HOUSE OF COMMONS

Business, Energy and Industrial Strategy Committee

Oral evidence: The Impact of Coronavirus on Businesses and Workers, HC 219

Thursday 30 April 2020

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Watch the meeting

Members present: Mark Pawsey (Chair); Alan Brown; Richard Fuller; Ms Nusrat Ghani; Paul Howell; Mark Jenkinson; Peter Kyle; Anna McMorrin; Alexander Stafford.

Questions 57-128

Witnesses

I: Philip King, Interim Small Business Commissioner, Department of Business, Energy and Industrial Strategy, Adam Marshall, Director General, British Chambers of Commerce and Martin McTague, National Vice Chair Policy and Advocacy, Federation of Small Businesses.

II: Helen Dickinson OBE, CEO, British Retail Consortium, Andrew Goodacre, CEO, British Independent Retailers Consortium and Melanie Leech CBE, British Property Federation.

Examination of witnesses

Witnesses: Philip King, Adam Marshall, and Martin McTague.

Q57 **Chair:** This is the second meeting of the BEIS Select Committee on the effect of coronavirus on business and workers. This is our second session. Last week, we took evidence from Secretary of State Alok Sharma, and this week we are looking at sectors that are particularly affected. First, we will be looking particularly at the impact on the small business sector. We have three witnesses with us: Philip King, the interim Small Business Commissioner; Adam Marshall, from the British Chambers of Commerce; and Martin McTague, from the Federation of Small Business.

I will first ask Adam Marshall about the extent of the impact of the coronavirus crisis on small businesses. Which sectors of business and which parts of the country have been most affected?

Adam Marshall: I am pleased to be here today to represent chamber of business communities across the UK. We have seen significant impacts literally right across the economy and right across the UK. To give it a stylised characterisation, about a third of the economy is functioning more or less as normal, another third is functioning with some difficulty and the final third is shut down due to the lockdown. That has huge effects, literally right across the board.

Our data shows that business-to-consumer service firms—retail, hospitality, catering, leisure, manufacturers and so on—have had some of the biggest impacts to date. Business-to-business service firms have seen fewer impacts at the moment, but that may be lagging and we might see more of that still to come.

We are also seeing a big impact on international trade. Chambers of commerce play a huge role in helping companies get goods to market around the world, and we have seen volumes drop on some of our trade indicators by about 25% over the past six weeks—so some large and systemic impacts to date.

Q58 **Chair:** Are there any regional variations? Are your members more adversely affected in any parts of the country than in others?

Adam Marshall: We have certainly seen localised variations, but it is hard to generalise into regions. Those localities with enormous concentrations of retail, hospitality or leisure—tourism businesses especially—are particularly worried. To take the south-west of England, for example, or the Lakes, at the moment those sorts of areas are obviously very worried about the summer season to come, but we are seeing generalised impacts literally the length and breadth of the UK.

Q59 **Chair:** Martin McTague, will you tell us about the state of health of small businesses?

Martin McTague: I have been in business for over 30 years and I cannot remember a situation like this—it is pretty drastic. The lifelines provided by Government have been really welcome. We have seen the introduction of CBILs in various iterations. The latest one, the Bounce Back loan, has addressed a big chunk of the problems, but what worries me now is that late payment seems to be creeping in. Some businesses are not getting paid, and—

Q60 **Chair:** We will deal with those issues separately. Which sectors of your membership—have been particularly adversely affected and, to ask you the same questions I asked Adam, are there any regional variations?

Martin McTague: The one sector that has been hardest hit is the sole-director businesses, because they have been squeezed out of most of the help that Government have provided. We have given Government literally thousands of case studies of businesses that are struggling to be heard and are finding it very difficult to cope with the current environment.

When it comes to regional variations, I would echo what Adam said. Areas such as the Lake District have essentially shut down. A lot of the small hospitality businesses there cannot operate, and so on.

Q61 **Chair:** You mentioned the sole director businesses and even self-employed traders. Is there a type of business that is finding it more difficult, or does it depend on the market sector?

Martin McTague: It is a mix. Markets that deal with the consumer, such as hospitality, are really badly hit. Most small businesses have gone into this crisis with very little in the way of cash reserves. The latest evidence is that about 30% operate with only two weeks of cash, so they are in a very vulnerable position trying to cope with this crisis.

Q62 **Chair:** Adam, businesses know that times are tough. Do they know where to go for advice? If the support is available, is it easy to find?

Adam Marshall: It depends on the type of support in question. I would like to praise HMRC for the steps it has taken in recent weeks to make sure that the support under the furlough scheme, for example, is easy to access. We are now watching to see whether payments are made quickly to businesses that have applied, but it is proving to be a straightforward source of support in terms of applications. Businesses have been frustrated sometimes in their interactions with their financial institutions—when they have asked about some of the loan programmes, which I am sure we will come on to a bit later—but businesses are coming through the doors of chambers of commerce and other business organisations around the country seeking advice and support, and we are doing all we can to provide them with as much official guidance and business-to-business support as possible.

Q63 **Chair:** Martin, how are you getting information out to your lenders?

Martin McTague: We have our coronavirus hub, which is a source of a lot of basic information for businesses that is easy to interpret, but we are also providing a series of webinars. The latest one on coronavirus treatments had 10,000 businesses logged on, so it is worrying a big chunk of the small business community.

Chair: We have already heard reference to some of the financial support available, which I know Alan Brown wants to ask about.

Q64 **Alan Brown:** These questions are aimed at Adam and Martin. On Monday, the Government launched the 100% Government-backed Bounce Back loan scheme, which resulted from criticism that SMEs could not access the CBILs. What is your response to that? I would like to start with Adam, because Martin's already touched on it.

Adam Marshall: We very much welcome the introduction of the Bounce Back loan scheme. What some of our micro-firms and smallest firms need more than anything else is speed and simplicity, so when the scheme launches next week we need to know that if a business applies, it can do so really easily and in a straightforward manner, and that they get an approval within 24 hours, as has been discussed, in order to get more of these resources out to the firms that need them, so that they can meet their obligations to their people and their suppliers.

The issues that have faced the CBILs to date have been speed, complexity and transparency. At the bottom end, the Bounce Back loans will help to address some of that. We also think, on the CBILs themselves, that ending the forward-look test, which was also done last week, whereby businesses were asked to provide three-year forecasts, cash flows and things like that, will help to speed things up. But we want transparent data from financial institutions and the Government on how the scheme is growing, and we want to see regularly how many businesses are successfully accessing this support, because that will be the true test of whether it can actually support the economy.

Q65 **Alan Brown:** You said that taking out the forward-look test was a good step. Is there any risk, though, that recent start-up companies and businesses that used all their capital on investment will not look like viable businesses either? Wouldn't the look ahead help them? Is there any risk that some companies still won't be able to get these loans?

Adam Marshall: We have continued concerns

Where we have been very pleased is that when chambers of commerce have put forward concerns, about particular schemes and particular types of businesses, the Government have been willing to iterate the schemes. We have seen three or four iterations of CBILs now. That is listening, which is exactly what we need in an unprecedented situation like this, and we need to ensure that those financial support mechanisms are adjusted as needed in order to support as many businesses as possible.

Q66 **Alan Brown:** Okay. Martin, do you want to add anything to that?

Martin McTague: At the outset of this crisis, I think that the big five were banking literally 80% of small businesses in the UK, and there was not much in the way of praise for the way their systems worked prior to the crisis. But the crisis has demonstrated, if it was ever needed, that those systems within the big five are clunky. The way that they can process loan applications has come under severe pressure.

In the end, the Government had to recognise reality, and say, "Look, the Bounce Back scheme is essentially taking most of the decision-making out of the hands of the banks", and they made them more of an administrator of the system. I think that has solved a lot of the problems. The most important thing is that cash gets to those businesses quickly, and I understand that the applications will be open early next week.

Q67 **Alan Brown:** Okay. In terms of lenders, you spoke about a "clunky" process. So, have they been able to streamline the CBILs application process and adjust the lending criteria, to take account of the lockdown's impact? Is it really the Bounce Back loan that is the only workaround, or have we actually seen an improvement in the processes?

Martin McTague: I think they have not been able to cope. Probably the one honourable exception is NatWest, which seems to have been able to process about 60% of their applications so far. The others have found it extremely difficult, for a lot of good reasons. But they have found it extremely difficult to respond to the pressure they are under. I think that Bounce Back loans address most of the outstanding issues, and we are hopeful that that scheme will get cash to businesses that desperately need it in the next few weeks.

Q68 **Alan Brown:** Should the Chancellor reconsider expanding the 100% Government guarantees to CBILs, so that both borrowers and lenders can have more confidence regarding larger loans?

Martin McTague: That would be a welcome step, but if you look at the backlog of loans, something like 60% or 70% of them were in the sub-£50k bracket. So it was really important that we solved that problem first. And I would like to see the Bounce Back loan in and working before we try to extend it a bit further.

Alan Brown: Adam, would you like to come in?

Adam Marshall: Yes. I agree with Martin on that. The priority has been the loans at the micro-business and small business end, and getting that 100% guarantee in place is the right first step.

What we would like to see on the remainder of the CBILs is some sort of very clear caps on interest rates for businesses going forward and some consideration over time as to whether the term of those loans might need to be longer than is currently planned at present.

Again, however, as I was saying previously, this is about iteration as we go. We do not need to take every single big step all at once. We can keep moving through and seeing where some of the barriers are.

Q69 **Alan Brown:** Martin, do you want to add anything else on other issues with CBILs that need to be addressed?

Martin McTague: Yes. I think somebody has to do some serious thinking about what happens in six months' time, because a lot of these businesses will be saddled with loans that they cannot pay back in the short term or that have ruined their balance sheet, leaving them with no capacity to invest in their businesses.

So I think that something along the lines of a Student Loans Company model, which would be able to deal with those loans in an effective way, is going to be needed. Certainly we cannot go on with a situation in which literally thousands of businesses are saddled with debts when we are simply trying to rescue them.

