom, none of the money that went to Greensill has gone to small and medium-sized enterprises, so the former Prime Minister's original approach to you, saying it was support for businesses, was turned down by the Treasury, wasn't it? I just want to be absolutely clear.

**Sir Tom Scholar:** Yes, that is correct. All the applications were rejected.

Q144 **Chair:** Nevertheless, the guarantees were to try to get investment into British business. Is that fair to say, Sir Tom?

**Sir Tom Scholar:** That was actually at the forefront of our minds as we were assessing the applications. Yes, that is right.

Q145 **Chair:** So is the Treasury at all curious about the money from these schemes, even the ones that are under BEIS? Ultimately, the guarantee falls back on the taxpayer, so it comes back to the Treasury. Are you interested to know where the money is, and can you be sure that it is all onshore in the UK? Have you done any analysis of where the money from the guaranteed loans has landed—across the piece, but particularly with Greensill?

**Sir Tom Scholar:** In the case of Greensill, we are obviously following very closely the actions that the British Business Bank are taking and the interaction with the administration, which we have discussed this morning. We are certainly following that very closely, and I think Patrick spoke earlier about how, through that process, they would be looking to get that information. Across the whole of CBILS and CLBILS more generally, I am not quite sure what monitoring we had in place for that. I am sure Catherine or Patrick will be able to tell us.

**Patrick Magee:** As part of our investigation, which, as you say, has taken some time, we have asked where the money has gone. It has gone into a central Treasury function within the GFG Alliance.

Q146 **Chair:** Do you know where that Treasury function is based?

**Patrick Magee:** I don't know where it is physically. It is in the virtual world.

Q147 **Chair:** Is it material to any recovery?

**Patrick Magee:** I would imagine that the whole tracking of that money through the administration would be something being looked at. The point I was going to make is that one of the criteria, if I have understood correctly, is that the economic benefit of the loan should go to the company—a single individual borrower. Tracking the money is a very relevant thing that we will be looking at over time and have looked at.

Q148 **Chair:** "You are looking at, you have been looking at, you will be looking at"—what provisions were put in to make sure that you were tracking the money from day one? What barriers were there for people offshoring taxpayer-guaranteed loans?



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**Patrick Magee:** It comes down to the fact that the economic benefit needs to go to the company. That is the requirement.

Q149 **Chair:** So, Sir Tom, the benefit goes to the company. Was there anything that, in retrospect, you now think should have been done to tighten up, so that the benefit of the guarantee of the loan was actually going to be of benefit to the British economy, British businesses and British jobs?

I recognise that you can be offshore and give great British jobs, so it would be interesting to know where you thought the lines should be on that. Was that considered in the Treasury with the Chancellor?

**Sir Tom Scholar:** In setting up the scheme in the first place, BEIS sits closely on the enterprise finance guarantee scheme, which has been in existence and successfully operated for some years. On the specific issue of Greensill, I think we need to wait until the conclusion of the process that Patrick has described before drawing conclusions on the rules and their application in that particular case.

More generally, it was absolutely the case in our discussions in the Treasury and with the Chancellor that the purpose of all these schemes was to support British businesses and British jobs—the UK economy. At the end of all these schemes, we are going to evaluate them, as we always do. We said that when we discussed with you the bounce back loan scheme, for example. We said that we would certainly be evaluating that. I am sure at that point, that will be one of the things we look at. Certainly, the intention of all these schemes was to support the UK economy.

**Charles Roxburgh:** As an illustration of that, as you will remember, after we rejected Greensill's application to the CCFF, we looked at the possibility of an industry-wide scheme for supply chain finance. The reason that was rejected—this is all clear in the evidence to the Treasury Committee and the FOI releases—was that we couldn't be certain that the money would go to UK SMEs. That was an absolute requirement of the Chancellor: had we gone ahead with that scheme, the money could only have been used for UK SMEs. We couldn't assure that, and therefore we did not go ahead with the scheme. That illustrates very much our central focus on ensuring that these support schemes were to the benefit of the UK economy.

Q150 **Chair:** So, knowing what you know now—perhaps I will start with Mr Magee, because you are very much at the coalface of this—if we wanted to ensure that this money benefited the UK economy very directly, what should have been added to the scheme to make sure it was really copper-bottomed?

**Patrick Magee:** There are very detailed eligibility criteria, which I can't recall exactly now. Again, as I say, these were for borrowers that had to meet the eligibility criteria. It had to be UK companies, it had to be for the economic benefit—

Q151 **Chair:** You say that, and yet there is an investigation and the administrators are still trying to track down where the loans have actually landed. It sounds like, even with all those eligibility criteria, there is still a



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question mark over whether the loans were used where they were supposed to be.

