

Written evidence submitted by Rich Merrick

Introduction

I submit evidence on behalf of myself in regards to my company Elite Executive Travel Ltd. We are a small company based in the North West of England serving business clients for their ground transportation. We turnover well under £500k PA. We have been in business since 2008, turning from a start-up loss to profit within three years and this was through the original banking crisis. We currently have 2 owner directors, 2 employees and 5 Self Employed staff.

Although we may run premium vehicles, we often find ourselves in competition for business with standard taxi companies. To be clear, this makes us a high turnover with low profits sort of company. We do not have guaranteed income, we only know how many bookings we have in, when they booked and nothing is guaranteed prior. As such the current situation has forced us to hibernate the company until travelling conditions return to normal.

Summary of reason for Evidence

1 – General Business Support in regards to a lack support to SME LTD Co owners and Directors and the borderline discrimination versus Employed and the Self employed. And in turn, the knock on effects of that lack of support.

2 – Access to Finance

3 – Summary on Policy

General Business Support;

I'd like to start broadly with the support offered to businesses. I do believe this sums up the Government response in many aspects of the crisis, but if I may stick to the examples we have found in our business then I hope it may prove of some use in your enquiries.

The support offered to Employed and SE workers was very much welcomed, but there was dismay at the fact pressure (David Davis MP and a threat to take UK Gov to court on a discriminatory base) was required to include SE workers in a protection scheme. It was unclear at one point whether the Chancellor was almost rewarding workers on PAYE versus SE workers. After all, SE workers are often some of the poorest in the UK, and deserved to be treated equally.

In most cases of response to the current crisis, the UK Gov seemed to lag 2-3 weeks in comparison to other major economies in offering advice, guidance and support to their citizens. (Denmark, Norway for eg).

I then question the response for a section of the business world who have not been included with any assistance, in fact we seem to be strongly excluded, and that is SME owners of LTD companies who use Dividends to pay themselves in part due to the nature of their businesses.

We generally tend to use dividends because we can't sustain a regular wage as our income and expenditure fluctuate to such a degree. I refrain further from going to the reasoning, the pro's and cons and opinions on said schemes, but the fact is, there are many of us who exist, we are quoted as being the "cornerstone of the British economy" (When it comes to polling day it seems), but we are now left to fend for ourselves where others are not.

As it stands, we can claim 80% of our salary via furlough. For most I imagine, this equates to £400-£500 per month.

We could continue to pay a form of dividend or unsupported higher salary, but either way, (with zero sales coming in) we are putting ourselves into debt.

In response, we could utilise CBILS. But without knowing when the economy will return to normal, it would be reckless to start borrowing money without some form of certainty that we would be able to repay such a loan when repayment would need to be required. In addition, by borrowing now, what would happen if there was a second wave? We would need to borrow more. At which point you would look at the viability of a business and likely close it down. With the UK Gov guaranteeing said loans, the majority of debt would fall against the Gov. In addition, it would lose VAT generated through sales, Corporation tax, Dividend tax, Employee PAYE, and the TAX paid by the SE workers due to the closure of what was a viable business.

Should owners continue to pay themselves dividends and utilising a directors loan account, they increase personal risk should the business wind up also.

However, Government assistance to owners who pay by dividends expunges all risks and leaves a company ready to start business and reduces the risk in loss to UK Gov.

So if we were able to access similar support schemes, we wouldn't need to take money from the business, we would be at risk personally for our own bills at home, I mean we're looking at a problem that will snowball without equal support but with it, we are ready to do business and thrive when the time comes.

Both schemes will pay 80% of up to £2500 of an income. The SE scheme is based on a worker not exceeding £50k PA.

In our case, we paid two owner/directors approx £44K in total with a combination of salary + dividends. That's not dissimilar to the previous years either.

I note the HMRC and Mr Sunak stated they could not support SME's because they could not distinguish between those who used Dividends for income and those who used for savings. That's not the case, as it can certainly be proven from our end and quite easily.

A chartered accountant can verify this, bank statements can verify this, a fear of prosecution if attempted fraud can assist in the matter. I mean you cannot have Mr Johnson and Mr Sunak claiming “we’re in it together” when they fail to recognise the plight of the Limited small business owner when it comes to financial assistance, yet the claim to be fully understanding and appreciative when it comes to the ballot box or a daily briefing speech.

In short, I am not looking for the UK government to prop up every part of our business, but there are no circumstances where one would borrow for business or personally when there is absolutely no light at the end of the tunnel. It’s irresponsible and negligent. Yet that is the only current options I have to survive personally, and for the business.

I fear the danger of this lack of support similar to employed and SE to owners, is likely to disincentivise those currently in that position going forward from running or keeping the businesses open. If there is a second or third wave as history teaches us there may well be, then what would be the point of leaving oneself open to the risk of failing in personal finance because 75-80% of their income will not be supported, where as their employees are.

I mean this unselfishly but as desperate as it actually is, but we cannot live off less than our staff when we have similar outgoings. We cannot borrow money without knowing how much we need to borrow and when. With that risk, why own and run a business when your own Government doesn’t have your back.

Access to Finance;

Although we are not at the point of wanting to borrow just yet, we are being told of the difficulties in getting access to finance through two banks thus far. Barclays and HSBC.

Both are devising incredibly long processes and questionnaires (These are with their own customers with long histories) that are restricting customer access to loans that the UK Gov has guaranteed the majority of and have instructed banks to pass onto with haste to customers. We are Barclays and have experience of similar difficulties prior to the current crisis. A supplier in a similar position is now 4 weeks into their application and it’s forcing me to look elsewhere where I can for when the time comes.

However, may I mention particular recognition must go to the Natwest Group of companies. The first bank to offer 3 month mortgage holidays (2 weeks prior to the government making it mandatory). One of their subsidiaries Lombard, did not offer me a 3 month payment holiday, they gave me 6 months. I think with the foresight and how many companies responded to the coronavirus in advance of UK Gov, (Reading the situation from other countries), it is clear that the UK Gov was slow to react in all aspects and seemed to take the lead from aforementioned institutions and other countries reactions, but took two weeks longer than required resulting in longer damage to the economy and public service provision.

It was also extremely strange yesterday to see the UK Gov announce 100% guaranteed loans of up to £50k. I found it strange to simply adopt policies of other countries by offering 100% on the current CBIL scheme and force the banks to adopt either a similar form or follow the

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Natwest's lead as I understand they are responsible for half of all money lent thus far through CBILS.

There seems to be a similarity with the 2008 crash where money was pumped into banks for the purpose of lending, yet criteria and interest rates seemed to determine whether the customer would receive or be able to afford those funds.

The crisis that we are in, can UK Gov or the BoE, simply state a universal form and interest rate for applications, especially as UK Gov is guaranteeing the largest proportion of the funding. Are we not allowing Banks to remain inflexible to retain profits and control putting SME's at risk?

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