Q70 **Alan Brown:** On that aspect of loans and debt, is there a cry for more of the loan money that is being made available to be converted into grants?

Martin McTague: There is a sort of inevitability about it. I think some of these loans will effectively end up being grants, especially at the small end. There is precious little difference between a retailer getting a £25,000 grant and a business in a similar situation on the high street getting a £25,000 loan. Ultimately, they are going to have to be addressed.

Q71 **Chair:** Does the ability to repay depend a little on the sector that the business is in and when the measures are lifted? If you are in a sector where the measures are lifted early, you will get back to your normal trading position much more quickly than if you are in hospitality, which will be delayed.

Martin McTague: I agree with you, but the problem is that there are a lot of people supplying the hospitality industry, and they would not necessarily be classified as a hospitality business, but they are suffering just as badly under these constraints.

Chair: Thank you. Let us now move on to some questions on the job retention scheme from Peter Kyle.

Q72 **Peter Kyle:** Thank you to all the witnesses for being here today—virtually. Let us talk about the furlough scheme. It was a mainstream platform of the economic protection project by the Government and one that was widely accepted across business and politics. This is a question to Adam and Martin, and I will start with Adam. How effective has the furlough scheme been? The scheme has been adapted quite considerably since its launch. Have those adaptations been the right ones, and are there still more adaptations that need to happen to make sure that everybody and all parts of the economy are reached?

Adam Marshall: The furlough scheme, in our estimation, has been one of the bright spots in the support package because of the number of businesses that have been able to make use of it and to do so quickly. Our coronavirus business impact tracker, which the British Chambers of Commerce runs every week, suggests that about three quarters of businesses are making use of the scheme in some way—that is an absolutely huge number. Some will only have one or two people furloughed. Others are looking at 75% to 100% of their workforce. The positive impact on those businesses—on their cash flow and their chance of survival—is significant.

We do have some concerns about whether the scheme is specific or flexible enough to accommodate the needs of a lot of businesses. We look at schemes in some other countries where there are more flexible options—short-time working, for example, or wage subsidy schemes, which allow people to continue working on their businesses while being partially furloughed or partially supported. We think that the furlough scheme will need to evolve in some way over the coming months in order to permit that. The notion that someone is off work and unable to do anything in the business, with the exception of some very limited functions for company directors, is very constraining. We think that a lot of businesses, as we look to restart the economy, are going to need a more flexible form of support. So we would urge the Committee to talk to the Government about how they can do that and how people might take advantage of the furlough scheme slightly differently.

Q73 **Peter Kyle:** So your main area of concern is those businesses that can already access the programme being able to adapt their behaviours in the workplace to create value and somehow survive; it is not about the actual penetration of the scheme itself. The Chancellor said this week that half a million businesses were accessing the furlough programme, covering almost 4 million jobs, but there are many more businesses out there than half a million—I think there are four or five times that number out there. Do you think the programme needs to be adapted so that more businesses can access it in the first place?

Adam Marshall: Many businesses will have taken a judgment at this moment in time that they do not want to use the scheme because they need their workforce. For example, if you are in the food retail sector right now, you need your workforce because huge demand is being placed on it. Again, if you are in the agriculture business, there is not a huge number of people accessing the scheme. I do not judge the success of the scheme by the proportion of the workforce that is on it. I judge it on whether those companies that say that they need it are able to access it, and so far the evidence that we have coming up from chamber business communities is that those that are needing to use it are finding it relatively straightforward. For me, the big test in the short term is making sure that when they make those claims, they get paid, because that keeps their cash flow going and lets them keep the business going as well.

Peter Kyle: Martin, what is your perspective?

Martin McTague: When the scheme was first introduced, there was a sort of sigh and a lot of scepticism, with people thinking that a big Government IT system was going to fall over and they were going to be left as the victims, but actually—credit where it's due—this has worked remarkably smoothly. The payment of these sums has still got to happen, so there is one final piece in the jigsaw, but so far, the system has been pretty good. It was designed to operate quickly, and we understood and appreciated that, but we are now reaching the stage where it needs to be a lot more flexible. I would echo a lot of the points Adam made.

One thing you have to realise is that if you have a small team of, say, 10 people, most microbusinesses will not have an individual dealing with each aspect of the business. A person will work on several parts of it at the same time, so making them furlough an individual for three weeks can, essentially, cripple the business. We think it must be better to allow some sort of partial furloughing. Let's say, for example, that you wanted to work on dealing with customer inquiries or to deal with customer service. You could keep the business alive during this really difficult period, and that would make it much easier to come out of it at the other end.

Q74 **Peter Kyle:** Martin, I imagine that you and your members in particular will be far more in the category that is affected by the challenges of being part-paid by PAYE and part-paid by dividends, so could you talk us through this challenge? Are Government listening? You may have seen the evidence session last week with the Secretary of State, Alok Sharma. He did not offer to budge on this challenge. As you can imagine, the area that I represent, Brighton and Hove, has a considerable number of start-ups—small microbusinesses—and a lot of people are paying themselves partly by dividends—mostly because the system incentivises them to do so. I imagine that this issue affects your members predominantly. What is your perspective, and what do you think Government should do to plug that gap?

Martin McTague: I have to be realistic here. Although we have given the Government lots of evidence of real hardship for this sector, it is clear that they are not listening; they don't intend to respond to this problem, and therefore I think we have to switch our attention to other areas. For example, if a director is allowed to furlough themselves but carry on working to keep the business alive and they are able to use the CBIL loan system to try to prop up their cash flow, the business has some chance of surviving this crisis. We also need much more sensitive regulation. When it comes to how the furlough system is policed, people need to realise that a one-man business needs to be given a lot more slack than somebody who is operating with a big team.

Chair: Anna McMorrin, you want to come in on the furlough scheme.

Q75 **Anna McMorrin:** This question is on the loopholes, predominantly among those paying themselves dividends, the self-employed, gig workers, freelancers—a lot of people in the creative industries. What does this say about the complicated and intricate system pre-Covid? Also, would you have expected the Government now to have moved quicker, faster, on this?

Martin McTague: It is very clear that they are going to address some of these anomalies, especially in the treatment of national insurance contributions. I do not doubt that we are going to get into a big debate about how national insurance contributions are treated after this crisis is over. For me, though, the priority is trying to make sure that these businesses survive that long, because there is real hardship. It is not enough to say to these businesses, "Look, you need to go and make a universal credit claim." We want to make sure they get out the other end with a business intact, and that means that the Government have to be sensitive about how the furlough scheme is applied and how CBILs are used in their case.

Q76 **Anna McMorrin:** Can I just quickly come in on this? A report was released by USDAW yesterday which found that many, many workers and employers are still unclear as to which types of business and categories of worker can apply for which Government schemes. Have you seen evidence of this and what more can the Government be doing to streamline and highlight what resource is available and where?

Martin McTague: There is still a lot confusion about which schemes are available, but I have to say that, for a major crisis where lots of schemes have been introduced all at the same time, there is a remarkable level of understanding. That is not the major problem. I think the major problem is the operation of these schemes, not the fact that people do not understand them.

Chair: Adam, you wanted to come in on furlough.

Adam Marshall: Yes, thank you, Chair. I think it is pretty clear that, if you are a business with a PAYE scheme and you had a PAYE scheme at the end of February, you are eligible to use the furlough system. That has been a pretty simple definition. There are, as you say very rightly, some gaps. I feel a lot, as Martin was saying, for owner-directors who are unable to get a level of support similar to those being furloughed in larger companies, and also for some new starters affected by the cut-off date, so if they had not been notified to HMRC in time for the cut-off date, they lose out. I do have to say, though, that we are looking there at 5% to 10% of the overall problem, whereas the 90% are included in the scheme as it currently stands, and that in and of itself is a positive. I hope that the Government keeps listening, keeps iterating, and finding ways to eliminate some of these loopholes, because, of course, people's livelihoods are at stake here.

Chair: Thank you. Let us move on. I know that Adam and Martin have already spoken about the possibility of loans being converted into grants, but there are grants available. Nus Ghani wants to raise the issue of the grants.

Q77 **Ms Ghani:** Thank you, Chair. I want to talk about small business grants and the hospitality and leisure grant fund. They have been seen as lifeline grants and are having a huge impact across my constituency, and, no doubt, across the country, but there will be some issues around who receives them and who falls between the cracks. Last week, the Secretary of State gave evidence that, on 19 April, over £6 billion had been paid out to 480,000 business properties. I wonder, Adam and Martin, whether you could share your experiences before we move on to the sectors, or to the cracks that need to be picked up.

Adam Marshall: Yes. Basically, there is a variable experience among businesses. There is a variable experience within England, and there is also a variable experience between England and Scotland and Wales, which are operating somewhat different schemes. The fact that the schemes are different across the nations and, indeed, that local authorities are operating differently within England has been a source of some disquiet for a lot of businesses that are waiting on this support. Some councils have done an incredibly good job and actually borrowed money themselves in order to pay out to businesses really quickly. Others have not and have been very slow to get this moving, which is why we welcome the publication of the table and of the data showing which councils had disbursed which money, because we think it is very important to be able to keep the pressure up locally, among our chambers of commerce, on local authorities to get the cash out to businesses that need it.

We think the grant scheme has a couple of defects. Let us take the hospitality businesses, for example. They are eligible for a grant, but if you are a supplier to a hospitality business and you do not fall within the right industry code, you are not eligible, so your entire business model is collapsing around you, but you find yourself in a grey area on the edge of a grant scheme. We would encourage the Government to look at the expansion of the grant scheme somewhat further. It is tied right now to the business rate system, rather than to turnover, which has meant that a lot of businesses have been left out. Therefore, if you are in a co-working space where you pay your rates as part of your rent, for example, you have been left out. Similarly, if you fall within a number of other loopholes, you do not have a hereditament for business rates purposes, you have been left out. We think the grant scheme could be expanded further and provide real cash help to more businesses.