**Catherine Lewis La Torre:** Chair, may I come in? On the bigger picture, we have published data because between March 2020 and March 2021, through the various schemes that we have administered on behalf of the Government, we have facilitated more than £80 billion of funding to 1.7 million SMEs right across the country. There is data that has been published that shows the geographical split of where that funding has gone, so at the higher level—the level of the schemes—there is a lot of evidence that the funding has gone to—

Q152 **Chair:** My point is not that that has not happened in most cases, because we were all lobbying for British businesses in our constituencies that were about to go to the wall. We all get that, but what were the barriers to stop this money going offshore? It is always the ones where there is a problem that are harder to track down, because people who might want to play the system—I put it no stronger than that—might find ways of sheltering the money.

**Patrick Magee:** As I was saying earlier, we have a framework with the accreditation assurance, which we have debated, and then you are getting into the contractual provisions, and I can feel my general counsel saying that we can't go into that. There are very strict eligibility criteria, a standard of care and a good faith standard if any conditions of that have been breached. Therefore, if the money has left the country, that could be a relevant factor in whether the guarantee ever gets called. I probably wouldn't take it any further than that.

**Chair:** Okay, I appreciate that we are skating close to matters.

Q153 **Sir Geoffrey Clifton-Brown:** The statement that I have already quoted, on page 43 of the NAO Report, says that the auditor was telling the administrator that they planned to withdraw their certification. That at least raises the possibility of fraud by Greensill—I put it no stronger than that. You have already given evidence to this Committee about the bounce back business loan scheme, where tens of millions of pounds will not be paid back, and at least an element of that is due to fraud. Could we take it from you that you will look very carefully at your fraud protocols before lending any money to business in the future to see whether that can be toughened up?

**Patrick Magee:** We are absolutely looking at that. We have been expanding the work that we have been doing in fraud and financial crime: there has been a very significant effort across Government, which Simon from the NAO and his team are looking at now. In terms of our fraud risk management, that is a very significant area of focus: we are looking at the fraud estimation now within bounce back, and we are certainly looking at the lessons learned, so we are absolutely looking at fraud at the moment.

Q154 **Sir Geoffrey Clifton-Brown:** Not just bounce back, but CBILS and CLBILS as well?

**Patrick Magee:** Yes, absolutely.



**Sir Geoffrey Clifton-Brown:** Thank you.

Q155 **Nick Smith:** Mr Magee, I want to take us back to figure 4 on page 22 of the Report. Ms Lewis La Torre said that Greensill met your criteria for lender eligibility. Point 5 talks about important operations, management team and track record for the lender. I will not read the whole paragraph out, but it says, "Lenders must demonstrate...monitoring and compliance arrangements". We know that Greensill had four private jets. Tell us about their compliance team and their compliance arrangements.

**Patrick Magee:** Absolutely, and that was detailed in our investment committee paper. They were a business of some—it was either 1,000 staff or 550 staff, with very significant compliance operations. We looked at their policies, their investment committees, their credit committees and so on. It had gone from being a small start-up to being quite a grown-up financial institution on the face of it, so therefore we looked at those credit committees, those risk committees and those policies. Absolutely, we did review against those very specific criteria, and that was considered in the investment committee paper.

Q156 **Nick Smith:** Do you think that strong compliance team, as you suggest it was, would have suggested it was okay to borrow £350 million to GFG?

**Patrick Magee:** That is a question you would need to put to that committee, or to Greensill and their administrators, because I think they should be considering that.

Q157 **Chair:** Thank you very much. I just wanted to ask you, Ms Lewis La Torre or Mr Magee, what you think the timeframe will be. You have given the administrators a bit of extra time to come back with answers to your questions. What do you envisage the timeframe being for making a final decision about the suspension of the guarantee?

**Catherine Lewis La Torre:** That very much depends on what we have by way of a written response to our letter of concern.

Q158 **Chair:** Do they legally have to respond to your detailed questions, or can they stonewall you, even with the administrators?

**Catherine Lewis La Torre:** No, but until we know what their responses are to the concerns that we set out, it is quite difficult to answer that question.

Q159 **Chair:** I am just wondering what the rough timeframe is, because people are very concerned about this. Is it likely to be months, or another year from August? I mean, you must have done this before in other roles; can you give us a window of the least to the most time that it might take?

**Catherine Lewis La Torre:** We will follow proper guidance and advice on the process. I think that is the only thing that I would want to say.

Q160 **Chair:** It is all quite unsatisfactory, isn't it, Ms Munby, that it all just dribbles on at such length? Is there anything you wanted to add?

