

28 June 2021

Darren Jones MP
Chair, Business, Energy and Industrial Strategy Committee
House of Commons
Westminster
London, SW1A 0AA

Dear Mr Jones,

Liberty Steel and the Future of the UK Steel Industry

Thank you for your letter dated 16 June 2021 regarding the inquiry that the Business, Energy and Industrial Strategy Committee (the Committee) is currently conducting into Liberty Steel and the Future of the UK Steel Industry.

I understand that as part of the inquiry, the Committee is considering how GFG Alliance was able to access the Coronavirus Large Business Interruption Loan Scheme (CLBILS) via Greensill Capital last year, and how these funds were used across GFG Alliance businesses and subsidiaries.

Greensill Capital was accredited as a lender by the British Business Bank (BBB) for CLBILS in June 2020. Given that I was the CEO of the Bank during that time, you have asked me a series of questions in relation to that accreditation to aid your understanding.

I set out your questions below, and my answers to them, in the order they were posed.

“What criteria were used by the British Business Bank when accrediting Greensill Capital as an approved lender under the CLBIL Scheme?”

The BBB applies transparent criteria to the accreditation of lenders under all schemes including the CLBILS. These criteria were set out in the CLBILS ‘Requests for Proposals’, and were available to view on the Bank’s website.

The criteria included requirements such as the ability to demonstrate a track record of lending to larger enterprises, the ability to demonstrate sufficient capital available to meet lending forecasts, robust operations and systems, that the proposed lending will not have unreasonable lender levied fees and interest, and that the applicant has all the necessary regulations, licences, authorisations and permissions to operate the scheme.

“Was there any input in Greensill Capital’s accreditation process from either i) any current or former HM Government Ministers, ii) Mr Sanjeev Gupta, and iii) any other external stakeholders?”

The BBB took the decision to accredit Greensill, applying the criteria set out in its published ‘Request For Proposals’. All decisions taken by the BBB were made independently, in

accordance with the Bank's usual procedures. In line with these procedures, BBB did not seek the approval of BEIS or HM Treasury for its decision to accredit Greensill Capital.

HM Treasury and BEIS were generally kept apprised of the accreditation processes for all Covid Schemes. Officials contacted BBB at a working level on a number of occasions to check the status of Greensill's application and to seek clarification on the likely timescales for a decision on accreditation.

Mr Sanjeev Gupta did not contact BBB in relation to Greensill Capital's accreditation process.

HM Treasury and BEIS had a role in the accreditation process where lenders were seeking enhanced accreditation to enable them to make individual loans of more than £50 million (referred to as "Larger Scheme Facilities"). As described in the CLBILS Request for Proposals, lenders would generally be expected to have permission to use the Internal Ratings Based (IRB) approach, approved for corporate lending at this scale, to be accredited to provide "Larger Scheme Facilities". It was agreed between BBB and Government that, if BBB considered there may be good reason why a lender should be accredited without such permission, BBB would consult with HM Treasury and BEIS to seek their views on such potential accreditation.

Greensill Capital requested this enhanced accreditation to provide Larger Scheme Facilities, but BBB declined the request and did not approach Government with a proposal as Greensill Capital were not IRB authorised.

"Did you or other senior officials in the Bank have concerns about Greensill Capital's suitability as an approved lender?"

According to the information submitted and available to it at the time of accreditation, the BBB considered that Greensill Capital met the criteria to be a lender under the scheme.

"Were the Bank of England's concerns about Greensill Capital's financial viability in March 2020 represented to you or your senior officials – by either BoE, HM Treasury or any other Government body – before Greensill Capital was accredited under the CLBIL Scheme?"

We were not aware of any such concerns about Greensill Capital's financial viability and I am not aware of any such representations being made to me or my senior colleagues.

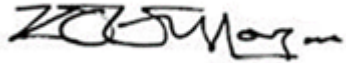
"Did you have any concerns about links between Greensill Capital, GFG Alliance and Wyelands Bank? Did you have any reason to believe that state-backed COVID financing extended to Greensill could ultimately be used improperly, irresponsibly or illegally by Greensill Capital, GFG Alliance or Wyelands Bank?"

The process for evaluating Greensill Capital as an appropriate lender for CLBILS did not involve the evaluation of GFG Alliance or Wyelands Bank.

CLBILS is a delegated lending scheme where the decisions regarding lending are the responsibility of accredited lenders. BBB has no involvement in the credit decisions of its accredited lenders.

At the point of accreditation, BBB considered that Greensill Capital met the criteria for CLBILS and BBB had no reason to believe that any lending by Greensill Capital under CLBILS would be used improperly, irresponsibly or illegally.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Keith Morgan'.

Keith Morgan CBE

Former CEO, British Business Bank