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Dame Meg Hillier MP
Chair
Public Accounts Committee
Westminster
SW1A 0AA

Dear Dame Meg

I was grateful for the opportunity to answer questions from you and other members of the Committee on 22 July 2021 as part of your inquiry into the Lessons from Greensill Capital ("Greensill"). As requested at and following this hearing, I am writing to provide further information about a number of different topics discussed during the session.

The British Business Bank is a government-owned economic development bank, whose shareholder is the Secretary of State for Business, Energy and Industrial Strategy ("BEIS"). The Bank is operationally independent from BEIS and maintains its own separate Board and governance structure. Between March 2020 and March 2021, the Bank was responsible for implementing the government's Coronavirus business loan schemes, including the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") and the Coronavirus Business Interruption Loan Scheme ("CBILS"). These schemes were based on the Bank's experience of administering the successful Enterprise Finance Guarantee Scheme, and followed a delegated scheme model whereby accredited lenders provided loans directly to businesses.

Receipt of information regarding investigations into Wyelands Bank

In response to questions from the Chair (Q9-11), I agreed to write to the Committee with more information concerning when the British Business Bank ("BBB" or the "Bank") first became aware of problems with Wyelands Bank and what the status was of Greensill's accreditation at the time.

Based on our enquiries, to my knowledge, information regarding investigations by the PRA and the SFO into Wyelands Bank was not shared with the BBB at any stage prior to or during Greensill's accreditation process.

The BBB's role was to determine whether Greensill was eligible to be an accredited lender. As Wyelands Bank did not apply to the BBB for accreditation under any scheme the BBB did not assess

Wyelands Bank. Wyelands Bank and Greensill were and are separate entities, although you will be aware that Wyelands Bank is a part of the GFG Alliance, and other GFG Alliance companies borrowed from Greensill under CLBILS. However, CLBILS was a delegated scheme, in which credit assessments of the ultimate borrowers were undertaken by the delivery partners, rather than by the BBB (and in any case, Wyelands Bank was not a borrower under CLBILS).

Greensill was assessed as a delivery partner according to the standard accreditation processes of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS). At the point of accreditation and based on the information provided to the BBB, the BBB considered that Greensill met the criteria for delivery partners set out in the CBILS and CLBILS Requests for Proposals. Greensill was formally accredited on 4 June 2020 under CLBILS for the invoice finance variant and subsequently on 8 July 2020 for the term loan and revolving credit facility variants.

Based on our enquiries, to my knowledge, it was not until information regarding the PRA and SFO investigations into Wyelands Bank had entered the public domain in or around May 2021 that the BBB first became aware of the concerns and investigations involving Wyelands Bank.

Terms of the Guarantee Agreement relating to the financial health of a lender

In response to questions from Sir Geoffrey Clifton-Brown (Q43-44) I agreed to write to the Committee regarding the Bank's standard terms of lending and whether these included any clauses which would be impacted by material changes to the financial health of a lender.

CLBILS was a delegated guarantee scheme. Therefore, the BBB was not a lender under the CLBIL scheme and, as such, any lending was on the delivery partner's standard lending terms, albeit with amendments to reflect the scheme's eligibility criteria.

It may be that Sir Geoffrey would be interested in the form of guarantee agreement which was entered into by accredited lenders with the Secretary of State for BEIS as Guarantor (the "Guarantee Agreement"). The financial position and background of the lender is considered during the accreditation process. The Guarantee Agreement includes representations by the lender, which are deemed to be repeated at all times (absent correction), that all information provided for the purposes of the Agreement is true and accurate at the time provided and that no information has been given, or knowingly withheld, which would render the information provided by the lender untrue or misleading. The Guarantee Agreement also provides for notification of an insolvency event relating to the lender, and lender insolvency is a ground for termination of the Guarantee Agreement. However, termination on the grounds of lender insolvency does not in and of itself affect the validity of pre-existing CLBILS guarantees.

Borrower pipeline

In response to a query from Mr Peter Grant (Q101) we agreed that the BBB would write to the Committee concerning what inquiries the BBB made to identify the 10 prospective borrowers Greensill claimed they would be supporting via CLBILS.

Greensill's application (expression of interest and formal proposal) for accreditation for the Invoice Finance Variant under CLBILS outlined that Greensill had several hundred existing facilities globally, which it anticipated to grow over the next 12 months. These clients operated across multiple sectors including Telecom, Retail, Pharmaceuticals and Industrials and it was indicated that 30% of Greensill's clients were UK based, with this ratio expected to remain going forward. It listed several of its key clients, which included several well known UK corporates from the telecoms, pharmaceutical and consumer sectors which were verifiable publicly. Greensill's typical facility size was around £35m and it requested an initial lending allocation of £1bn. Given that Greensill's accreditation was set at £400m it was expected that this would cover 8-12 facilities. Greensill's formal proposal for accreditation for the invoice finance variant of CLBILS stated that it expected significant uptake from existing clients and it had a pipeline with a large number of corporate clients.

Following accreditation for the invoice finance variant, Greensill subsequently requested accreditation for the Term and RCF Variants. BBB asked for additional information on Greensill's CLBILSpipeline. BBB was provided with a list of 10 names for facilities between £5m-£50m, this list included a range of companies from multiple sectors.

CLBILS was a delegated scheme, in which credit assessments were undertaken by the delivery partners. As such, the BBB did not have a role in assessing the creditworthiness of Greensill's potential borrowers nor in approving individual loans made by Greensill; that was the responsibility of Greensill.

Debt advice

In answer to further questions from Sir Geoffrey Clifton-Brown (Q54-57) the BBB agreed to provide the Committee the advice it received from EY, the responses from the joint administrators of Greensill to its letter of concern and any other supporting documentation when received. This information is commercially sensitive, and we consider that EY's report is covered by legal professional privilege. As such, the report cannot be shared in a public forum. However, I would be happy to arrange for the Committee to review EY's report via a reading room format if this would be of value to Committee members. In order to do so, we would require the Committee's prior written agreement that the report would be kept confidential, and that legal professional privilege is not waived by making it available to the Committee. If this is acceptable to the Committee, we will engage with the Clerk to the Committee in order to address the necessary procedural steps.

Conclusion

The Bank remains committed to administering our Covid response schemes to the very best of our ability, taking on board lessons learned since launch to deliver value for money for the taxpayer. If you have any further questions about any of the topics outlined above, please do contact me or the team at bbbpublicaffairs@british-business-bank.co.uk.

Yours sincerely

Catherine Lewis La Torre
Chief Executive