**Sarah Munby:** I do not think it is unsatisfactory.



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**Chair:** We are impatient politicians.

**Sarah Munby:** I think the push to resolve this quickly when we are the holders of the money is not right. The push here should be to ensure that we do not pay out on the guarantee if the rules were breached, and that is the priority. Moving faster will not inherently increase the probability of that happening, and that is why we are not rushing.

Q161 **Chair:** Certainly as a Committee, we are absolutely behind “let’s protect taxpayers’ money as a first priority.” Could I just go to each of you, very briefly—well, not each of you because two of you are from the Treasury, so perhaps you do not both need to come in. I will start with you, Sir Tom. What lessons do you think have been learned about how to lend money or guarantee loans to businesses as a result of what has happened? What would you do differently, with the benefit of hindsight?

**Sir Tom Scholar:** I will give two answers to that, I think. First of all, on the particular Greensill episode, a number of reports into it are being prepared. The NAO Report has been published; as you said, the Treasury Committee has published its report. I gather that this morning, Mr Boardman has published his report—obviously, none of us has seen it, but that has apparently happened this morning. I am sure that this Committee will be publishing a report, and then the Business Committee will also be publishing a report. We want to look at all those in the round. Our three institutions present this morning will certainly look very carefully at that and discuss it together before we draw conclusions on this particular episode.

On the schemes in general, as I said, we need to do full evaluations of all of them, which we will do. They are all at different stages, but there is certainly good practice, which we always follow, and have done in the past and will do here. We will then draw conclusions such that, the next time there is a need for some extraordinary state intervention to deal with some market failure or other problem, we will be able to build on what we have learned this time, just as this time we were able to build on what we learned in 2008 and 2009.

Q162 **Chair:** It seems like every 12 years or so a crisis comes around. As a Committee, we are into what I would call the slow politics of it, in that we are here for the long haul—160 years this year, and counting. Sarah Munby, what lessons have you taken away?

**Sarah Munby:** I agree with Tom that we need to look at all these reviews in the round and to take that very seriously. I do think that there is also a positive lesson here, which is that the careful auditing, the fast reaction to stop new lending and the process of suspending the guarantee have actually led to a situation in which we are hopeful that we will have correctly protected public money. I know we have seemed like we are greatly defending process in this meeting, but I think that process has actually done us a solid. We will stick to that.

**Chair:** We hear you loud and clear.





**Catherine Lewis La Torre:** I would build on what Sir Tom and Sarah said. Ahead of being able to respond to the next countercyclical set of operations, I think we would want to evaluate very closely the schemes that we have launched in response to the covid pandemic and to assess whether there are lessons that we can learn and things that we would need to do differently with our accreditation processes going forward. That is the way that the bank has operated from day one: starting schemes, then evaluating those schemes and—

Q163 **Chair:** Are you learning from counterparts overseas?

**Catherine Lewis La Torre:** That is a very good question. We are part of a broader grouping. We talk to development banks, for instance, in other countries. That is a very fruitful theme that we could have discussions about in the future, because most development banks have been delivering schemes, if not entirely the same, similar to what we have been delivering through the covid pandemic.

**Chair:** I will perhaps just make a comment—we may want to pick it up at other sessions—that the danger is that institutional memory does not always last a decade, with new permanent secretaries, including Ms Munby who is newish, if not so new now. Perm secretaries are on five-year contracts, which can be renewed, and one would hope that that might happen in some cases, but we are losing institutional memory, and finding documents and files is getting harder, because of emails and so on. That is something to reflect on—how on earth we ever remember these things.

We prepared for this in a lot of detail, and our sister Committees have put in a lot of work as well. We heard from each of you exactly as Ms Munby said, that you have been sure about your processes and you have followed your processes. But in real world terms, there was a sniff test issue around this company, which UK Export Finance picked up—you could say that that was because it had different criteria. Sometimes, that sniff test, which matters to the public, is something that perhaps needs to be called out.

If there are lessons to be learned, that is one of the things that we have really picked up. I might be prematurely releasing our report—which we obviously haven't agreed on, decided or written yet—but that is a real concern for us. When a chancer tries to play the system, does the system pick that up, or does each individual process allow somebody to get through each stage of that process, so that in the end those who can play the system can still win?

That is the concern that taxpayers have. I am very heartened by what you have all said about trying to guard the taxpayer interest in this. That is the bit of the process that we are now most interested in. We and our sister Committees will work out how, between us, we pursue that on the Select Committee corridor.

I thank you very much for your time. Our report on this will be out in the autumn. We will be liaising with our other Committee colleagues as well.