Business, Energy and
Industrial Strategy Committee
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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

27 March 2020

Dear Rishi,

As I stated in my recent letter, my Committee welcomes the measures that you have announced to support UK workers and UK businesses during the COVID-19 crisis. These measures have addressed many pressing issues, providing reassurance in very difficult circumstances. One crucial issue is ensuring that our businesses and especially our SMEs have access to affordable lending to keep them going but also to allow them to rebuild when the crisis subsides. Your letter last week to UK Finance, also signed by the Governor of the Bank of England and the Financial Conduct Authority CEO, rightly reminded lenders that they must take all actions necessary to ensure the benefits of government credit measures are passed through to businesses and consumers.

One of these measures is the Coronavirus Business Interruption Loan Scheme (CBILS). This measure offers a loan of up to £5 million that is interest free for the first 12 months and offers many of our struggling SMEs a crucial lifeline during the present crisis. We commend the intention that lies behind CBILS. However, a number of concerns have been reported about how it is being rolled out and particularly the way in which some lenders are interpreting it, which is acting as a disencentive to many SMEs:

- The CBILS guidance is being used by some lenders to push their own financial products first, when CBILS would be the preferred and more appropriate product.
- Several lenders are seeking personal guarantees from SME business owners (e.g. recourse to personal assets if their companies failed), though a number of lenders now appear to have backtracked.
- Some lenders were seeking to apply high interest rates on the loans when the interest free period ended.

- Some lenders seem slow and reactive in approaching the British Business Bank to apply for loans while the process for SMEs to apply for such loans appears cumbersome.

To address some of these issues, I would like to kindly ask you to consider:

- Clarifying the guidance on when CBILS should be offered, so that lenders are clear that they should be offering SMEs the most appropriate product to help ensure their onging viability.
- Encouraging lenders not to use personal guarantees and rethinking how liability for unpaid loans can be met.
- Giving clear guidance on levels of interest rates to be charged by lenders which do not leave SMEs with unsustainable levels of debt when they will be seeking to rebuild their businesses.
- Asking lenders to be more proactive in approaching the British Business Bank and streamlining applications so that SMEs can access funds quickly.
- Ensuring that medium-sized firms in the regions, upon which many jobs depend, also have access to funds.
- Requiring lenders and the British Business Bank to produce regular weekly updates on the total amount of lending that is taking place through CBILS, broken down by:
    - Lender
    - Number of SMEs applying and number successful by Lender
    - The average time each lender is taking to process applications
    - Region
    - SME size
    - SME sector

Collecting statistics on the operation of CBILS will ensure that it is working as intended and identify any particular gaps in provision.

Yours sincerely,

Rachel Reeves

Rachel Reeves MP
Chair of the Business, Energy and Industrial Strategy Committee