Ms Ghani: Martin?

Martin McTague: Yes, it is very patchy, is the reality. Apparently, 64% of the grant has been paid so far, but there is a lot of variation among that 64%. We are seeing some councils up at 80 and some as low as 30. If you are unlucky enough to be in an area where a council is performing badly, you are seriously worried about the future, especially when there is talk about potential clawback and reallocation of funds that have not been spent so far.

I echo the point that Adam just made about serviced office units. Most people in incubator units and serviced office units are paying a rent and rates fee to the landlord. Therefore, they are not able to claim business rates relief, or they are not on the business rates register. Many of them would be eligible for the £10,000 pay out, but they are not getting it because they have the landlord between them and the Government. It is clear that the landlords in many cases are not doing anything to distribute those funds.

Q78 **Ms Ghani:** I won't be the only Member of Parliament who is trying to help out businesses that are dealing with the examples that you gave, such as co-op working spaces, businesses that do not necessarily pay rates—

window cleaners, for example, who fall through the cracks—and those businesses in rural constituencies such as mine that do not necessarily rely on footfall, so the criteria then say that they are mostly an online business, when that is not necessarily the case.

I am lucky in Wealden: they have distributed more than half of what they have been given, and they are keen to distribute the rest. However, they are very nervous about stepping outside the criteria. They would love some flexibility, but they are anxious about what the outcome might be once the Treasury comes checking how the money was spent. What sort of flexibility do you think could be given to local authorities?

I am pleased that the data is being published, but I would like to see the data more refined to show which businesses are getting funding from which authorities, to see whether some of them are actually pushing some of those binary codes.

Adam Marshall: I completely agree with you that flexibility would be hugely helpful. First, we think it is very important that once the grants have gone down to local authority level they remain in the local environment. There should be no threat of clawback of unused sums by the Treasury, because we think that local actors such as councils, chambers of commerce and others are best placed to help to ensure that any funding that is not allocated is used to help local business communities as flexibly as possible.

One piece of flexibility would be to let councils use the cash grants for not just those eligible for small business rates relief but all small businesses up to a certain definition of turnover—for example, the £10 million turnover limit. Irrespective of whether they have a rateable property, councils could be able to offer them a £10,000 grant in order to meet their ongoing business costs and to deal with some of their cash flow issues. A council would then have the flexibility to say, "We need to focus that on specific sectors or specific types of trader in our economy—for example, market traders, fishermen and small growers who operate under licence and do not have premises." This is exactly the sort of support that could keep some of those businesses going and where local flexibility would help to make that happen.

Martin McTague: I would endorse that. There is a vehicle: the hardship fund, which allows local councils to allocate money where they feel that a particular business is in severe hardship and that they can help. I would like to see a lot more of the money allocated to that hardship fund, so that there were far fewer constraints on how local councils could use the money, and they could therefore allocate it to the businesses that they thought were valuable to the community, but would not fall into one of the rigid criteria that have already been adopted.

Q79 **Ms Ghani:** My final question is about a leisure sector that does not tend to get a huge amount of coverage. The Committee has had correspondence from the Canal & River Trust on behalf of British Marine, who have been writing in. A lot of these businesses do not pay business rates; they have moorings. The summer is the only time of the year when they can make any money. They are anxious about securing either a grant or a loan. I wonder whether you feel that the marine sector is getting the attention that it deserves, and what can be done to get them to hook into grants from local authorities?

Adam Marshall: The marine sector is one of many sectors—both Martin and I have mentioned several others in our evidence—where businesses are facing an extremely marginal and extremely difficult time. The summer season coming up is where those in the tourism industry make most of their money. Again, many businesses who are in the supply chain but don't necessarily qualify for a grant directly themselves will be in a similar position to the ones that you mentioned there. That is why flexibility is so important. If it is the case that a third of the grant money is unallocated, it is very likely that councils will have some additional resource, and they have got to be given the flexibility to use that to help as many actors as possible in their local economies.

Q80 **Chair:** Could I come in with a quick question to Martin? My local authority tells me that they have identified the number of businesses that are entitled to this grant. They have communicated with them, but about 20% still have not come back to the council to say that they want the funds. Why should that be happening?

Martin McTague: There are a number of strange reasons why that is happening in many cases. One example that we have heard is that councils are sending letters out to the factories and offices of these businesses and, because many of them are closed and nobody is working from them, the letters are lying unopened in the factories or offices.

Q81 **Chair:** With respect, Martin, that strikes me as implausible. If there were funds available to support business, most business owners would be crying out for them, so why aren't businesses coming forward if there is an entitlement?

Martin McTague: I agree with you, Chair, that it does sound implausible. I am only quoting examples that we have heard where they say they haven't had this information. I think it's pretty clear to everybody running a business that they need, especially if they are paying business rates, to be applying to their local council to make sure that if they have not heard anything so far, they make the first move. Hopefully this session will shine a light on that.

Chair: We need to move on. Alexander Stafford wants to raise the issue of rent payments.

Q82 **Alexander Stafford:** Thank you, Chairman. This question is to both Martin and Adam. It is about business rents. Obviously, we know the Government has done great work to ensure that loopholes are closed and that no business should be evicted through rent arrears for three months. Three months might seem like a long time to the public, but three months for businesses isn't a huge amount of time. In your opinion, Martin and Adam, is this a sufficient time, or does this moratorium need to be extended? If so, for how long? I appreciate we don't know how long the lockdown will last, but I am keen to get your thoughts initially about the current situation.

Martin McTague: For me, the moratorium is the best route to deal with this, although I am hearing that some landlords are using other methods to extract funds. Winding-up orders are being issued in some cases. It's important that the moratorium, which gives a lot of businesses paying rent the confidence to carry on, should be extended. I think a sensible extension would be another six months so that it takes it through to the end of the year. You have to remember that that rent is still there to be paid. The problem you have then is that, at the end of this moratorium period, what help can be provided so that the payments of those rents can be smoothed out. I can understand that it's welcome at the moment, but it will not make the problem go away.

Adam Marshall: I would agree with Martin that deferrals add to future cash flow problems for businesses right at the time they are trying to recover. We have had deferrals on VAT, for example, and deferrals on rents and mortgages for businesses that have both of those, and we have had deferrals in a number of other areas. Businesses will be managing their cash very carefully indeed, so we need to think about how we come out of any period of moratorium. This is a complex environment. Yes, we have business tenants and their interests to think of. We also have the interests of landlords, many of whom are small-business people themselves and whose cash flow will be interrupted by long-term rent moratoria and so on. Then of course we have all those pensions funds that are institutional investors in many of the property estates around the country which will be affected as well, so it's a complex area.

One thing that tenants should not be facing in any circumstances is winding-up petitions and court cases – statutory demand. We have seen a number of examples of very aggressive behaviour. What we would encourage is some sort of way for landlords and tenants to come together and have a conversation about how to reasonably get through this period, because it's in the landlord's interest to have a tenant in their business premises at the end of the period of disruption, and of course it's in the tenant's interest to smooth their cash flow. As much joint working as possible, with the support of the Government, to get that sort of conciliation going, would be helpful.

Q83 **Alexander Stafford:** It is interesting, Adam, that you raise wider points about not just small businesses, but the landlords and the investors. Should the Government be looking at other ways of dealing with this issue, such as maybe a rent furlough scheme?

Adam Marshall: I know it is something that is under consideration. We are talking to chamber members about this because we of course have both tenants and landlords in our membership, but we haven't yet identified a very strong current of opinion on it. It would be helpful to better understand the potential costs and what some of the potential consequences of that would be.

Q84 **Alexander Stafford:** Martin, do you have a view on a potential rent furlough scheme?

Martin McTague: Yes. Maybe it reflects our membership, but there is very little appetite for rent furlough, because rent furlough is probably going to help the landlords more than the tenants. Our focus has been on the tenants and making sure that they can survive this period. I think there are more effective ways of helping the landlords.

Q85 **Alexander Stafford:** Martin, you just asked for another six-month extension, which is quite a long time for small businesses. In your view, if that does not happen, and all the small business rents and rent arrears need to be paid in full once the current three months are over, what would the impact be on small businesses?

Martin McTague: It would be dramatic because some of the work that has gone into preparing CBIL applications has been based on the fact that they may have to pay rent in three months. If they feel that that period is going to be delayed, it takes the pressure off and they can invest that money in more productive things.

The reason I think six months is sensible is that self-assessment has been delayed until January next year. If you are facing self-assessment tax issues, you can get until January. A lot of VAT deferrals will probably take businesses through until the end of the year. This is just a way in which we can see through the end of this year and make sure that businesses can plan effectively for the coming year.

Q86 **Alexander Stafford:** Adam, do you have a view on what is going to happen if nothing changes?

Adam Marshall: There certainly does need to be some sort of tapering of the repayments that have been deferred, because of course businesses are going to have to smooth their cash flow over a period of time. Just like every other scheme that has been announced by the Government, it is going to have to extend longer probably than Ministers think right now, and we are also going to have to find a way to taper off of them, because if any of these schemes are simply ended with a day's notice or whatever it might be, you are going to see a lot more businesses heading into insolvency because their cash position will simply become untenable. My focus now is on how you taper away from a rent moratorium and various other things, rather than should it be extended indefinitely.

Q87 **Alexander Stafford:** We have just mentioned the Government's support. What are your views on the insurance sector, for people who have insurance but who don't have the cover for viruses and pandemics and for those that have had it but who are not being paid out? Is there a role for the private sector and the insurance sector to help?

Chair: On insurance, Mark Jenkinson also has a substantive question. Do you want to come in with your point, Mark?

Mark Jenkinson: Thank you, Chair. I, like many others, have a number of businesses that have taken business interruption cover, including the extension for pandemics, but now find themselves in the situation where there are some very creative reasons for insurers not to pay out. The Financial Conduct Authority has ordered insurance companies to pay out on claims where it is clear that the insurer has an obligation. How many of your members who have business interruption cover for pandemics and for prevention of access to premises have since discovered that they may not be covered?

