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27 January 2022

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 10 January 2022 as part of your follow up inquiry into the Bounce Back Loan Scheme (BBLS). At the hearing, the British Business Bank (the Bank) committed to providing the Committee with written updates on several points of discussion. I am now writing to provide these updates.

Missed BBLS payments

The Bank collects arrears data from each of the 28 BBLS lenders through the data collection portal, this is the centralised hub for BBLS information, holding 70 data points for the 1.5m+ facilities issued under the scheme. Lenders upload arrears information onto this information at least on a monthly basis.

As of 10 January 2022, approximately 157,000 of the more than 1.5m total BBLS borrowers had missed a payment and were therefore in arrears. Below is a breakdown of how long these borrowers have been in arrears:

- 31,533 borrowers had been in arrears between 1 and 30 days
- 21,959 borrowers had been in arrears between 31 and 60 days
- 18,234 borrowers had been in arrears between 61 and 90 days
- 85,818 borrowers had been arrears for more than 90 days

Fraud Rates in the Enterprise Finance Guarantee Scheme

Over 32,000 facilities were drawn under the Enterprise Finance Guarantee Scheme (EFG) between 2009 and 2020. Less than 0.1% of these facilities were identified by the lenders as having been taken out fraudulently.

Given the distinct nature of the EFG scheme we have not conducted a similar fraud sampling exercise as undertaken for BBLS. Therefore, these figures cannot be compared to the fraud sampling results from the PWC work that was referred to in the NAO report. At this stage of BBLS, lenders have identified 1.4% of the loans by value (£631.5m) as being suspected fraud in the BBB Portal. We would expect this level to grow. Given the differing nature of the schemes we would expect there to be a higher level of fraud in BBLS compared to EFG and the other emergency Covid loan schemes.

Differences in reported fraud rates between BBLS lenders

Early data shows some differences in reported fraud rates across the 28 BBLS lenders. We do not believe we are yet able to draw conclusions from this data regarding the efficacy of different counter fraud approaches adopted by different lenders.

Lenders reporting higher rates of fraud may have different business models or operated the scheme differently (e.g. being open to new customers). They may also have begun investigating and reporting fraud at different rates. The Bank continues to work with lenders in order to better understand and validate what may be driving these differences, and to share best practice, data and insight.

Businesses who have taken out more than one Bounce Back Loan

The Bank continues to work with lenders to identify and address potential duplicate applications made by a single business. To date we have shared information on around 13,000 possible duplicate facilities with the relevant lenders for investigation and possible action. It is possible that only a small subset of these will be confirmed as duplicates following investigation.

Impacts on the alternate and wider lending sector

Helping to create a more diverse finance market for smaller businesses is one of the British Business Bank's core objectives. We have a strong track record in this area, and we are proud we were able to accredit 28 lenders to deliver BBLS. Through our core programmes 94.5% of funding is distributed through smaller banks, non-bank lenders, alternative lenders and equity providers.

As set out in the Reservation Notice sent prior to launch of BBLS, the Bank was concerned about the impact the scheme might have on diversity of supply. Data shows that, although challenger banks gross lending was the highest on record in 2020, pre-pandemic trends in the market share of challenger banks were reversed in 2020. It is still too early to say whether this impact was short-term or has longer-term consequences. The upcoming first phase evaluation of the scheme will consider this issue when assessing the success of the scheme. This is due to be published in Spring 2022.

The Bank's annual Small Business Finance Market Report explores these issues in more detail. Our next publication is due in March 2022 and last year's report can be read at the following link:

https://www.british-business-bank.co.uk/wp-content/uploads/2021/03/BBB-SBFM-Report-2021-Widescreen-AW-tagged-002.pdf.

Conclusion

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

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