

FROM THE RT HON DAVID CAMERON

By E-mail

Friday, 25 June 2021

Dear Dame Meg,

Thank you for the recent e-mail I received from the PAC Clerk, listing further questions from the Committee, following my oral evidence session with you on 13 May. May I also take this opportunity to warmly congratulate you on your recent Honour in The Queen's Birthday Honours list.

I am happy to provide the further written evidence requested, as set out below.

Greensill Capital:

Question 1 ***Which other government Ministers, special advisers, civil servants or other staff in central government, arm-length bodies or other public sector organisations did you contact as part of your work at Greensill, other than those already disclosed?***

It is already a matter of public record that, in addition to the contacts already disclosed, I spoke to Ministers and officials at the Department of Health and Social Care, including NHSX, about the introduction of Earnd within the NHS, where it was being offered for free as part of Greensill's Corporate Social Responsibility programme.

The Committee is aware that I became an enthusiastic advocate for Earnd, which enabled employees to see and access their pay as they earn it, in real-time and, crucially, for free, with no charges or interest rates, rather than having to wait until the end of the month. This was, to my mind, an antidote to exploitative payday lending schemes.

Question 2 ***Did you have any contact with Mr Crothers to talk about Greensill before you joined? When? Did he approach you about joining as well as Mr Greensill?***

I have looked into this since my evidence session with the Committee on 13 May and can expand on the answer I gave.

I cannot find any record of meeting Bill Crothers during my time as Prime Minister. I thought I might have done, given his senior role in the Cabinet Office, but I didn't.

My first definite encounter with Mr Crothers was at a meeting at Greensill that I attended prior to joining the firm, although I don't think we spoke. The first time I (ever) properly met Mr Crothers and spoke to him was after I joined Greensill in August 2018.

Question 3 *When and how was it decided that you were the best person to contact government on Greensill's behalf?*

I do not recall in any detail the conversation with the team at Greensill about contacting the Treasury. It is important to note that the company was already in contact with HMT before I made my representations and, as a general point, Lex Greensill, for example, talked to the government more than I did.

As I have already explained to the Treasury Select Committee, my discussions around the representations I made on Greensill's behalf to the Treasury (and other government bodies / officials) were principally with the CEO, Lex Greensill, and Bill Crothers, who was responsible for overseeing Greensill's engagement with the public sector.

Question 4 *What board meetings did you attend in 2020, did the board consider the company's financial position, and if so when? At which meeting did you become aware credit insurance was a problem?*

I attended most routine Board meetings throughout 2020 until November. Later, when there were key Board meetings in the run up to Greensill filing for administration, for example, I was not invited and did not attend. The last Board meeting I attended was on 10 November 2020. Naturally, Board meetings always included a financial report from the CEO and CFO.

In terms of the financial health of the business, my clear understanding was that while there was a period during which credit markets were constrained, the Greensill business itself was not at risk until the very end of calendar year 2020. I have told the Committee that the first time I became concerned that the company might be in serious financial difficulty was in December 2020, following a telephone call I received from Lex Greensill.

Up until that point, I firmly believed that Greensill was in good financial health. In the autumn of 2020, I understood Greensill was on track for a relatively strong year financially and it had embarked upon what looked likely to be a successful capital raising.

As I set out in my evidence to both the Treasury Committee and the PAC on 13 May, I was aware throughout my time at Greensill that the concentration of loans to GFG was an issue for the business. It was, for instance, discussed at Board meetings. Such discussions started before 2020 and this topic regularly came up at meetings. My understanding was that it was being actively managed and dealt with by the company appropriately and there were plans in place to reduce the concentration over time.

I do not recall being aware that insurance renewal was a problem for the business during 2020.

Supply chain finance during your time in office:

Question 5 When did you first become aware of the use of supply chain finance? Did you discuss it with Mr Crothers? If so, when?

Of course, I had been aware of the broad concept of supply chain finance (or ‘invoice financing’ or ‘factoring’, as it is sometimes also known) for a long time. It is a long-established tool of business.

From the official papers I have been able to access, the first time this was raised with me as having potential use in government to reduce finance costs for SMEs was in June 2012, via a memo submitted to me by my Private Secretary for Economic Affairs. The memo set out a proposal developed in the Cabinet Office by Jeremy Heywood and Oliver Letwin, who had both been, according to the memo, working with government suppliers, banks and business organisations.

The proposal being put to me was to ask the government’s top 50 suppliers to pass their low financing costs to their SME suppliers through a programme of guaranteeing their invoices. Some leading firms were already doing this. Expanding the programme would help address the “genuine problem of lack of access to finance for many SMEs”.