Martin McTague: I can answer that: virtually all of them. There are two common responses that we get. One is a delaying tactic—in other words, they haven't made the decision and they are not responding to correspondence and they put holding letters out. The other response from insurance companies is to turn the claims down point blank, even though there is a prima facie case that they should be paying. Clearly, the FCA thinks that there is a duty on them to pay. There is a real crisis, though, that we could be passing from these businesses through to the insurance industry, so we have to be careful about how we tackle it. I get the sense, certainly at my end of the business community, that probably the best vehicle for that is the FOS—the Financial Ombudsman Service. They are going to have to come in and arbitrate on a lot of these cases, where there is clearly a reasonable expectation from those small businesses that they had bought insurance and they are not getting a pay-out.

Q88 **Chair:** Martin, what do you think would happen to the insurance companies if they had to meet every single claim for every single business?

Martin McTague: I do not think we would have an insurance industry. It is pretty clear that a pandemic on this scale has affected virtually every business in the country and anybody who had business interruption insurance would be covered. What I am saying is that there are people who had taken out pandemic extensions to their business interruption insurance and they would reasonably, in most circumstances, have expected it to pay out.

Q89 **Chair:** Do you think they were mis-sold? Were they told that they were covered for something that they actually had not been covered for? Do they have a claim there?

Martin McTague: That is one for the FOS, rather than me, but there is certainly evidence that there is clearly selling of these kinds of policy that has just not come to fruition.

Q90 **Mark Jenkinson:** I wonder if Adam has anything to add as well. I also wonder, the further the pandemic extends, whether we are seeing any issues, now we have been closed down for a number of weeks, with theft and damage cover for vacant premises, for example, where they might have a 30-day clause.

Martin McTague: There is one great example that should be a shining light for a lot of businesses, which is Admiral, the van and car insurance people. They have actually given a £25 rebate to all their customers who use van and car insurance, where their cars and vans are laid up. I think that shows how insurance companies should be responding at a time when clearly, if road traffic is down to something like 20% of its normal volumes, the risk must be diminished.

Adam Marshall: I would add that we do see a number of cases where businesses that have paid an extra premium for business disruption cover to include infectious diseases and things like that are being told that Covid is not being covered and that they are facing some of the tactics that Martin has mentioned from their insurers. There is one particularly egregious case study of an English school in Liverpool that had paid for every type of insurance going and is now unable to get their claim processed.

We have seen quite a few of those. It will be very important for the insurance industry to answer questions around that, where companies have legitimately paid in for those policies and where their premiums have been high enough to reflect what they had insured such that they would have a reasonable assumption that they would be paid when they made a claim against those policies.

I have to strip those out versus those companies who think that just because they have basic business interruption cover, they should somehow be entitled to a pay-out. We really need to actually help business become more sophisticated in the wake of this crisis about what it is buying on the insurance market and what is actually covered.

On your point about theft and damage cover and vacant premises, it would be my hope that insurers would not use clauses in terms and conditions that were inserted during a time of normality to try to void policies or void cover for businesses at times of such extenuating circumstances in lockdown. If we were to see significant evidence of problems in that space, we hope that the Government would step in to ameliorate the situation, because we do not think businesses should be left high and dry for things that are not of their own making, as the current situation, of course, is not.

The final point I want to make is about whether there is a case in future for looking at some sort of reinsurance scheme as well, as we have done with, for example, flood insurance or terrorism insurance for many businesses, which would allow more companies to have some form of cover in such circumstances. I think that is something that Government, the insurance industry and business should probably look at together.

Chair: I wonder if we might now bring in Richard Fuller.

Q91 **Richard Fuller:** Thank you Chair. My question is for the Small Business Commissioner, Mr King. First of all, thank you very much for your patience through this session. many small businesses, self-employed people and freelancers are in a desperate position. They have lost income but they still have bills to pay, so they are starved of cash. As we have heard, they have limited cash reserves, and for a variety of reasons they have limited access to additional capital. The Government schemes are extensive but many have been missed by those schemes, so prompt payments are a final lifeline for these businesses. What are you doing to look out for those signs of strain for small businesses and what can you bring to this Committee as examples of good and bad behaviour by businesses so far?

Philip King: Thank you, and good morning. We are seeing both good and bad examples. Given the time constraints this morning I will not go through loads of examples, but I will talk about some of the best behaviour we are seeing, where businesses are showing real leadership by paying their smallest suppliers immediately in some cases; by shortening payment terms across the board for small businesses; and in some cases by recategorizing how they classify a small business to one that spends more with them than they would traditionally do, to make sure that funds are flowing to the smallest and most vulnerable of businesses. Conversely, we are seeing examples where businesses are taking a unilateral view and sending a blanket email to their entire supply chain saying, "We are suffering under covid-19. Our cashflow needs to be protected, so we are not going to pay you anything until the crisis is over," or, in some cases, "We are going to extend payment terms by up to 90 days," or "We are going to take some other measure which means that you, as a small business, are not going to be paid."

I can echo what you said about the impact on small businesses, and particularly microbusinesses, and their owners. This is not about a transaction; is about a livelihood. What for a big business may be three rows ticked on a spreadsheet, for a small business is often putting food on the table or not putting food on the table. I was talking to a small business owner just yesterday, in a webinar for the chamber of commerce. He was talking about the impact on him personally of late payment over the last couple of years: mood swings, lack of sleep, mental health issues, real damage to wellbeing. We are seeing this replicated. My team of caseworkers are talking all the time to small businesses who are suffering in this way. We need to get big business particularly to move from the transactional view of business to the emotional impact, and to humanise payment in these senses.

Q92 **Richard Fuller:** Mr King, it is very clear that you understand the pain that many small businesses are going through, but in your letter of 2 April you used very soft, emollient terms; you were making a plea; you said this is more a time for collaborating than for confronting. Many small businesses feel that they have been let down by the support programme so far, and they want someone who is prepared to fight on their behalf on this last remaining lifeline of prompt payments. Are you using emollient terms because you think that is right for where we are at, or is it because you do not have the powers you need?

Philip King: It is a mixture of both, if I may say so. I think right now we need a spirit of collaboration, not confrontation, as you quote from my letter. It is really important that we are having conversations and it is really important that small businesses are communicating and talking to their customers and suppliers, and big businesses are doing the same. I do not have the power to formally investigate unless I have a specific complaint from a small business, so it could be argued that my powers are restricting me; but fundamentally what we are doing is talking to big business. I am writing personally to the chief executives of the businesses where I am seeing or I have seen evidence of behaviour that I think is inappropriate. I have been having some good conversations with them and we are seeing some reaction to those conversations.

If I may, I will share one particular example of a major high street fashion chain. I wrote to the chief executive and I spoke to him 10 days ago. The edict that had gone out to his supply chain was that payments were suspended indefinitely and would not be made. As a result of my conversation with him, on the day that I spoke to him, 170 small suppliers had been paid some money, £500,000 had been released to small suppliers, and a view was taken that there would be recognition of where small suppliers were most vulnerable and where they could be helped.

As I said, what for a big business is a figure on spreadsheet for a small business can be food on the table. My team of caseworkers, who are getting involved in specific examples of this activity and are talking to businesses directly, are getting payments out. Last week, we got a payment of £91,000 for a small business in Northern Ireland, which means that 25 people have not lost their jobs and are still working with that business. Similarly, last week we got a payment of £524 for a tiny business for which that was an absolutely critical lifeline, by having talks with the business.

You are right that we are not taking an intransigent and lobbying approach; we are talking to people, because I think it is important right now that we have conversations. The conversations we are having are proving productive, whether they are between me and a chief executive, or between my caseworkers and the companies, to get payment out, often within a matter of hours of having the conversation.

Q93 **Richard Fuller:** Can I just have a final question, Chair, to follow up on the issue of these powers? I will perhaps ask Mr McTague, in addition to Mr King, if he has a comment. You talked about some limitations to the formal investigation. You also have the regular business payment reporting, and there is the potential for naming and shaming in that. We heard earlier that one of the benefits of the programme so far is that it has been very clear: people know what will happen and what the impact will be. Do you think there is a case for you now to make a representation to the Government? Does Mr McTague think it would be helpful for the Small Business Commissioner to explain to the Government what powers it is lacking and will need in the months ahead, rather than waiting and seeing that your powers are not sufficient?

Philip King: Of course it is within my remit to talk to the Government about what I want. A consultation is imminent on the powers of the Small Business Commissioner. Now would not be the right time for the Government to issue that consultation, because getting quality responses would be really difficult in the current crisis. Yes, I am talking to the

Government about what powers I believe I need, and they will be brought out in the consultation. They will require changes to primary legislation, and clearly that needs to go through a consultation process before it can be implemented.

Q94 **Chair:** Mr McTague, you have campaigned strongly on this.

Martin McTague: Yes, we have. Can I come back, Chair? I think this is one of those situations in which the Government is pouring billions into loans under the CBIL system, which could end up being completely ineffectual if large customers decide that they are not going to pay and essentially crush the company before it has the chance to survive this crisis. It seems to me that, in this emergency environment, the Government needs to step forward and maybe take action, even if it is only temporary action, to help the Small Business Commissioner to clamp down on the worst excesses in this field. I will give you one example: it seems that even companies working in Government supply chains in the procurement process are abusing their power. In that situation, the Government needs to step in and take urgent action.

Chair: Adam, briefly, if you would.

Adam Marshall: We should not forget the question of international supply chains, which are hitting a lot of small businesses. We are hearing a number of reports that overseas customers are unilaterally extending their payment terms for UK suppliers. This is really a plea for the Government to use not just the Small Business Commissioner and the business Department but our international trade and overseas representation to try to ensure that, wherever possible, large overseas companies are not abusing market power with UK suppliers in their supply chains.

