Business, Energy and
Industrial Strategy Committee
House of Commons, London SW1A 0AA
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Mr Lex Greensill
Chief Executive Officer
Greensill Capital

[By email]

30 June 2021

Dear Mr Greensill,

Liberty Steel and the Future of the UK Steel Industry

Further to my letter of 16 June, I am disappointed that you continue to refuse to appear before my Committee to answer the important and legitimate questions we have to put to you as part of our inquiry into *Liberty Steel and the future of the UK steel industry*.

As a business in receipt of taxpayer-backed guarantees through the Coronavirus Large Business Interruption Loan Scheme (CLBILS), it is right that Greensill Capital is accountable for how this money was used, and for the BEIS Committee to scrutinise access to and use of these funds.

However, I note your willingness to engage with the Committee in writing, and have set out a number of key questions below.

1. Can you outline in detail the process of due diligence undertaken by Greensill Capital before lending to large customers? Was this process routinely undertaken in all circumstances? Are you satisfied that the mechanisms in place for due diligence were a) comprehensive and b) applied thoroughly and consistently?
2. It has been reported that Greensill Capital frequently relied on audit reports when lending to companies.[1] What due diligence did Greensill Capital undertake on audit firms before using their reports to agree lending to large customers? Did Greensill Capital ever seek to clarify or check the basis of audit-derived conclusions about its customers?
3. What were the terms of the supply chain finance contracts between Greensill Capital and Liberty Steel UK businesses? Please specify which legal entities your answer applies to.
4. To what extent were you aware of financial issues within GFG Alliance before it began to default on its loans?
5. In evidence to the Treasury Committee you said that "the British company that you keep talking about was not our largest customer in terms of the assets that we funded".[2] What percentage of Greensill Capital's total lending was extended to GFG Alliance?
    a) What percentage of Greensill Capital's total lending was extended to its largest customer?
6. How much of Greensill Capital's total lending in the last four years has been underpinned by future receivables?

[1] Financial Times, The tiny audit firm that signs off Sanjeev Gupta's empire, 28 April 2021
[2] Treasury Committee, Oral evidence: Lessons from Greensill Capital, HC 151, 11 May 2021, Q 172

7. Did Liberty Steel UK or GFG Alliance receive financing from Greensill Capital at any point on the basis of future receivables? If so, how much capital was extended to Liberty Steel UK or GFG Alliance under the future receivables programme? What checks were undertaken before accepting future receivables?

8. In evidence to the Treasury Committee you said that Greensill Capital's future receivables programme was based on algorithms.[3] How did those algorithms inform your use of supply chain finance when lending to large private customers?

9. What is Greensill Capital's general approach to, and policy on, circular financing?

   a) Were you aware of circular financing being used by any of your customers?

      i) If so, were funds originally derived from Greensill Capital used as part of those circular financing transactions?

      ii) If so, please provide some specific examples.

   b) What assessment did you make of the risks of circular financing in the context of lending to GFG Alliance, and the risk that circular financing could have on the financial sustainability of Greensill Capital?

10. What did Greensill Capital gain from the use of circular financing by customers it extended loans to?

11. After raising concerns about Greensill Bank's exposure to GFG Alliance in December 2020, BaFin proposed a concentration reduction plan which you rejected. You told the Treasury Committee that you were later able to agree an alternative concentration reduction plan which included targets you thought you could meet.[4] Why was Greensill Capital unable to meet this revised concentration reduction plan with BaFin before it filed for insolvency?

12. Prior to filing for insolvency what concerns did you have about:

    a) Greensill Capital's credit risk prior to its trade credit insurance non-renewal;

    b) the concentration risk that each of Greensill Capital's large customers posed?

13. Why did Greensill Capital reportedly extend over £400 million of Government guaranteed loans to GFG Alliance when there was a £50 million limit on loans to individual companies?[5] What assessment did you make of the i) legality, and ii) ethics and appropriateness of using taxpayer-funded guaranteed in this way?

14. Did Greensill Capital provide any advice to GFG Alliance on how to structure its business interests in order to access Government-guaranteed loans? Was such advice offered to any other customers?

15. Did you personally ask employees, advisors or other stakeholders engaged with Greensill Capital to lobby decision makers in Government? If so, who?

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[3] Treasury Committee, Oral evidence: Lessons from Greensill Capital, HC 151, 11 May 2021, Q 157
[4] Treasury Committee, Oral evidence: Lessons from Greensill Capital, HC 151, 11 May 2021, Q166
[5] Financial Times, Gupta carved up business empire in attempt to secure UK Covid loans, 15 April 2021

Given the importance of these issues, and their centrality to our inquiry, you will appreciate the need for detailed answers. I would be grateful for a full response to these questions by close of play on Monday 5 July.

The Committee will consider your responses and confirm next steps in due course. We may publish your response on our website.

Darren Jones

Darren Jones MP
Chair, Business, Energy and Industrial Strategy Committee