



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Mr Sanjeev Gupta
Chief Executive Officer
GFG Alliance

[By email]

13 July 2021

Dear Mr Gupta,

Liberty Steel and the Future of the UK Steel Industry

Thank you for your letter of 1 July and your written evidence submission.

I would like to reiterate my disappointment at your refusal to appear before my Committee to answer important questions about GFG Alliance and Liberty Steel. The last-minute nature of this refusal is deeply discourteous to my Committee and to Parliament. In oral evidence you would have had the opportunity to clarify concerns about corporate governance, lending practices, and use of taxpayer-backed funding within GFG Alliance. The public will infer what they will from your refusal to appear.

Our evidence has shown the unusual extent to which you personally control the finances of Liberty Steel and its associated companies. As confirmed by the National Audit Office's recent report, Liberty Steel companies have received £250m in taxpayer-backed loans extended by Greensill Capital under the Coronavirus Large Business Interruption Loan Scheme. A further £150m of Government-guaranteed funding was extended to other GFG Alliance companies, or companies with close connections to GFG Alliance. Given the taxpayer's considerable exposure to GFG Alliance, it is right that Parliament and my Committee should expect you to give evidence to our inquiry. Other reputable companies who make use of public funds regularly make themselves available.

I note your commitment to answer questions in writing and have set out several key questions below. I appreciate that the questions are extensive. They are – in part – some of the questions my Committee would have put to you had you attended an oral evidence session.

Given the broader importance of these issues, as well as their centrality to our inquiry, you will appreciate the need for detailed and comprehensive answers. I expect your written submission to answer each individual question in turn and will not accept attempts to avoid questions by providing sweeping general answers in a format to your liking.

I would be grateful for a response to these questions by close of play on 27 July. The Committee will consider your response and confirm next steps in due course. We may publish your response on our website.

Please note my Committee also reserves the right to call you to give evidence at a future point.

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



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Liberty Steel-GFG Alliance relationship

- Q1 GFG Alliance is a loose collection of many businesses, of which Liberty Steel is one part. We have heard evidence that this structure is unusual. Please explain why you decided to structure your business in this way and, if changes are now being made, confirm what those changes are.
- Q2 We have heard evidence that the interconnected nature of many GFG Alliance and associated businesses (for example, businesses owned and operated by former GFG Alliance employees) is also unusual. Please outline how this corporate structure is beneficial to Liberty Steel UK.
- Q3 Please outline in detail the financial and legal relationships between Liberty Steel UK companies, including Liberty Steel Commodities, and how these interact with functions associated with GFG Alliance (whether that means merely you or the various employees who are described as role holders for GFG Alliance, even though the alliance is not a legal entity in its own right). Please explain how standard practice board-level oversight and accountability is exercised in the context of these legal structure.
- Q4 In evidence to the Committee Liberty Steel UK Chief Financial Officer, Anton Krull described a ‘central treasury function’ within the GFG Alliance that provided the required finances to Liberty Steel UK companies.¹ Please explain i) what this ‘central treasury function’ is, ii) in which legal entity it is located, iii) who specifically is responsible for running it, and iv) how this arrangement benefits Liberty Steel.
- Q5 How much of a priority is Liberty Steel UK for you personally?
- Q6 Between 2016 and 2019 you acquired several steel businesses around the world, some of which were in administration or struggling financially.² What due diligence did you undertake to assess the long-term viability of these assets before purchasing them?
- In conducting this due diligence, did you request financial support from mainstream lenders to support your acquisition of these companies? If so, did they agree to your requests? If not, why did they decline to support your proposals?
 - What assessment have you made of your decision to acquire many assets in such quick succession?

Liberty Steel’s financial position

- Q7 How much money has been raised per month from Greensill Capital for Liberty Steel UK sites since March 2020?
- Q8 How much debt does Liberty Steel UK currently owe to Greensill Capital?
- Q9 Liberty Steel Newport reported a turnover for the year ending 2019 of £326m compared to £3.7 million in profit. Please outline why net profit at some Liberty UK sites are much lower than turnover, and your assessment of the sustainability of this financial performance.
- Q10 What is the total value of loans Liberty Steel UK sites received from Wyelands Bank?

¹ BEIS Committee, [Oral evidence: Liberty Steel and the Future of the UK Steel Industry, HC 118](#), 22 June 2021 Q171

² The Sunday Times, [Follow the money? It isn’t easy in Sanjeev Gupta’s empire](#), 15 March 2020



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Q11 In written evidence to the Committee on 6 July, you stated that GFG Alliance has a “policy of seeking, wherever possible, to diversify its capital base as it goes through the current period of refinancing”.³ To what extent will the future financing of Liberty Steel UK sites depend on supply chain finance, and what alternative financing methods will Liberty Steel UK seek to use?

Q12 Please outline the restructuring plans for Liberty Steel UK sites if GFG Alliance is unable to agree re-financing from private investors or Government intervention?