Q95 **Chair:** Thank you. Looking forward to coming out of these measures, Paul Howell has some questions. Do we have sound? We are unable to hear you, Paul, so I will ask your question. What help will businesses need when introducing social distancing measures to ensure that staff and customers are safe when they reopen? What do businesses need to prepare for as some of the provisions of lockdown are lifted? Adam, perhaps you could start.

Adam Marshall: I think the first thing that businesses are going to need is some forward guidance on timelines for when those that are closed can expect to start reopening. The second thing that they are going to need is some very clear guidance from public health authorities. We and many others, I know, are working with Government and other industry bodies to develop guidance for businesses. Small firms in particular need to be able to take some sort of guidance off the shelf, because they do not have the big bureaucracies that major companies do to put some of these processes in place; they will need very simple and easy-to-follow instructions to enable them to reopen safely and successfully. All this is also about the confidence of employees and employers to go back into the workplace, and we need to build that confidence. We can only do that with the right information to hand.

Chair: Paul, do you want to come back on that?

Q96 **Paul Howell:** I want to pick up on the whole idea of how small businesses are supported as and when they come out. It is interesting to see that we picked up some of them earlier in the discussion. I want to move the discussion on a little into something you touched on earlier, Adam, in terms of how importers and exporters will be particularly exposed in this situation.

Adam Marshall: Yes, of course. All traders have been very severely affected already by the fact that 90% of passenger aeroplane flights are not taking place at the moment, so we have no belly hold freight in those airliners to move goods and services around the world. In the shipping industry as well, a lot of the logistics are out of place; a lot of the boats and containers are out of place. What has resulted for a lot of small businesses is huge increases in shipping costs when they are still trying to get goods around the world. I had one company in Rotherham tell us fairly recently that, for a shipment that should have cost them £5,000 to move, they are being quoted $35,000, and that quote may change before they accept it, in order to get the shipment into the UK.

There will have to be a real co-ordinated effort to ensure that there is capacity in both shipping and airfreight to move goods, when we need to do so, around the world. That will be as important to the import of PPE into this country for the health services and for businesses as it will be to the restart of some of our export industries. Trade will be a really big issue. Ensuring that there is adequate supply of trade credit insurance and export credit insurance will also be very important for trading companies. We have heard reports that a number of companies are facing difficulties in that area already. We are still waiting to see whether there is a trend there, but having that cover, in order to ensure that supply chains can work properly, will be very important too.

Q97 **Paul Howell:** A final point goes back to which sectors should come out of the lockdown and how we should manage that. Should it be managed on a sector-by-sector basis? My concern is that we will have certain business sectors where there is a capability of getting out, but they might not fit in a box for the right reason. At the same, for some sectors—the obvious ones are garden centres and such things—it is critical at a point in time that they either make their money or they don’t make their money. In my opinion—I’d like you to comment on it—necessity is the mother of invention. If businesses are given a framework in terms of social distancing and so force that they have to satisfy to be allowed to come out, that should be the rationale, rather than having a pure sector-by-sector approach.

Chair: Martin, could you respond to that quickly?

Martin McTague: I agree with you, Paul. A framework approach is a better way to do it. The Business Secretary has taken some early steps to try to put that kind of framework together. The thing that is crucial in all this is the confidence of not only our customers but the employees of the businesses that we represent. I do not think we can build confidence unless there is a sort of independent third party looking at this. I would favour something along the lines of the Low Pay Commission, with representations from employers and employees and some independent health experts coming up with a proposal for getting out of this mess.

Chair: Thank you, Martin, and thank you to all our panellists, and in particular to Philip for sitting so patiently through a fairly lengthy session with just the one contribution, albeit a very important one, on late payment and business payment practices.

Examination of witnesses

Witnesses: Helen Dickinson, Andrew Goodacre and Melanie Leech.

Q98 **Chair:** We now have our second panel to talk about the issues affecting the retail sector and property. We have before us Helen Dickinson from the British Retail Consortium, Melanie Leech from the British Property Federation, and Andrew Goodacre from the British Independent Retailers Association.

We have seen absolutely deserted high streets and shopping centres, could you each tell us what you see as the present state of health for the retail sector? Perhaps we could start with you, Helen.

Helen Dickinson: Thank you very much, Chair, and hello everybody.

To set the scene, before the virus struck we were already seeing a major transformation in the way that the retail industry was operating, with a shift to online and omni-channel businesses—connections of digital and physical were already occurring—against a backdrop of ever-increasing public policy costs, margins falling and some shops closing.

The impact of the virus has been very different in different parts of the retail industry. At one end of the spectrum, we have seen in food, pharmacies and other essential goods a huge effort to meet an unprecedented level of demand, particularly in the lead-up to the lockdown. In that context, the Government listened to what the issues were in getting capacity into the frontline and acted on some really substantial things, such as changing aspects of competition law and facilitating and enabling curfew hours to be lifted to get more trucks into stores. The retail businesses, and all the employees in those types of businesses, have absolutely risen to that challenge and invested in all the equipment that was needed to operate safely, the PPE that goes with it, the extra people to meet the demand, the cleaning, and all the requirements to keep us safe while we continue to shop. That is at one end of the spectrum.

At the other end of the spectrum, we have some data: 69% of non-food businesses have seen a significant impact from the virus, and of those that have closed their doors, only half are trading normally online. Particularly in the non-food part of the industry there are sectors that have been more badly hit than others. To take clothing as an example, clothing sales were down 50% in March, and obviously a lot of March happened before the lockdown. The run rate now is close to 70% down. Furniture was 30% down in March, and now the run rate is closer to 60% down. We estimate that about 900,000 people out of the 3.1 million people across the industry sit in that negatively impacted part of the industry where trade has been really curtailed. Government support so far has absolutely provided a lifeline to many of those businesses—the business rate holiday, the deferral of the need to pay VAT, the moratorium that came up in the previous session, the job retention scheme, the creation of the CLBIL scheme, as well as the CBIL scheme.

I guess the most pertinent question for the Committee is what happens from here, and I absolutely think that that is both in the hands of Government and in the hands of industry. Never before has there been a moment when the need for us all to be more digital has been more recognised, or when we have realised so much about what we care about, particularly from a local community point of view—our local high streets and local town centres.

Three things in that context, perhaps, to set the scene. The first is that the Government really must not turn off the tap once restrictions are lifted, or when we get to the end of June, because there is no way that anybody who I have spoken to is expecting—or that anybody who has international operations that are further ahead of us is seeing—that demand is going to just revert to what it was before. There will be a very slow gearing back up, particularly because implementing social distancing will mean that normal capacity to serve customers will be restricted. Certainly from a public perspective, I have no doubt also that people will be very cautious about how they shop, for safety reasons and because of pressure on money in their pockets. The first thing is not turning off the tap at the end of some of those schemes, and being open to how they taper off or continue in some way as the industry gears up.

The second is that there is a real opportunity here to seize the moment and decide on what longer-term outcome we want to see. We were already seeing the change in high streets and town centres, in terms of less reliance on retail, more flexible working space and more care in the communities. It is a real, precise moment to do some of the big things that could actually help create that, such as regear business rates, not just for months but forever; make planning simpler; and facilitate the conversations between landlords and retailers that came up in the previous bit of the conversation, because rents need to be rebased across the—

Chair: There are lots of issues there that we have already—

Helen Dickinson: I am just finishing, sorry—and then help reskill our people. Those are the big points I wanted to make.

Q99 **Chair:** I might turn to Andrew, because Helen has just reminded us that the retail landscape was changing. Retail was moving from bricks and mortar to online. Andrew, could I ask you whether covid-19 has simply accelerated what was inevitable: the decline of the high street?

Andrew Goodacre: It has certainly accelerated the change in the shopping behaviours of consumers. Many more consumers will now be buying online out of necessity, so that habit will be formed.

Q100 **Chair:** My question was whether those changes are likely to be permanent. Has it simply accelerated what was happening previously anyway?

Andrew Goodacre: It has accelerated it. Independent retailers have been making adjustments over the years; some have been better at moving online and into e-commerce than others. This has brought that well and truly into focus, and those who have done any business during this lockdown—non-food, non-essential business—have been the ones who have been more adept at making use of e-commerce and connecting with local communities through social media. That is certainly the way forward.

The real challenge for any business now, though, the impact on the state of the retail sector, is that it is the worst time ever for retail. They have never been fully closed in this way, with no money coming in. There is a real cash liquidity issue developing, so will they have the money to invest in their business to readjust to these needs—to this acceleration, as you have described it? I doubt that many of them will have the capacity to do so.

Q101 **Chair:** Melanie Leech, your members own and manage the buildings that the retailers who are finding life so difficult are trading from. What is your assessment of how many are going to be left once this process has come to an end?

Melanie Leech: Good morning, everybody. Chair, could I just start by explaining who my members are in a little bit more detail? As you rightly say, I represent the owners and managers of all types of property; retail in particular is about 1.5 billion square foot, and about £163 billion in value. There was data published today from *Estates Gazette*, a magazine covering the property industry, which highlights that in the majority of those cases, those owners are public, through local authorities, our pensions and savings schemes, and private individuals who have invested their savings into properties. For some of them, the rent they derive is their only form of income. I just wanted to make that point.

Nationally, the quarterly rent bill is around £2.5 billion. We saw in March that less than half of that came in—about 45% across the board—and businesses had been trading for some period of that first quarter of the year. June will be much worse, partly because a lot of retail businesses have been totally closed, and partly because we think—this goes to a point that Adam Marshall made in your first session—that while there is a huge imperative on landlords, tenants and the lenders who back landlords to be working together, the Government announcement of a moratorium on evictions, followed last week by an announcement effectively taking away any remaining rights that landlords had to pursue non-payment of rent, has had the impact of driving people away from the table.

There is no incentive for tenants, who are often well capitalised. A responsible landlord will want to help any tenant who is genuinely struggling, and I am sure we will come on to talk about the fact that for smaller businesses in particular, cash flow is tight, margins are small and they are running out of cash very quickly. That is why we are partnering with Helen and her members on a joint proposal to Government. However, a number of these tenants are very well capitalised, and are walking away from rent conversations and not paying rent, and we do not think that is fair. We think if they can pay, they should pay.

