MC2020/37305

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Meg Hillier MP
House of Commons
London
SW1A 0AA

3 November 2020

Dear Meg,

Following your recent exchange with the Financial Secretary of the Treasury at Treasury Orals about the Bounce Back Loan Scheme (BBLS) and support for self-employed people, I am replying as the minister responsible for this policy area.

As you are aware, the government has implemented a varied package of support for businesses and self-employed individuals, including government-backed loan schemes, grants, the Job Retention and Job Support Schemes, tax deferrals, tax cuts and the Self-Employed Income Support Scheme.

The Government launched the Bounce Back Loan Scheme (BBLS) on May 4th to ensure that the smallest businesses can access loans of up to £50,000 in a matter of days. The scheme has provided a lifeline to over a million businesses, many of which may not have survived without support, protecting jobs and supporting the recovery. As of 18th October, over 1.3 million loans have been approved providing over £40bn of finance to small businesses.

As you highlighted, self-employed individuals are eligible for Bounce Back Loans. To be eligible for BBLS, a business must be engaged in trading or commercial activity in the UK, been established by 1 March 2020, and self-declare to the lender that they have been impacted by the pandemic. The National Audit Office's report into Bounce Back Loans highlights that around a fifth of BBLS loans (6,387 loans at the time of the report) have been provided to sole traders (self-employed individuals). This will slightly underestimate the number of self-employed people supported, as it will not count those which are set up as a Private Limited Company.

You also raised the National Audit Office's report and the potential risk of fraud arising from the scheme. All our support is targeted to make sure public funds are used responsibly, helping those who need it most as quickly as possible, while minimising fraud risk. We responded quickly and decisively to feedback that the smallest businesses, the backbone of our economy, could not access loans rapidly enough. Voices from across the spectrum, including the CBI, the Governor of the Bank of England, and Anneliese Dodds, called upon us to support firms through a 100% guarantee scheme.

For the application process to be swift and simple for businesses to navigate, the Government created a short, standardised application form in which the businesses would self-certify to a range of information. This streamlined approach was necessary in order to get support rapidly to the smallest businesses who desperately needed it. We won't apologise for supporting jobs and businesses when a tiny minority of criminals might try to defraud the scheme. Lenders undertake counter-fraud, know-your-customer and anti-money laundering checks as part of the application process. And we have been clear that we won't hesitate to take criminal action against the most serious cases and any individual that knowingly provides false information is at risk of criminal prosecution and fines.

We continue to make all efforts to minimise the fraud risks under the scheme, for example, the British Business Bank has built a mandatory system to detect multiple applications by the same business across lenders. We are working closely with industry to develop a consistent approach to BBLS recoveries, with a section dedicated to fraudulently obtained loans. The National Investigation Service (NATIS) are investigating high priority suspected BBLS fraud cases and assess Suspicious Activity Reports submitted by lenders. We remain open to further preventative measures where they do not undermine the rapid provision of financial support to the UK's smallest businesses and will continue to work collaboratively across government and with industry on this issue.

I hope you find this information useful.

John P. Glen

JOHN GLEN