Greensill Capital and Wyelands Bank financing of GFG Alliance

Q13 You are listed as the director of a company named GFG Alliance Ltd on Companies House UK. This company is listed as dormant with £1 in net assets.⁴ What is the purpose and activity of this company?

Q14 In written evidence you stated that “by 2020 GFG Alliance had recognised the need to further diversify its lender base to reduce its reliance on Greensill Capital” and that “this process was underway but became a greater challenge as the Covid-19 pandemic swept across the world”.⁵ Please outline the specific steps you have taken to refinance GFG Alliance’s debt to Greensill Capital from March 2020 to March 2021.

Q15 The *Sunday Times* reported in March 2020 that GFG Alliance and Greensill Capital’s “fortunes have become inextricably entwined” as Greensill Capital supplied much of GFG Alliance’s working capital.⁶ Why did GFG Alliance borrow such large amounts from Greensill Capital alone, and therefore become “inextricably entwined” with it?

Q16 In a letter to the *Financial Times* dated 7 April 2021 you stated that “many of Greensill’s financing arrangements with its clients, including with some of the companies in the GFG Alliance, were “prospective receivables” programmes, sometimes described as future receivables.”⁷ How do you respond to the concern that GFG Alliance companies were overexposed to risky financing via Greensill Capital’s prospective receivables programme?

Q17 What percentage of GFG Alliance’s total funding was premised on Greensill Capital’s prospective receivables programme?

Q18 In written evidence to the Committee you stated that as part of Greensill Capital’s prospective receivables programmes, sometimes described as future receivables, “Greensill employees identified companies with whom its counterparties could potentially do business in the future. Greensill then determined, at its discretion and based on insurance capacity it had, the amount of each Prospective Receivables purchase and its maturity”.⁸ In evidence to our inquiry, Professor Yang stated that it is “unimaginable” that the potential borrower would enter into a deal without being aware of who the companies it is raising invoices against are.⁹ How do you respond to this concern?

Q19 Why did you buy Wyelands Bank in 2016?

³ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021

⁴ Companies House, [GFG ALLIANCE LTD](#)

⁵ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.14-15, paras 58

⁶ The Sunday Times, [Follow the money? It isn’t easy in Sanjeev Gupta’s empire](#), 15 March 2020

⁷ Financial Times, [Letter: Put a focus on Greensill’s ‘prospective receivables’](#), 7 April 2021

⁸ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.14-15, paras 57

⁹ BEIS Committee, [Oral evidence: Liberty Steel and the future of the UK steel industry, HC 118](#), 6 July 2021, Q452



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- Q20 UK financial regulations permit banks to lend up to 25 per cent of their core capital to related parties. In a previous evidence session Wyelands Bank confirmed that around 80 per cent of its lending was to GFG Alliance companies before 2019. Do you believe that this percentage was an appropriate amount? If so, why? If not, why did you allow this concentration of lending?
- Q21 Wyelands Bank was sanctioned by the Prudential Regulatory Authority (PRA) for breaching rules on lending to related parties. At the time of this sanction you were the owner of both Wyelands Bank and GFG Alliance. Were you aware of this breach of lending rules?
- Q22 In written evidence you stated that “GFG is confident that it has abided by all relevant legislation with regard to related party transactions” in relation to Wyelands Bank.¹⁰ If Wyelands Bank abided by all legislation, please outline your understanding of why the PRA sanctioned the Bank?
- Q23 It was suggested in evidence to the Committee that you had previously attempted to set up offshore companies to support your business plans, requesting advice from Mossack Fonseca.¹¹ Please confirm whether this is correct and, if so, why you sought advice on this from Mossack Fonseca?

Circular financing

- Q24 It was reported in the *Sunday Times* that Liberty Steel Newport engaged in circular trading.¹² In your written evidence you describe this as a “bilateral or tripartite Repurchase agreement (REPO) structure” which “is common not only in commodities but even more so in financial markets”.¹³ In evidence, Professor Siddiqui stated that this “does not look like a regular practice”.¹⁴ Similarly, Professor Yang agreed that this agreement was “quite unusual”. How do you respond to these assessments of Liberty Steel Newport’s financial practice?
- How frequently was this REPO structure used within Liberty Steel UK companies?
 - The *Sunday Times* reported that the terms set out by Greensill Capital determined that an invoice was only eligible for financing by Greensill if it related to “an actual and bona fide sale of tangible moveable goods”.¹⁵ In written evidence you described the circular trading involving Liberty Steel Newport as “raising finance through a temporary sale of inventory not needed immediately”.¹⁶ Does this confirm that there was no dispatch of goods as part of this sale?
 - If goods were not dispatched, how do you respond to the assessment that Liberty Steel Newport was in breach of the lending terms stipulated by Greensill Capital?
- Q25 Which company or companies ultimately benefitted from the use of circular trading schemes, or REPO structures, within GFG Alliance?

