

Irrelevant & Sensitive

Meet with Chris Day a medical academic who chairs some Quango. Interesting discussion on Coronavirus. He thinks they will get to a treatment quickly as this is a massive, open-source effort by all the medical researchers with competence in the field. Let's hope.

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Friday February 28th

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Dan Y-S asks me to convene a meeting of HMT Seniors as the CX is worried that we are not reacting with enough urgency on Coronavirus. Call a meeting for 4pm. We put the excellent Will Garton on the case.

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Get patched into a call at 845 with CX PPS. No 10 have panicked and now want an emergency economic statement tomorrow. Having tanked the economy with their statement today, they want the CX to reassure the nation and introduce a set of new commitments tomorrow.

Bed by 11pm. Text Carolyn Fairbairn asking for the CBIs top 5 business asks..... We have a meeting at 830 in the morning, and need to come up with something quickly.

Tuesday, March 17th

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Up by 5am and go down to work. BBC reporting that CX is going to announce an Emergency Economic Package later today. No 10 have briefed that it will include a package of support for airlines. (bit of a problem – only talking to them during the afternoon and statement may be at 230)

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Into work and many of us gather in No 11. HMT pretty empty as everyone is meant to be working from home today but a lot of the seniors have come in to work on this package. Meeting has to take place in No 11 sitting room as there's no phone socket in the dining room. Sir John Soane didn't allow for remote working – certainly not in his dining rooms! CX looks pretty somber. He knows he has to pull a rabbit out of the hat – and doesn't have long to do it. We go over the possible list of options. Concentrate down on the lending options – the Bank facility now looks it will be up and running next week (Bank and EGU have done a great job at getting this underway. CX wants it to be very big, but not clear that it will be. The Bank are talking about a few, maybe, tens of billions. We increase the Business Interruption Loan to 5m, accepting that this blows through State Aid rules. We'll have to hope Commission waves them for us – seem to have done so for everyone else. Joe P-R makes the good suggestion that CX should take a power in the Covid bill to make loans, guarantees, equity investments in any industry without constraints (so a wider

conflict of interests around that table. Hope the dinner doesn't happen. Will find out tomorrow. Irrelevant & Sensitive is a bit of a loose cannon.

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Wednesday, March 25th

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EMB at 915. Update from all the DGs. Mainly concerned re the massive financing needs we now have. Clare and the Bank are working on it but we have got a huge borrowing need over the next month or two. Tom is more relaxed. Thinks the Gilts market will finance us if it looks as though the Gov't has a plan and got some grip (which it finally has...). We are walking on eggshells though and the Gilts market could snarl up at any point. T-bill auction on Friday was uncovered, thought that might be because the buyers were all working from home and it didn't work very well.

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Very difficult call with the CX on the CBILS product. He is getting lots of incoming about personal guarantees. He said no personal guarantees. The team – and me – interpreted that as no personal guarantees on personal homes, which is the really toxic type of personal guarantee. When someone's business goes bust, the bank then also takes their home. The team had said No Personal Guarantees on homes. In the rush there wasn't enough clarity in our advice, and we were silent on personal guarantees on things other than your home. CX is furious (though mainly at the banks, not us....). Demands that we get it fixed. Then we discuss the rest of the problem of the gap. CX wants us to do a CBILS

Plus for bigger loans, and he is interested in some platform idea for preferred equity. And we will have a lot of special situations. He tells us to fix the guarantee problem within hours.

Call the team, and do a download. They get the message and head off to sort out the problem. Hope they can fix it.

Then a call on Airlines. Things have calmed down. Airlines are cross but the public reaction to the CX letter has been quite positive – it helped that [Irrelevant & Sensitive] just paid out a 170m dividend to its shareholders.... And that [Irrelevant & Sensitive] isn't putting any money up to help [Irrelevant & Sensitive] But this will get ugly soon.

Call with Bank and FCA on the financial stability risks. Looking a bit better than last week. But still very fragile. Banks OK, markets not. We have had to pull the sale of the remaining UKAR mortgage assets – the securitization markets have collapsed so they can't finance the deal. Banks are struggling operationally with working from home. And now India has gone into lock down, their outsourcing centres are no longer working. Not good. System is very fragile and probably couldn't cope with a big shock right now. [Irrelevant & Sensitive]

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[Irrelevant & Sensitive] Bad news in the US (e.g. a spike in infections outside NY) could send the markets back into tail-spin again. We are right on the edge.

Thursday, March 26th

Awake at 620, and the Today programme is running a piece on the guarantee scheme. They have some unhappy small business owner. They've picked the wrong victim. He is complaining about a different sort of loan. But it doesn't really matter. We are being hammered.

week as banks and the BBB take time to process all the applications. And CBILS plus – that’s going to be difficult to design and launch. Just endless trouble coming now.

Daily press conference talks about 6 months to get back to normal life. That is terrible. This has been one week, and it’s been terrible.

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Monday, March 30th.

