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Rt Hon Mel Stride MP
Chair of the Treasury Committee
House of Commons
London
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(via email)

23nd June 2021

Dear Mr Stride,

Follow-up information after HMT hearings on Greensill

During the Treasury Committee's Greensill hearings on 27 May, Rushanara Ali MP asked us to write to you about the taxpayer costs of the Greensill collapse and the time spent by HMT on Greensill.

1) Cost to the taxpayer

It is too early to say with precision what the cost to public authorities of the failure of Greensill will be.

As is normal when a company has gone into administration, there are liabilities outstanding to creditors including public authorities. In my evidence to the Committee I referred to a public document produced by Greensill's administrator, Grant Thornton, which indicated that there were liabilities to HMRC (c.$8m), Islington London Borough Council (c. $148k), Halton Borough Council (c.$20k) and Salford Royal NHS Foundation Trust (c.$10k), some proportion of which I noted may be recovered. The document I referred to is the "Statement of administrator's proposal" for Greensill Capital (UK) Ltd (GCUK) and Greensill Capital Management Company (UK) Ltd (GCMC) and can be found on the corresponding pages on the Companies House website dated 6 May 2021[1]. It contains information not only on the public sector creditors that I highlighted but also on Greensill's private sector creditors, which you may be interested in, noting Ms Ali's question about the private sector impacts of Greensill's failure.

I note that a more recent "statement of affairs" relating to Greensill Capital (UK) has since been published on the GCUK page on the Companies House website, dated 11 June 2021[2]. This provides pounds sterling indications of the liabilities to Islington London Borough Council (c.£107k), Halton Borough Council (c.£15k) and Salford Royal NHS Foundation Trust (c.£7k).

As discussed in my hearing there may also be Exchequer impacts related to the job losses which have occurred at Greensill.

[1] GCUK: https://find-and-update.company-information.service.gov.uk/company/08126173/filing-history
GCMC: https://find-and-update.company-information.service.gov.uk/company/08037769/filing-history
[2] Accessible at the GCUK link above

The "statement of administrator's proposal" dated 6 May and noted above indicates a preferential liability related to employee wage and related claims against GCMC. This liability is indicated to be $2.1m and the document notes that "a significant element of these claims will be subrogated to the Secretary of State, following payment of employment-related claims by the Redundancy Payments Service". This is a reference to a programme operated by the Insolvency Service in which, if an employer has gone formally insolvent, employees can apply for money they are owed. As with the liabilities referred to in the previous paragraphs, there may be recoveries.

We have not attempted to estimate the wider Exchequer impact of the job losses which might arise from former employees turning to other state support mechanisms; in any case, it would be very difficult to estimate them without knowing how quickly people find new jobs, and what their personal circumstances are.

As I said in my evidence to the Committee, there is also a potential Exchequer impact associated with the Pharmacies Earlier Payment Scheme (PEPS). Following Greensill's failure, the Government stepped in to continue the payments to pharmacies under the Scheme, to prevent them from facing immediate cash flow issues. That implies a slight adjustment to the monthly borrowing profile as government is – all else being equal – required to borrow around £150m two months earlier than originally planned, on which it would notionally pay a small amount of interest.

Ms Ali also asked about any taxpayer exposure arising from Greensill's lending under the CBILS and CLBILS guarantee schemes. As you know, the Government guarantees 80% of lenders' exposure on losses under CBILS and CLBILS. That is, should a borrower default on their obligations to the lender, then the Government provides the lender with 80% of the outstanding balance of the loan. Neither we nor the British Business Bank, as administrator of the scheme, normally comment on individual lenders and on any loans extended. As has already been made public there is an investigation underway into Greensill's activities and while that investigation is ongoing the CLBILS guarantees are suspended.

2) <u>HMT resources</u>

Regarding the use of HMT resources on Greensill compared to other schemes, I would reiterate the previous evidence the Chancellor and I gave to the Committee: HMT were extraordinarily busy on a whole range of policy matters at the time, and this work did not represent a major part of senior officials' work. I would refer you to the Chancellor's comments in his hearing where he said that during this period Greensill-related work took up a very small amount of his and my time and that HMT was working to design, launch and administer CCFF, CBILS, CLBILS, Future Fund, Trade Credit Insurance as well as our process for bespoke interventions for companies who had exhausted all other sources of support. Those programmes all fall into my areas of responsibility and that is where I spent the vast majority of my time during this period.

I mentioned that calls with Greensill over the key period took up four to five hours of my own time; I was concentrating on many other pressing and more time-consuming priorities.

All my calls and meetings have been disclosed in my transparency returns for the first half of 2020. It is true that I held more calls with Greensill than any other single company in this period, but I would repeat the point I made to the Committee in my evidence that these were short calls and did not take up a material part of my time. Moreover, the number of calls is not a good guide to the time I actually spent on different issues during this period. The many other initiatives underway, and conversations with and internal meetings about other companies took a lot more of my time. Greensill and the supply chain finance consultation accounted for a very small part of my time.

By way of additional detail, there were three Treasury officials, all graded below the Senior Civil Service, who spent any material time on Greensill and supply chain finance and they were not working on the issues full-time. The Bank estimated in their letter to the Committee dated 6 May 2021 that the resource incurred by the Bank was around 2.5 FTE for approximately six to eight weeks. I can confirm, in line with the Chancellor's oral evidence, that our own average staff FTE commitment was similar to the Bank's over the 20 March – 26 June period. This estimate includes the time spent by officials on the development of the potential industry-wide scheme to help SME cashflows, referred to in the Chancellor's letter. That important piece of policy work involved numerous discussions between officials and companies other than Greensill who were active in or otherwise interested in supply chain finance. To put this in context, HMT's average headcount between April and June 2020 was 1659 FTE.

I hope this addresses the questions raised at the hearings. We stand ready to provide further information if that would be of help to the Committee's inquiry.

Yours sincerely

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