Q102 **Chair:** Melanie, may I come back to my original question? What percentage of businesses that have closed temporarily do your members expect not to reopen when the lockdown measures are lifted?

Melanie Leech: Our members are working hard, particularly with small and independents, who are the most vulnerable, to try to ensure that that does not happen, but there will inevitably be casualties, because a number of those businesses were in a difficult financial position even before the lockdown, from the changes we have talked about.

Q103 **Chair:** But in a high street of 100 shops, what would your assessment be of how many will need to remain closed, and will not be able to survive this particular crisis?

Melanie Leech: The evolutionary changes that both Helen and Andrew talked about mean that there were already going to be fewer than 100 shops on that high street in normal circumstances. The high street is changing, and we will need less physical retail. That would already have looked more like possibly 50 or 60 shops and a range of other uses being deployed in that high street in a couple of years' time, even before coronavirus. That process will be accelerated, and we will see empty premises, because not all businesses will make it through. I cannot put a number on that, but that trend was happening anyway, and it will be vastly accelerated by the impact of coronavirus.

Andrew Goodacre: We did some research of our members at the weekend, and even at this stage 20% were saying that they may not reopen. Even those who said they would look to reopen made a huge caveat about the level of trade determining whether they would continue open after reopening, if footfall is significantly impacted, social distancing still exists, and they are not able to meet the needs of consumers, meet their health concerns, and meet the needs of their employees. For many businesses, it would be more expensive to reopen than it would be to stay closed, so it is at least 20% from our members' perspective.

Q104 **Chair:** Helen, on the future prospects of the sector, before I bring in Paul on the job retention scheme.

Helen Dickinson: The answer on where the line is drawn sits in the hands of the Government and what they may decide to do, whether with the job retention scheme or the other schemes, to avoid any sort of cliff edge on the reopening point, or at the end of June. The ability of any business to continue to trade successfully will be dependent on that ongoing support. There is a question about being able to taper off the support while demand is restricted because of social distancing, and because of people being reticent to spend. As Melanie says, there will be a number of casualties, but the quantum of it sits firmly in thinking from a Government perspective about what they may do beyond what they have already done.

Chair: I am not sure how helpful the job retention scheme will be if consumers have got into the habit of continuing to make a greater proportion of their purchases online, but I will leave Paul to raise the questions on that.

Q105 **Paul Howell:** Thank you, Chair. Coming back to the specifics of the job retention scheme, which you will have heard discussed by the earlier panel, how much impact do you think it is having, or will have, in the retail sector, in mitigating the risk of redundancies taking place? At the same time, could you cover how well you think the applications process is working, and say whether people are getting the money quickly enough? Does the pushback of the date until 19 March help significantly, or enough? Could you cover those points, to wrap around the discussions that we had on the JRS earlier? Please could I ask that to Helen and Andrew?

Helen Dickinson: I will kick off. There is absolutely no doubt that the job retention scheme has protected jobs for now. The extension to the end of June and the movement to 19 March, from the end of February, created lots of discussion with Government around some of the parameters that were unclear at the beginning, and really ensured that it was a broad-based scheme.

I think it has been a fantastic lifeline, but coming back to the point that the Chair made, if there is a shift to online, then it won't necessarily help. The vast majority of retailers operate online and in store, and they want to continue to be able to do both as we go forward. Therefore, the big question will be how some form of the job retention scheme continues beyond the end of June. We have a deadline of the 45-day consultation period kicking in in the middle of May—that is two to three weeks away. That is when businesses will need to make decisions about things that will happen on 1 July. They need to be making those decisions soon.

I think it has been a great scheme. People have been able to access the portal. It is working well, but there is a big question about what might happen after, and making sure that we don't have that cliff edge while trading remains difficult.

Andrew Goodacre: From our perspective, I would give credit where credit is due: HMRC did a fantastic job getting the portal live, and up and running. We've had no negative feedback about it. We've used it, as we have had to furlough staff ourselves, and my team are telling me that it is working very well, so full marks there. Extending the date to March will help people who recently started work with certain employers, so that's been good.

It is interesting that it is called a job retention scheme. I think it is really an income protection scheme for people who have been furloughed. I come back to the point that lower footfall means lower sales, social distancing means lower footfall, and businesses will not be able to take all the staff back on if the pre-crisis sales are not there. It is just impossible for them to do that. I fear that unless there is an extension of some sort to the scheme, as Helen mentioned, businesses will not be able to afford to pay staff on the sales that they can anticipate over a good few months. It will result in redundancies coming through if the scheme is not able to be extended.

Q106 **Paul Howell:** You have both talked about what happens next. If you were to look at the furlough scheme and its flexibilities, or the ways it could be refined as we exit, what are the parameters that you would like to see moved or given more flexibility?

Andrew Goodacre: At the moment, it is helping tremendously in reducing an overhead that you might normally have. Retailers need the opportunity to adjust their business model over a period of time to the new world that will develop. This is a transition period out of a sustained lockdown period, and it will take us a few months to become used to it. We will not really know what the new level of business in the shop will be for several months. The current scheme alleviates an overhead that retailers face. If it is retained at current levels, fantastic. However, it may be tapered off, and the amount of salary covered by the scheme reduced over a period of time, as we assess and reach a point where we can say that we are back to more normal trading circumstances.

Helen Dickinson: I think both Martin and Adam mentioned opportunities for people to work part time, so part of their salary is covered; they would not have to be 100% off or 100% in. The other idea that is being explored is whether reducing the requirement for a three-week block—shortening that block—will give that greater flexibility to keep those jobs as businesses open stores across different parts of the country at different times.

Chair: We will move on. I am sure that all our panellists heard the discussion about rent and the attitude of landlords; Alexander has some questions on that.

Q107 **Alexander Stafford:** As I am sure you are all aware, the hospitality industry recently warned that, without extra Government intervention on rents, there might be a "bloodbath" come June, when the next quarter's rent is due. Retailers may be unable to pay rent, with landlords subsequently unable to meet their debt obligations. That is being raised, especially by landlords, again and again in my constituency of Rother Valley. Melanie and Helen have both written to the Government to ask them to consider a space furlough scheme. Can you explain what this would involve, and how it would compare to the proposals of the hospitality industry?

Helen Dickinson: Basically, the space furlough scheme is akin to the people furlough scheme, in that you have inactive property, and therefore there is a sharing of that burden between retailers, landlords and Government to cover those costs, given that the revenue and turnover normally generated to cover them is non-existent or severely curtailed. The idea is that it is a sliding scale of support from Government, depending on how curtailed that business is, with the landlord and the retailer sharing the remainder of the risk.

Q108 **Chair:** Melanie, what are your views on the benefits of the space furlough scheme?

Melanie Leech: There are a number of points to make, building on what Helen said. One of the most important elements is that it is a partnership approach. It very much drives the kind of collaborative approach that Adam talked about earlier and that Helen just talked about. It brings the Government, the landlord, the lenders and the tenants together, and everybody has to agree and commit to play their part. The tenant will make a small contribution, the landlord will make a contribution, and the Government will support that and drive that partnership approach.

Why do we think that a grant scheme is needed, and why is it necessary in addition to all the other support that the Government have already made available? Part of it is around the particular stresses of the retail sector through the evolutionary changes that we talked about already. Part of that is because debt is not the answer, because the businesses won't be able to support the additional level of debt available—as was pointed out earlier, that debt is just building up and building up, and retail businesses will never be able to recover to support and service that debt. The same will be true of landlords looking at their relationships with their lenders. Lenders have been asked to exercise forbearance around covenants as they are breached, and so far they are offering that support. However, that is also unsustainable for the long term.

It is also partly because for some landlords—I am talking about the larger landlords—CBILs and CLBILs are not necessarily available to them. They are already geared and they have secured debt, so unsecured debt on top of that, whether from their existing lender or another lender, is not really an available option to them. That is why we think there needs to be a targeted support scheme specifically for retail, of the kind that we have set out in the letter to the Chancellor.

Q109 **Chair:** Melanie, landlords and property owners are not normally seen as a deserving cause by Government. Why should Government financially back them?

Melanie Leech: We are not asking the Government to financially back landlords. What we are asking Government to do is financially back the ecosystem that supports property, from the lenders through to the landlords through to the tenants. A landlord needs to have a thriving tenant in their premises. Commercial property is a very simple proposition: you own an asset and you generate an income from it. There is no interest for a landlord in not having a healthy tenant generating an income. Equally, there is no interest for a lender in not having a landlord able to service their debts and meet their obligations.

You have to step back a bit—helicopter back—and think about the long term and recovery. Where is the investment going to come from to regenerate our town and city centres to rebuild after the coronavirus crisis? Historically, UK real estate has been a hugely compelling asset proposition to global investors, as well as UK investors. That is why our pension funds are all tied up in them. Protecting that asset—that jewel in our crown in terms of attracting investment—will be really important for a long-term recovery. Supporting the ecosystem that makes property an attractive asset class and supporting the people on whom, ultimately, that relies—our tenants—feels to us to be the reason why Government should be interested.

Q110 **Alexander Stafford:** We have talked about the ideal and what you want for the future, but what about the situation now? How have lenders responded to the landlords who are struggling to meet their debt obligations at the moment? UK landlords were due about £2.5 billion in quarterly rent at the end of March. How much of that has been paid, do you know?

Melanie Leech: For retail specifically, I think 47% of that £2.5 billion of rent was paid. Now, part of that would not have been paid because responsible landlords were already being proactive in reaching out to their tenants and agreeing waivers, deferrals and payment plans. Part of that would have been an agreed plan between the landlord and the retailer not to pay the full amount in that quarter. Quite a lot of that was because tenants just did not engage and did not pay. I am not going to labour that point, but I can come back to it if you want me to. June will be much worse, clearly.

