



Statement from the All-Party Parliamentary Group on Fair Business Banking

The APPG's recommendations to the Government in relation to the Covid – 19 financial support measures

With the revised CBILS process underway, it is critical that the focus quite rightly remains on those that are unable to access CBILS via the existing providers, and on ensuring that the processes and eligibility criteria are straightforward and speedy.

According to figures [released by City AM last night](#), there have been 309,000 CBILS applications, and only 2,022 approvals worth a combined value of 291.9m. This represents an approval rate of just 0.65%--down from 0.73% when the scheme launched--an average loan size of £144,362, and less than 10% of the scheme funds. We feel it is important to also know the number of rejections issued thus far and have asked UK Finance for this data.

As we all know, time is of the essence if we are to safeguard livelihoods and our wider economy, and it is clear wider measures must be introduced. We are fortunate that there are many systems already in place that can be deployed to create a holistic solution.

The APPG has had representations from multiple stakeholders in recent days--from CDFIs to challenger banks to alternative and fintech lenders--and it is clear there is a strong pool of resource capable of deploying much needed capital to the country. In order to expedite this, the APPG recommends the following:

1. Speed of turnaround. First and foremost, these loans must be expedited quickly. Rather than leaving the full decision to bank discretion, there should be a standard form that establishes 'gateway eligibility criteria' that will allow a quick turnaround process. This should take no more than 60 minutes and establish the core criteria:
 - a. Were they in profit 2019?
 - b. Were they up to date with payments?
 - c. Have they used other grant support available?
 - d. Have they completed a simple cash flow spreadsheet?
2. The existing Bank Referral Scheme that is in place at banks should be used after any CBILS rejection. Referral to fully regulated entities only.
3. Capital **and** interest payment holidays on commercial loans and mortgages should be made available automatically. We are deeply concerned that as of yet we have not seen any lenders adopting this approach, and all are choosing instead to insist on

interest payments with only the capital element being holidayed. This is absolutely no use to a business that has lost 90-100% of its revenue and offering terms that are unaffordable is a clear breach of FCA guidelines.

4. CBILS should be allowed and offered on overdrafts as well as loans. Many businesses only need a modest flexing of their current overdraft facilities whilst they 'sit tight' and weather the storm. We understand Santander is the only lender doing this just now.
5. The minimum loan size should be reduced from £25k to 5k. Many of the most vulnerable businesses have modest needs and/or do not qualify for a 25k loan. There are, however, some initiatives in the market that could fill the gap with appropriate bank, BBB and Treasury support. In particular:
 - a. Banks could lend directly to Non-Bank Lenders and Community Development Finance Institutions (CDFIs) that require further capital.
 - b. Banks can contribute to the fund that has been created by Social Investment Business (SIB), with funding from funding from Big Society Capital and active support of the Impact Investment Institute.
<https://bigsocietycapital.com/covid-19-information-social-investors/emergency-liquidity-facility-social-enterprises-and-charities/> in the form of an emergency liquidity facility. The above facility is designed specifically for social enterprises and charities, but a similar fund can be established to allow approved CDFIs to access capital that can flow to businesses in the local communities they serve. The fund can then be guaranteed by CBILS.
 - c. Consider the proposals put forward by the AABF to expedite lending of smaller tranches of funding.
 - d. We recognise that multiple, smaller loans could become an administrative burden for the BBB and so would suggest either as per the proposal put forward by the AABF or, in the case of CDFIs, designating a bloc facility to CDFIs to cover micro-loans.

We believe that with the proposed interventions and measures above, we have the ability to quickly and effectively distribute much needed capital to struggling SMEs, charities and social enterprises.



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09 April 2020

Kevin Hollinrake MP
Chair, APPG for Fair Business Banking
House of Commons
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Dear Mr Hollinrake,

I wanted to respond to a press release issued this morning by the APPG for Fair Business Banking on the Coronavirus Business Interruption Loans Scheme (CBILS). There are several inaccuracies contained within this release that I thought it would be helpful to point out. As I am sure you will appreciate, it is important that SMEs have the most accurate information possible when applying for a CBILS loan and I would like to take the opportunity to clarify a number of matters.

- **Enquiries and approvals:** The City AM piece cited in the press release uses a range of figures that are unfamiliar to the Bank. It is possible they have confused applications with enquiries. It is common, and indeed encouraged, for an SME to shop around before making an application for a loan. As such they may enquire at many different lenders before formally beginning the loan application process with their provider of choice. We understand that UK Finance will release figures in due course.
- **Interest repayment holiday:** All CBILS loans are interest free to the SME for the first year without exception. The Government will make a Business Interruption Payment directly to the lender to cover the first 12 months of interest payments and any lender-levied fees for all CBILS loans.
- **CBILS overdrafts:** An overdraft variant of CBILS is available to SMEs, and this is currently being offered by two of our lending partners. We expect a number of additional lending partners to be offering the overdraft variant of CBILS in the very near future.
- **Minimum loan size:** In recognition of the needs of a wide variety of businesses, CBILS loans range from £1,000 to £5,000,000. We are confident this means the full spectrum of SMEs will have the ability to borrow the level of finance appropriate for their needs.

