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18 December 2020

Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
Westminster
London
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Dear Ms Hillier

I am writing in response to a request for further information made in your *Covid-19: Bounce Back Loan Scheme* report published on 16 December, as well as to follow up on a point made in our previous correspondence (24 November), following the Oral Evidence session on 5 November. I was grateful for the opportunity to answer questions from you and other members of the Committee in November and hope the below information is helpful. The British Business Bank will also, of course, be contributing to the formal HM Treasury Minute in response to the *Covid-19: Bounce Back Loan Scheme* report.

Updated fraud estimates

The Committee's *Covid-19: Bounce Back Loan Scheme* report asks the Bank to update the fraud estimates in the existing portfolio provided in the NAO report within two weeks. Fraud estimates are being fully re-assessed based on a sample testing exercise which is now underway. It has therefore been agreed with the Committee Clerk that the Bank will write with further details as soon as is practically possible after the initial sampling exercise has been concluded in January 2021.

Update on recoveries principles

In my previous correspondence dated 24 November I committed to providing the Committee with information regarding collections and recoveries, including the treatment of fraud, for the Bounce Back Loan Scheme. We have now set out this information in a Collaborative Statement of Agreed Principles document.

The 31-page document, issued to lenders on 9 December 2020, is a result of collaboration between the British Business Bank, HM Treasury, Department of Business Energy and Industrial Strategy, and accredited lenders. The principles have been drafted to take into account the requirements of the Financial Conduct Authority's CONC and the Lending Standard Board's Standards of Lending Practice

British Business Bank plc is a public limited company registered in England and Wales, registration number 08616013, registered office at Steel City House, West Street, Sheffield, S1 2GQ. It is a development bank wholly owned by HM Government. British Business Bank plc and its subsidiaries are not banking institutions and do not operate as such. They are not authorised or regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). A complete legal structure chart for the group can be found at www.british-business-bank.co.uk

for business customers. The Prudential Regulation Authority has also provided input. The purpose of the document is to facilitate consistent and fair treatment for the Bounce Back borrower, provide clarity for the lender and value for money in terms of successful collections and recovery.

The principles are intended to supplement the BBLS Guarantee Agreement and BBLS Lender Manual and, amongst other things, explain:

- The Pay as You Grow (PAYG) options, announced by the Chancellor on 2 November, and how they will be operationalised and made available to the borrower; and
- Guidance relating to fraud and the approach that lenders are expected to take.

The Bank remains committed to delivering the Bounce Back Loan Scheme to the very best of our ability, taking on board lessons learned from launch to deliver value for money. As stated above, I will write to you again in the new year with further details on updated fraud estimates. If you have any further questions about any of the topics outlined above, please do get in contact with me or the team at BBBGovernmentRelations@british-business-bank.co.uk.

Yours sincerely

Catherine Lewis La Torre

Chief Executive

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