In terms of lenders' attitudes, so far the banks are being supportive. It is quite early days; we will not see until after June whether June is as catastrophic as we think it might be. If the situation goes on into September, that will be when the lenders will really come under scrutiny. So far, the conversations are positive and forbearance is being shown, but that will come under more stress as the problem becomes more acute up the chain.

Q111 **Alexander Stafford:** Melanie, you mentioned the word "catastrophic". That is quite an emotive word. Can you expand a bit more on that?

Melanie Leech: Helen and Andrew can speak more to the catastrophic impact on the retailers. That will have a catastrophic knock-on impact on rental payments, and we are seeing that not only in retail, as I mentioned, but also in the offices sectors, particularly serviced offices, and even in industrial, which you might think was relatively resilient in these days of internet shopping and communication.

Less than half of rent was collected in March, and we expect that could be down to a quarter or less in retail in particular in June. Then you factor in on top of that the kinds of scenarios that Helen was talking about, which I support, which are that recovery for retail and hospitality businesses will be slow. It will not be over in June, even if lockdown is lifted. It will not be over in September. It is going to have a lasting impact. Unless we can get very quickly to a situation where we inject some urgent cash into the system for the short term, and build the longer-term conversations and relationships about how we are going to navigate through this together across the Government, the lending community, the investors, the landlords and the retailers, we are going to have a real problem.

Chair: I want to move on to Alan, with some questions about how the Government loan schemes may help.

Q112 **Alan Brown:** Helen and Andrew, how many of your members can access and have applied for loans through the CBIL scheme? What obstacles and barriers are there? There have been suggestions about that. One of the major banks told me that it has lending criteria that it has to stick with, but there are also suggestions that members do not want to take on more debt. It is also possible that some banks are more willing to lend to some sectors than others. Have some lenders been treating the retail sector differently? Do you have experience of some of your members being rejected more than those in other sectors?

Helen Dickinson: Andrew, do you want to kick off? Although some of my members have used CBIL, it is more relevant to Andrew's membership. My membership is more the CLBILs and beyond.

Andrew Goodacre: Again, I can refer to some research we did with members over a weekend. This follows on from research we did three or four weeks previously. Only 20% of members have inquired about CBILs. That reflects the fact that they do not see debt as a solution; they are worried about taking more debt on in the future. I think there are also concerns about the processes around it. Of those 20% who have applied, only 20% have successfully received a CBIL; 20% of 20% is a very small percentage of independent retailers receiving grants, loans and cash in this way.

Throughout the launch of CBILs, I have seen banks blame the Government and the Government blame the banks. In reality, I think the whole process was too difficult and unwieldy: banks wanted personal guarantees to begin with, and that was never going to happen in reality. So it was changed, and we have seen more proactivity from the banks since there was clearer direction from the Government. We hope that the bounce back loan, which was announced on Monday, will fill the big gap caused by the concern around CBILs.

In terms of banking attitude, it is interesting; I can quote one high street bank that told me directly in December that they had no appetite to lend to retail, and that was pre-crisis, so I very much doubt that that bank is pushing to lend to retail in the middle of a crisis and beyond. I think retail was seen as a risk beforehand, and it is a bigger risk now, and that means that banks will adopt quite a harsh regime to retail. I have seen evidence of that.

Q113 **Alan Brown:** Andrew, we hope the bounce back loan scheme will help, but equally you recently stated that up to a third of independent retailers may struggle to reopen post lockdown. Earlier today you said that even post lockdown, trading will be difficult, and that it will be difficult to hold on to jobs because it will take a while to get things back to normal. Will the bounce back loan scheme really be able to mitigate all those factors, or are other options required?

Andrew Goodacre: It cannot on its own, no, because the interest is deferred for the year and there are no fees, but it is still debt that needs repaying, and many businesses already have debt; it is about whether that debt is serviceable in the long term. That is why many retailers have resisted going down that route.

Grants from local authorities are coming through now—70-odd per cent of our members have received grants. That type of cash injection is proving more beneficial. That is giving them the chance maybe to pay their rent, pay their suppliers and, arguably, pay some of their personal overheads. I think a grant-based system would be much more preferential to many our members, and to small businesses in general, because debt is not where they want to be.

I was contacted by one member who is a small restaurant in Newcastle. He borrowed £90,000 to open it up, and he has every expectation that when he does reopen, he will be operating at half capacity—instead of 30 covers, he will be down to 15. Taking on more debt is not a solution, and I doubt he will find it possible to reopen, so I don’t think debt is entirely the solution. For some businesses it will work, but not others. We need to find a different way of helping them through this very difficult transition.

Q114 **Alan Brown:** Clearly, the grant system was introduced at the outset of what was a three-week lockdown. We now have an extended lockdown and we know social distancing is going to continue. As you say, restaurants will maybe be operating at half capacity to maintain social distancing. So is the reality that there will need to be another round of grants to keep those businesses going?

Andrew Goodacre: Yes, I think there needs to be. Myself, Helen and other associations now are saying that there needs to be a tapering off the support coming through, whether it is a furlough scheme or a grant scheme. Picking up on the space furlough aspect that Melanie and Helen were talking about, part of the problem there is that the grant available only applies to businesses below £51,000 rateable value. The further south you go in the country, it doesn’t take much to get above £51,000 rateable value. There are an awful lot of middle-size, even small retailers who are currently trading in high rent areas, but are not even getting any grant from a business. They will not have any money coming in, because they probably do not even qualify for the self-employment grant either, because they may be paying themselves via a dividend. They have got real issues. There is no money coming in from a grant. A loan may be possible, and we are looking at that, but we do need to address that middle sector, which is almost a forgotten sector in terms of financial support.

Chair: We have moved from loans to grants. I know that that is an issue Peter Kyle wants to come in on.

Q115 **Peter Kyle:** A very nice link there; I think you're auditioning for Graham Norton. Andrew, what are your members telling you about the effectiveness of the small business grant fund and the retail, hospitality and leisure grant fund?

Andrew Goodacre: Initially, there was a lot of frustration because it had taken a long time for it to come through. The first piece of research we did was three weeks ago and only 10% had received it. Three or four weeks later, 72% have received a grant. It is providing vital cash flow, it really is. There is some frustration because there are a couple of cut-off points. There is a £15,000 rateable value cut-off point, and if you are £15,000 or lower, it is only £10,000 that you are getting. Again, in many parts of the country it does not take much to get above £15,000 rateable value.

Q116 **Peter Kyle:** What is the solution to that problem and what are your members telling you on the rateable value question?

Andrew Goodacre: We would all welcome the Chancellor to draw a line under rates and create a new system that more truly reflects the level of business they do and will do in the future. If this gives us the chance to do that, that would be fantastic. The grants are providing a cash buffer while they are closed and will allow them, maybe, to move forward. It depends on the size of the grant coming through to that particular business and the impact of social distancing on that business once it is open.

Q117 **Peter Kyle:** Do you think that the delays you have reported are a structural problem, because they are going through local authorities?

Andrew Goodacre: It is really frustrating because all the details are there. People pay their rates, so local authorities have all the details. It seems strange that they are finding it difficult to locate the businessperson in order to pay the grant to them, so there is a frustration there. Having said that, we all have to accept that local authorities have suffered with absences due to covid-19, not everyone pays by direct debit and so on. So there are challenges in the system. I think actually now they have done a pretty good job to get to 70% and hopefully that will accelerate through to 100% in the next two or three weeks.

Q118 **Peter Kyle:** Are you seeing differences in the effectiveness of the grant programme by local authority area? Is there a postcode lottery?

Andrew Goodacre: Yes, we have. We are based in Birmingham, and I think Birmingham has found it harder and has been slower to get the grants out than some other areas. I think some areas were very quick to say, "We know who you are. We've been told to repay this money. We are paying you the money." So there were huge variations. I cannot tell you what the geographical split is now; it is purely anecdotal, but we do know that the west midlands seems to have found it more difficult than some others.

Q119 **Peter Kyle:** Helen, there are a few points there. Do you want to pick up on any of them?

Helen Dickinson: Just to amplify what Andrew said, really. The £51,000 limit does restrict access in certain parts of the country. The cliff edge point is valid here as well in terms of ongoing support. The other issue that applies to people who have larger businesses in terms of those retail and hospitality grants is that there is a state aid cap on the level of benefit that somebody who has multiple sites up and down the country can receive. Underneath it all, this is money that has got to the frontline, in the majority of cases, very quickly, so we should recognise that as well as building on what needs to happen from here.

Q120 **Peter Kyle:** That is noted and appreciated. On the rateable value cap, if there are issues there, do you think metropolitan areas and more rural areas, or towns and cities, should be treated separately? What is your solution to the problem?

Helen Dickinson: That is a good question. I don't know if I have one. I can certainly take that away and feed back to the Committee. It is related to the point that Andrew made, in that there are some higher footfall, more primary sites and certain regions of the country where the underlying rateable values are that much higher, so perhaps the thing that I can take away is how you would draw the lines around those, but that principle would definitely ensure that more support got to more places.

Peter Kyle: No one underestimates the challenge that the Treasury faces, but it is clear that the pace of work needs to carry on and that we must not see this as an end point. Thank you.

Chair: Helen, if there is further information that you want to provide, we will gladly receive it.

Q121 **Mark Jenkinson:** You may have heard earlier that I have concerns around companies that have taken out pandemic extension to business interruption insurance specifically and are now having problems claiming. The Financial Conduct Authority has stepped in to order insurance companies to pay out on claims where it is clear that they have an obligation. I personally have seen many creative reasons that they should not. I am just wondering how many of your members something like this may affect. This may be more for the British Independent Retailers Association than for the others. I am interested in what the feedback is from them.

