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Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
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Dear Dame Meg,

Following your appearance at a recent roundtable with UK Finance colleagues, and ahead of the Public Accounts Committee's evidence session on the Bounce Back Loan Scheme (BBLS) on 10 January, I thought it helpful to set out in further detail the banking and finance industry's role in delivering the BBLS, which provided £46 billion in finance to 1.5 million businesses during the Covid-19 crisis.

As you will be aware, UK Finance is the collective voice for the banking and finance industry in the UK. Representing 300 firms, we act to enhance competitiveness, support customers and facilitate innovation.

The BBLS was announced by the Chancellor on 27 April 2020, following the launch of Coronavirus Business Interruption Loan Scheme. The scheme was designed to be "a simple, quick, easy solution for those in need of smaller loans"[1]. Under significant operational pressures, lenders worked at unprecedented pace to deliver the scheme. A week after the Chancellor announced the proposals, the BBLS went live with the first customers successfully receiving loans. The government prioritised speed in getting funding to applicants and therefore expressly designed the scheme to exclude lenders' normal credit checks, accepting this could lead to higher levels of losses than is typically associated with business lending. The Chancellor also made it clear to lenders that it was his firm expectation that businesses would receive funds within 48 hours of a BBLS application.

Under the rules of the BBLS, which were set by government, businesses applying for a Bounce Back Loan only had to self-certify that they understood the repayments costs and confirm they would make timely repayments in future. Credit checks on BBLS applicants were not permitted. Applications from customers without an existing business account were subject to onboarding checks, including customer fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) assessments, prior to any loan being made.

UK Finance has been working closely with the British Business Bank, accredited lenders, HM Treasury, the Department for Business, Energy and Industrial Strategy and the Cabinet Office to

[1] https://www.gov.uk/government/speeches/chancellors-statement-to-parliament

minimise the risk of fraud under the Bounce Back Loan Scheme. Amongst other measures, there is a cross-industry platform managed by CIFAS to enable lenders to check if duplicate applications had been made for a BBLS loan with other lenders.

Following the publication of the National Audit Office report into the BBLS, media coverage has focused on headline figures relating to likely levels of default and fraud associated with the scheme that are based on projections made earlier this year in March. Subsequent projections on likely fraud and default levels have been revised down multiple times as an increasing amount of scheme data has become available. Recent data published by the British Business Bank shows that the overwhelming majority of BBLS borrowers are meeting their monthly repayments[2].

It is also worth noting that government loan schemes are just one element of the support the industry has provided to customers throughout the crisis. Lenders have provided billions of pounds in commercial lending along with extensive levels of forbearance. It is estimated that across the industry, 3-4 per cent (c.200,000) of businesses are currently recipients of capital repayment holidays, term extensions or other support.

We hope this provides the Committee with some useful context. Please do not hesitate to contact if you have any further questions regarding the details set out in this letter.

Yours sincerely,

Stephen Pegge
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UK Finance

[2] https://www.british-business-bank.co.uk/covid-19-emergency-loan-schemes-repayment-data/