



Department for
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Dear Keith,

BBLs – WRITTEN DIRECTION

Thank you for your letter to the Secretary of State received yesterday evening, raising a Reservation Notice in respect of the instruction from me, as the BEIS Accounting Officer, to implement the Bounce Back Loan Scheme (BBLs). I have considered the content of your letter carefully.

The Coronavirus Business Interruption Loan Scheme (CBILS) introduced on March 23 and the Coronavirus Large Business Interruption Loan Scheme (CLBILS) introduced on April 20 are already offering support to thousands of businesses. I am grateful for the Bank's role in putting these schemes in place and working with lenders to overcome the many challenges involved.

As you will know, there is continuing concern about the impact of coronavirus on the economy, including our smallest businesses. There is also evidence that despite the substantial number of loans now being approved under the CBILS, this is not providing smaller businesses with the finance they need at the time that they need it. This issue has been raised with Ministers by numerous parties, not least the many small companies and business representative organisations they deal with on a daily basis.

Accordingly, Ministers have taken the view that most effective way to ensure that smaller businesses can quickly access the finance they need is for government to assume 100% of the credit risk and for lenders to apply a consistent, streamlined application process with a single fixed interest rate.

As set out in your letter, the Bounce Back Loan Scheme presents VFM, feasibility and propriety risks. These risks have been raised with the Secretary of State in our formal advice to him and were detailed in my Accounting Officer Assessment and my letter to the Secretary of State seeking a Direction. Before deciding to direct me to go ahead with the scheme, the Secretary of State had read the PWC report to which you refer

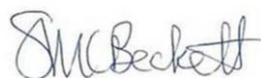
and considered the value for money, propriety and feasibility risks that you raise in your letter. He took the view that these risks notwithstanding, the unprecedented situation facing the country meant that it was essential to proceed with the scheme and issued me with a Direction accordingly. This Direction followed formal consent from HM Treasury to implement the scheme.

I note that your letter to the Secretary of State highlighted the passage in my previous instruction to you where I wrote: *“You will need to ensure that there are robust controls and governance around these financial commitments that, as far as reasonably practicable, ensure public funds are being used appropriately in the context of the agreed parameters of the scheme”*. You noted the Board’s view that, given the circumstances in which you are being asked to deliver the scheme, it was not feasible to meet this requirement by taking ‘reasonably practicable’ steps. For the avoidance of doubt, I would like to confirm that I recognise the restrictions and limitations imposed on you in this regard by the parameters of the scheme and the pace at which it is being implemented. My instruction to you should be read in this context.

The Secretary of State has seen your reservation notice and has requested me, as Principal Accounting Officer and exercising the powers of the Shareholder on his behalf, to direct you to implement the Bounce Back Loan Scheme. In issuing a direction to me on 1 May, the Secretary of State received prior approval to proceed from the Chancellor and his officials. Therefore, please now take this letter as a Written Direction to the Bank to take all necessary actions to implement the BBLS, as provided for under Section 5(A) of the Company Operational Independence Undertaking that forms part of the Shareholder Relationship Framework Document.

As you have noted, the Framework Document provides for any Reservation Notice and Written Direction to be published *“unless the Shareholder has directed in writing to the Company that the matter must be kept confidential”*. While I am content for this exchange of letters to be published in due course, I am mindful of the potential impact that publication might have on the confidence in and take-up of the scheme, and consequently on our efforts to support the economy. Publication should take place in due course, once the loan scheme is fully established and only after you have made an assessment of the impact of publication. I would be grateful if that assessment could be shared with me and the Secretary of State ahead of publication.

I am copying this letter to the Secretary of State for Business, Energy and Industrial Strategy, the Comptroller and Auditor General, and the Treasury Officer of Accounts.



Sam Beckett

Permanent Secretary, Department for Business, Energy & Industrial Strategy