Andrew Goodacre: There is massive disappointment among members who have spoken to insurers and been told that they are not covered. We work with an insurance partner that we recommend to our members. We have discussed it in detail with that insurance partner. They have sent us lots of reasons why it is not covered. We have fallen out with that insurance partner to an extent because we do not believe they are going anywhere near far enough to support businesses in this way. I fully understand their argument that they cannot be held responsible for all the risk in the world and that if you wanted to cover such a broad range of risks the premium would be so much more. That may well happen in the future, but many businesses, small and large—certainly the smaller ones—are underwhelmed by the lack of support from the insurance companies. They do not have the cover that they thought they had.

Q122 **Mark Jenkinson:** Are these businesses that think they have specific pandemic extension to business interruption insurance?

Andrew Goodacre: I am not sure it goes as far as saying "pandemic", but I think they thought they had business interruption cover that would cover a crisis such as a pandemic. I think it has to be a notifiable disease. That seems to be the crucial phrase, which we have heard a lot about covid-19—that, at the time, "you weren't aware of it". How can you prepare for something you are not aware of?

Q123 **Mark Jenkinson:** What experiences are they having of contacting insurers and making claims?

Andrew Goodacre: Every time you phone a helpline you get the message, "There will be a long wait," and that has certainly been the case. I have not heard of insurers avoiding contact, but the message they are delivering is not very positive.

I will be honest, I do not know of any member who has successfully made an insurance claim for business interruption. Then again, they may not tell us. We tend to only hear from the people who have a problem with it, whether that is insurance, rate, grant or whatever. It may be somewhere there, but generally speaking this goes across the retail sector. I talk to lots of other associations and they all have the same complaints about the approach of insurance companies.

Q124 **Anna McMorrin:** We know that as the lockdown is phased out there will be a big change in how consumers shop. We have discussed more local shopping, home deliveries and possibly fewer shops. What elements of the existing Government support will need to be retained within the retail sector and for how long? How will taking a phased approach affect the retail sector? In Cardiff North, there are a lot of businesses and local high streets that are very concerned.

Helen Dickinson: I think the key thing, as we enter the next phase, is for the Government to remain open as to what that support looks like, first to avoid the cliff edge that we have talked about. But there are so many unknowns that I am not sure that we can answer that question: will it be three more months, or six? We are not talking about an exit when some of the restrictions lift; we are talking about a move to the next phase of the crisis. How long that will last and how demand will be impacted are questions that nobody at this point can answer.

We can draw a bit on the experience that we are seeing. A number of my members have operations in other countries where they have lifted restrictions a little bit earlier, so we can begin to see what is happening. In those countries—Germany, for example—while there might have been an initial uptick when restrictions were first lifted, footfall fell again pretty quickly immediately after that and over the course of the last week or so has still been quite depressed. I think the answer to your question is that we have to take it one step at a time and look at how well each of the schemes is working and what we need to take us forward over the next few months as that unfolds.

We have touched on how the job retention scheme might taper. We have touched on the grant scheme and how that might be extended. We have touched on the need to look at some of the underlying structural things, such as space and rent. The other big unknown, which perhaps didn't come up in the financing bit of the conversation earlier, is in respect of the CBIL scheme—the larger scheme. Because that only opened 10 days ago, the jury is still out as to whether it will deliver the liquidity that retail and many other businesses will need. There are a lot of businesses that are dependent on that finance and employ a lot of people across retail.

Q125 **Anna McMorrin:** Thank you. I know we are tight for time, but I want to touch on the fact that, as a Committee, we have received over 2,000 emails from people who feel unsafe in their workplace, including many who work in the retail sector. What measures is the industry planning to implement to ensure that employees feel safe? There was a report by USDAW yesterday showing that the number of reported abuses against retail workers has doubled since the outbreak. It is not only about personal protection—PPE—but also the abuse they face in the workplace. What can be done about that?

Helen Dickinson: The stories of abuse are really disappointing. I know that the police response in many areas has been good. There is a much better working relationship between the police and retailers that are still open than we have seen in the past. We absolutely need that to continue. What we have been doing with the help of those businesses that have remained open—the food businesses and the other essential businesses—as well as working with USDAW and with our members, is that we have been preparing some guidance on how you practically implement the social distancing requirements in a store-based scenario, and take and build on all of the best practices in the food industry, the essential businesses that have been open and the online businesses that have continued to trade, and put that in one place so that those who are planning for this next phase can really get started with thinking about how that will work and making sure that both their colleagues and their customers are safe.

I think there is work going on with Government as to how to build on that. You highlight questions like PPE. Certainly what all the businesses have done to date is to follow the Government guidance, which is that PPE is not a requirement, but what they have done is made it available to all their employees who do want it, recognising that not everybody feels comfortable or that lots of people would feel more comfortable using masks or gloves or whatever it might be.

So I think that there is plenty of work that the industry has done to get ready for when that moment comes, but it does require co-ordination with the wider perspectives on what is happening with schools, what is happening with travel and what will happen in shopping centres and high streets to be able to manage the flow of people not just in stores, which are more within the control of individual businesses, but what happens around them, which is equally important for us all as members of the public to ensure that we all feel safe.

Q126 **Anna McMorrin:** In Wales, we have seen more extensive legislation on this front. Do you think the UK Government need to be legislating further through social distancing measures to protect shop floor workers?

Chair: Could I ask for a very brief answer in order to get Richard Fuller in for a final question?

Anna McMorrin: And if we could get Andrew in?

Andrew Goodacre: I support Helen. What we need across the UK is very clear guidance, but consistent guidance, because consumers need to have the confidence to go out in the shops and the workers and employees in the shops need to have the confidence as well that they will be safe. Lots of our members and non-members that we hear from are very concerned about creating environments that are safe for employees and equally safe for the consumer.

Chair: Thank you. Our final question is from Richard Fuller.

Q127 **Richard Fuller:** I will make it just one question, and perhaps each witness can give a brief response. I want to return to the issue of payments as the economy reopens and the importance of prompt payments. What are their objectives, or what are they seeing as the pinch points in terms of potential shortages of cash, or people holding on to cash and not paying promptly? Do they think the Small Business Commissioner has the right level of powers, and if not, what specific powers would they like to see the commissioner have to protect small businesses as we reopen? Andrew, do you want to start?

Andrew Goodacre: Yes, that is quite an interesting one, actually. With our association, we are quite unique in two ways: one of them is we actually run a bank, and the second one is we run a buying group for our members, so we have a real insight into the supply chain. Certainly when the lockdown came, those shops that were closed held on to cash, and we know that there is debt in our supply chain, with small businesses not paying small businesses, effectively. It is not just large businesses not paying; it is the small businesses, because you have been closed and it is good business sense to hold on to cash until you can assess where the income is going to come from.

We have seen that debt reduce over a period of time, but there is another wave of it coming at the end of this month, because nearly every small business retailer will operate on credit—often 30, maybe 60 days' credit—so that credit will now be coming to an end in April. If there is a real risk to debt in supply, the pinch point will be the end of this month. If suppliers do not get their payments, there is every chance they will consider—I know there are moratoriums in place, but they may well consider—removing, and they almost certainly will remove, credit facilities. Credit insurance companies will also remove credit facilities, and that will make it incredibly hard for a retailer to reopen without credit, because they often use credit as a form of cash flow within their business. There is a pinch point here about the reaction to the credit insurance providers, the suppliers and the retailers, and how they effectively deal with debt that has built up due to the business being closed and no cash coming through.

Helen Dickinson: To add to that, what Andrew highlights there so beautifully is that there is almost a "pass the parcel" challenge, given the various crunch points across different bits of the supply chain. I think this really gets to the heart of a moral question that comes out of the crisis backdrop—about those businesses that are good and responsible, that can and should pay, and the suppliers of those businesses and the suppliers of their suppliers will remember that as we come out of the other side.

Q128 **Richard Fuller:** Ms Dickinson, what if morality is not enough? What if they do not do it? My question is: is there sufficient power, and should there be more power, to regulate that?

Helen Dickinson: I was listening carefully to the Small Business Commissioner and the examples that he was using earlier. There are many examples of good practice, where the retail businesses that have got better cash flow in the current environment have prioritised payments to small suppliers and shortened terms, but the way that they are dealing with it, in making sure that they are following up, either by the case worker or the commissioner, and ringing and speaking to those businesses and putting them on the spot about whether they can or cannot pay, is absolutely what we should be doing, rather than extending the powers. It is about pushing them into making sure that they are doing the right thing.

Melanie Leech: To build on that, a couple of points from me. Clearly, this is an issue not just in retail, but across the economy. I think it is incumbent on organisations like ours and responsible businesses to show leadership. Construction, as you know, is another area where there is a very long chain, down to subcontractors and individual operators—self-employed people, and so on. We have been working to develop codes of practice and guidance, to get the message out there that people should pay where they can pay, and they should particularly look to support the health of those who are at the bottom of that chain and who may not have schemes available to them, as has been talked about earlier. It is absolutely incumbent on us to do that.

I am one of those in the camp that feels that the moral question will make a difference and who believes that people will look back—whether as individuals or as businesses—at what people did and how they acted during this crisis, and that that will make a difference to decisions that people make and the relationships that they have with people going forward. I know that that does not help with the immediate challenge that people may be facing, where they are encountering poor practice, and I am absolutely delighted that the Small Business Commissioner and others, who have the regulatory teeth to be able to tackle those abuses, are doing so. We will continue to do everything that we can as an organisation, and I am sure that I speak for Helen and Andrew too, to try to make sure that that does not happen—that we call out bad practice as well as supporting good practice. I hope that responsible businesses, and certainly the ones in our membership—

Chair: Thank you for bringing our session to a close on a relatively positive note.

To sum up, we heard from panel 1 about the real challenges for small businesses and the support for Government schemes that they acknowledged were introduced quickly, and that the Government have recognised gaps and filled them through schemes like Bounce Back. We heard a pretty bleak picture from our second panel about the acceleration of trends in retail that had already started. I think it will be important for all levels of Government to spend a lot of time considering the future of our shopping centres and our high streets in the months and years to come. I say thank you to Helen, Melanie and Andrew for this morning and bring this to an end.