Up by 645. Still dark given the time change. First call just before 8am with Alex Brazier on the CCFF secondary market limits. As usual, Alex helpful and positive – always fun talking with Alex even if things are pretty grim (as they are right now)

EMB at 915. Tom shares the sense from DH (Chris Wormold) that things are going better than expected. The lock down seems to be working – in fact, social distancing was working before the lock down. They expect a fall-off in admissions and deaths over the next couple of weeks. The data on infections is irrelevant as they are hardly testing anyone. But (if my theory is correct) the infection rate is already very high.

Frustrating day. Calls on the CBILS SME loan which is in bad shape. The CX is totally bent out of shape on this – lashing out at the banks (better than lashing out at us officials.....). We are conceding on the issue of guarantees and will have to concede on the issue of ‘reverse discrimination’. CBILS was intended for SMEs who could not get credit but it is so attractively priced that businesses who can get credit want it too. The position is just not sustainable. We are going to have to concede, but it will be expensive.

Continuing debate about the structure of the Credit Committee. I don’t care. The HMT team wants one committee to do credit decisions and restructuring. UKGI wants two. Bigger things to worry about, but this takes over an hour to come up with a solution – one Committee with an A and a B overlapping membership.

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Call with Anil Kashyap who is advising the Fed on their loans programme. Can't get worse press than ours... terrible press again today, but mainly directly at the banks for not approving loans fast enough. All pretty unfair, but it's a good story so the press are sticking with it.

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Bank Holiday Monday, April 13th

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CX on war path over CBILS – is demanding detailed performance stats by bank. Gov't is getting hammered as the press is comparing loans agreed (about 5000 or so at end of last week) vs the number of inquiries (many of which will not have turned into applications). He's right, but the HMT team isn't to blame. It's the banks who are going slow. And the BBB is taking ages to authorize new participants.

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Call with CX and UKGI over [Irrelevant & Sensitive] CX is very worried that he won't have any good options on [Irrelevant & Sensitive] (true, he won't) but wants time to think over the two options that he will face – let it go into some form of administration/Chapter 11.... Or do some small intervention to buy time. Doesn't like either option. [Irrelevant & Sensitive] aren't on top of their finances, and don't look as though they will get any support from [Irrelevant & Sensitive]

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Worried email from Katharine who is concerned about the CX's focus on CBILS. Other End of Bank Holiday emails start to flood in – ABI want to talk about Pool Re 'privately' [Irrelevant & Sensitive]

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Philipp Hildebrandt is submitting a proposal for Blackrock to advise HMT on these financing schemes;... no doubt tomorrow morning will bring more. Going to be a very busy week as everyone will start lobbying hard now that the restrictions are being extended by another 3 weeks (as the Gov't is briefing out...)

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Tuesday, April 14th.

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Call with Bank first thing. Public financing holding up bit better than expected. CBILS getting terrible press again and CX on war-path. My view is that that banks are getting the flak (partly fairly, partly unfairly) but let's leave it there for now. Only the banks can get us out of this mess by processing more loan applications. Raise dividend restriction issue with Bank on CCFF. Think CX will press for this restriction, but it will make life a lot more complicated.

EMB is almost entirely about reprioritization. Bit dull.

Morning of calls and catching up with Katharine, and the EGU team on financing. Catch up with Phil D too – always a good conversation.

Chair Directors' Forum (reprioritization again....) and other internal matters.

Call into the Cabinet Secretary (O) meeting. Discussing the advice to Ministers on the lock-down extension – the decision has been taken so not clear why we are discussing. SAGE's advice is very hard line, very focused on just reducing R to the minimum. Turns out their forecasts were way too optimistic. R may be below 1 (somewhere between 0.5 and 1 in the community) but it is much higher in care homes and hospitals. So the hoped for drop off in deaths is likely to be slow as lots of people will still catch it and die (with a high fatality rate given age/preexisting health conditions). So we will be stuck at this plateau for some time. No chance of any relaxation this week, and a real risk that they extend again in three weeks' time. Nothing in the papers about the 8 workstreams to start preparing for the exit. In my intervention I set out just how bad the economic impact is going to be – the OBR report is just out highlighting the risk of a 35% drop in GDP, but assuming a rapid

Lots more on Birch today. Long call on [Irrelevant & Sensitive] Slightly more positive than the Bain view. [Irrelevant & Sensitive] were pleased at the speed of the CCFF which delivered them £600m quickly. That has helped build goodwill in [Irrelevant & Sensitive] But the real problem is tariffs with Europe – but it may not be as black or white as painted by Bain.

Call with Richard S on [Irrelevant & Sensitive] and other Birch cases. Richard was helpful and constructive.

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Session with the Perm Sec group (now mainly DG's but they enjoy it) on economic strategy and then into a similar discussion with Antonia, Sam B and other Perm Secs/DGs on Trade and Investment. All quite interesting but not very consequential. Everyone wants to contribute to economic policy making but the reality is that the CX controls it – that's why it's fun to be in the Treasury and if you want to do economic policy making, that's the only place to be.

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The Bank has now published the list of CCFF beneficiaries.... And we are being criticized from all sides. Why does a German company get money (because they have big UK operations)? Why does big polluter X get money? Why do dividend paying companies get money? All totally as predicted – and very good news that some of the most controversial companies were smart enough to pay back the money before we published their names. It will blow over.

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Friday, June 5th

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