¹⁰ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.15, paras 61

¹¹ BEIS Committee, [Oral evidence: Liberty Steel and the future of the UK steel industry, HC 118](#), 6 July 2021, Q501

¹² The Sunday Times, [Revealed: Sanjeev Gupta’s circular money trail](#), 17 April 2021

¹³ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.15, paras 60

¹⁴ BEIS Committee, [Oral evidence: Liberty Steel and the future of the UK steel industry, HC 118](#), 6 July 2021, Q466

¹⁵ The Sunday Times, [Revealed: Sanjeev Gupta’s circular money trail](#), 17 April 2021

¹⁶ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.15, paras 60



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Q26 The *Financial Times* reported that there were a number of “suspect invoices” raised by Liberty Commodities.¹⁷ In evidence, Cynthia O’Murchu stated that “there were instances where you could see signatures and company seals that were near identical... We then talked to individual companies or company CEOs, who told us that they had never done business with GFG Alliance”.¹⁸ How do you respond to the assertion that GFG Alliance used fake or suspect invoices for its own commercial gain?

Accounting and audit practices

Q27 In October 2019 you committed to publishing a consolidated set of accounts for GFG Alliance companies. Why have these accounts still not been published?

Q28 You stated in written evidence that “smaller businesses, for example in the UK, have historically had smaller auditors commensurate to their scale”.¹⁹ In evidence, Professor Siddiqui stated that King & King would be “severely stretched” if it were to audit numerous GFG Alliance companies.²⁰ Why did you select King & King to audit GFG Alliance companies?

Q29 In evidence, Mr Patel of King & King, the engagement partner for GFG Alliance, said that he would meet with you one to two times each year. Is that correct?

Q30 It has been reported by the *Sunday Times* that a number of GFG Alliance companies, including Liberty Speciality Steels and its subsidiary Speciality Steels UK, changed their accounting deadlines in 2020.²¹ Why was the changing of accounting deadlines necessary and what did this hope to achieve?

Government support

Q31 GFG Alliance companies received £350m in UK Government-guaranteed loans in September 2020.²² £250m of these loans were received by Liberty Steel UK subsidiaries. Please provide details of how this money was spent at Liberty Steel UK.

- a. Did i) Liberty Steel UK, and ii) any other GFG Alliance entities, secure financing through the CLBIL Scheme via lenders other than Greensill Capital?

Q32 To what extent are GFG Alliance and Liberty Steel UK in a sufficiently strong financial position to repay the Government-guaranteed loans received from Greensill Capital?

Q33 The UK Government previously rejected a request from GFG Alliance for a £170 million loan. In a BEIS evidence session the Secretary of State stated that it would be irresponsible to give money to “companies that are very opaque”.²³ Do you i) agree with the Government’s assessment of GFG Alliance, and ii) believe the Government’s decision was correct?

¹⁷ Financial Times, [Suspect Sanjeev Gupta invoices used in Greensill loans raise fraud concerns](#), 17 June 2021

¹⁸ BEIS Committee, [Oral evidence: Liberty Steel and the future of the UK steel industry, HC 118](#), 6 July 2021, Q461

¹⁹ BEIS Committee, GFG Alliance, [GFG Alliance Evidence Submission to BEIS Select Committee](#), Published 6 July 2021, p.12, paras 48

²⁰ BEIS Committee, [Oral evidence: Liberty Steel and the future of the UK steel industry, HC 118](#), 6 July 2021, Q470

²¹ The Sunday Times, [How Sanjeev Gupta's tangled web spun out of control](#), 14 March 2021 and The Sunday Times, [Follow the money? It isn't easy in Sanjeev Gupta's empire](#), 15 March 2020

²² National Audit Office, [Investigation into the British Business Bank's accreditation of Greensill Capital](#), 7 July 2021, p. 37

²³ Business, Energy and Industrial Strategy Committee, [Oral evidence: The work of the Department and Government response to coronavirus, HC 301](#), 13 April 2021



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- Q34 The *Financial Times* has reported that GFG Alliance companies were divided into separate legal entities in order to bypass the £50 million lending limit on CLBILS loan guarantees.²⁴ Is this accurate?
- a. Would you assess this separation of entities as i) legal and ii) ethical?
- Q35 The National Audit Office has confirmed that of the eight total Greensill Capital CLBILS loans, seven were secured by GFG Alliance companies and an eighth was secured by a company whose owner was previously a board member of GFG's charitable foundation and GFG's strategic board.²⁵ How interdependent were GFG Alliance and Greensill Capital in order for Greensill to lend all eight Government-guaranteed loans to GFG Alliance and related companies?
- Q36 Did you personally lobby any current or former Government Ministers or officials in seeking to secure Government-backed support for any GFG Alliance entities?

²⁴ Financial Times, [Gupta carved up business empire in attempt to secure UK Covid loans](#), 15 April 2021

²⁵ National Audit Office, [Investigation into the British Business Bank's accreditation of Greensill Capital](#), 7 July 2021, p.