The note went on to describe how I might be involved in this programme: by writing to the government’s top 50 suppliers; and possibly dropping into a roundtable event at No10 later in the year for 20 minutes, which would be hosted by Jeremy Heywood and Oliver Letwin.

The memo included an attached note which, it explained, was from Lex Greensill (the actual note listed the “authors” as Jeremy Heywood, Oliver Letwin, Lex Greensill, Tim Luke and Andrew Van Der Lem). The cover memo from my Private Secretary described who Mr Greensill was: “a former Managing Director of Citibank and before that Morgan Stanley. Jeremy has brought him in to work a [sic] pro bono in the Cabinet Office.”

I indicated my consent to the proposals, with some comments to strengthen the draft letter to businesses.

I did not discuss this with Bill Crothers. As the Committee will see from my answer to Question 2, the first time I ever spoke to Mr Crothers was after I joined Greensill Capital as an Adviser in August 2018.

Question 6 When were you informed about Lex Greensill’s appointment? Did you approve it?

I have no recollection of approving Lex Greensill’s role in government and I can find no record of having done so from the papers I have been able to access. The Committee will appreciate that as Prime Minister, I was in regular contact with Jeremy Heywood and I often spoke to him several times a day. Lex Greensill’s role might well have been mentioned verbally in one of our numerous daily conversations, but I am afraid I am unable to confirm that either way. There was certainly no formal involvement by myself.

**Questions
7 & 8**

When did you first become aware of the Pharmacies Early Payment Scheme and what was your subsequent involvement in it?

Were you made aware of pharmacies experiencing delays in payment because of bureaucracy? When?

From the official papers I have been able to access, the first mention I can see of the Pharmacies Early Payment Scheme was in a note to me from Tim Luke, dated 10 October 2012, updating me on progress being made on supply chain finance. The note set out plans for the forthcoming roundtable event in No10 that I was to drop into for 20 minutes, and explained that at the event the Government and Department of Health would announce the launch of a SCF programme which would aim “to reduce the payment timeline for UK Pharmacies from 90 days to 36 days”.

In a further memo to me sent before the roundtable event (dated 22 October 2012), the proposal is set out in greater detail, including an explanation of the scale of the existing problem. The memo explained the announcement: that all 4,500 community pharmacy businesses in England would have access to the Government’s SCF programme (99 per cent of which were SMEs).

The note explained that at the time it took “the NHS Business Services Authority 61 days from end of month to pay pharmacies”. That meant that, on average, every pharmacy business was effectively extending the government £200,000 in credit. By implementing SCF such businesses would now be able to obtain settlement in 6-7 days, unlocking £800mm in new finance for these SMEs.

I have since seen an internal memo to the Minister for the Cabinet Office from officials in the Cabinet Office (dated December 2011) which considers government practices for paying suppliers, including SMEs, and ensuring that the SMEs in the government supply chain receive payments promptly. The note sets out a number of systemic issues around prompt payment, including “the deficiencies of the Prompt Payment Code”. This note briefly mentions the possibility of using supply chain finance within “pharmaceutical contracts”. To be clear, I would not have seen this note at the time. It was an internal memo within the Cabinet Office, and it has only been drawn to my attention recently.

As the Committee is aware, I was an enthusiast for this proposal and programme. The extent of the problem had been brought to my attention and what had been proposed seemed to be a practical solution, enabling NHS pharmacies to be paid more quickly than they were at the time by the NHS. I am not aware of having any further involvement in the scheme as Prime Minister, after the initial announcement.

Question 9

Did you direct civil servants to implement or prioritise the scheme?

The papers I have had access to show that I was supportive of the scheme. I commented favourably on the memos I received on SCF as Prime Minister. The feedback I can see I provided was entirely routine and there is no sense of unduly ‘prioritising’ this. It would have been one of many initiatives and programmes I supported within government as Prime Minister.

Crown Representatives:

Question 10 Did the initial policy come to Cabinet for approval? Were there any discussions?

The Committee will appreciate the long-standing convention of successive governments not to detail what discussions took place at Cabinet and Committees.

In general terms, policies requiring collective agreement can obtain this in a number of ways through Cabinet or Committees, including in the 'write round' process (some of which may not involve the Prime Minister's personal approval). Some matters may not be considered to require collective agreement and might be undertaken by just the department.

I am afraid I do not know which route the initial Crown Representatives policy would have fallen under.

Question 11 Were you asked to approve Lex Greensill's appointment as a CR in 2014?

I can find no record from the papers I have been able to access that I approved Lex Greensill's appointment as a Crown Representative, and I certainly have no recollection of doing so.

I hope this further information is helpful to the Committee's ongoing Inquiry.

Yours sincerely,

A handwritten signature in black ink that reads "David Cameron." The signature is written in a cursive, slightly slanted style.

Dame Meg Hillier MP
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