The press release also referred to the need for the expedition of the loan application process. This is something the British Business Bank has been working very closely with our lending partners on over the past weeks. You may have noted that the Chancellor announced several changes to CBILS eligibility criteria and application process on 3 April. These changes combine to make it easier for SMEs to prove their eligibility for the scheme, and to streamline the loan approval

process that will especially benefit those applying for loans under £30,000.

You will be pleased to learn that we have several Community Development Finance Institutions (CDFIs) onboard as delivery partners. CDFIs are able to offer the smaller sized loans you point to in the press release and as such form an important part of the scheme. A full list of these partners can be seen at the following link:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/current-accredited-lenders-and-partners/>

You can find more information on CBILS, including a comprehensive list of frequently asked questions on the Bank's website, at the below link:

<https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-scheme-cbils-2/cbils-fqs-for-smes/>.

I understand that my team were due to speak with you in late March to discuss CBILS as well as your work in support of the Northern Powerhouse. This was unfortunately delayed due to an unusually busy period for the Bank brought about by the current situation. I hope this can be rearranged soon so that any remaining questions you may have on the CBILS scheme can be answered. In the meantime, should your office wish to be in contact with the Bank david.mintz@british-business-bank.co.uk would be happy to assist in finding a suitable date and time for a call.

The Bank has very much welcomed your support and interest in the Bank, through attendance of a number of our events, the most recent being the Start Up Loans Ambassadors' reception in October 2019 and we very much look forward to working with you going forwards.

Yours sincerely



Keith Morgan CBE
Chief Executive Officer



Keith Morgan
Chief Executive Officer
British Business Bank
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10th April 2020

Re: CBILS

Dear Keith,

Thank you for your letter in response to our press release. We respond as follows:

- **Enquiries and approvals:** Thank you for the clarification. There can be no doubt that the initial launch of the scheme was a major disappointment and that there was a mismatch between the expectations of the Treasury, parliamentarians, the business community, the British Business Bank and banks. Following concerns raised by many stakeholders (including the APPG via numerous channels culminating in our press release) we are pleased that significant changes were announced by the Chancellor on April 3rd. We look forward to receiving the most recent data on applications made and approval rates.
- **Interest repayment holidays:** Our point related to existing loans. Mortgage holidays for existing residential and buy to let loans include both the capital and interest elements of the payment. At present, banks are only allowing holidays on the capital element of the loan repayment, which is usually a small part of the monthly payment. For many businesses, this simple change could avoid the need to take on a CBILS loan at all. I am sorry that we didn't make ourselves clear.
- **CBILS overdrafts:** Despite the clear reference in your own guidance that CBILS could be used for overdrafts, it is very disappointing that at the time of writing our press release only 1 of 40 lenders were offering this. For many, overdrafts are by far the most flexible means of easing cashflow problems, particularly when these will be improved significantly when monies arrive in business bank accounts from HMRC for reimbursement of payments to furloughed workers at the end of April.
- **Minimum loan size:** It is good to hear that businesses can use CBILS for loans as little as £1,000, but this is not the experience of those businesses that we speak to. To our knowledge, the only bank offering loans below £25k is NatWest who offer loans from £5,000. We are also being told that banks are not currently making CBILS loans available to non-bank customers, meaning that customers cannot shop around to find suitable facilities.

CDFIs, FinTech, and non-bank lenders: We are pleased that you are also distributing funds via these channels. As you know, however, CBILS does not provide monies to lend, but simply guarantees monies that are lent. Many of these lenders usually source funds to lend from bond markets and other sources that are currently not available. We suggested two solutions to this; larger banks to 'on-lend' to these lenders who can then

- distribute funds to their target customer base or a CBILS Mk II scheme which provides them with both funds **and** guarantees.

With April payment runs becoming due in as little as 7 working days, it is critical that these monies are deposited into business accounts within days. Given the clear urgency, we would appreciate a daily update from you/UK Finance on:

1. The numbers of applications, approval rate, average loan size and by type of facility (loan, overdraft, asset finance etc.)
2. The numbers and names of banks offering capital **and** interest payment holidays on existing loans
3. The numbers of names of banks offering CBILS overdrafts
4. The numbers and names of banks offering loans by loan size e.g. from £1,000, £5,000 etc.
5. The numbers and names of banks who will accept applications (and not discriminate against) non-bank customers
6. The numbers and names who are 'on-lending' to CDFIs, FinTech, and non-bank lenders and the amounts of monies being made available to them

I look forward to hearing from you. I apologise for interrupting your Easter weekend, but due to the imminent pressures on SME and the number of measures that still need to be implemented to make the scheme workable for hundreds of thousands of businesses, I would very much appreciate a response by return. I am available on the phone or by email throughout the weekend.

Kind regards

A handwritten signature in black ink that reads "Kevin Hollinrake". The signature is written in a cursive, flowing style.

Kevin Hollinrake MP

Chair of the All-Party Parliamentary Group on Fair Business Banking