

Process evaluation and early impact assessment

- However, non-bank lenders reported that the process appeared to be tailored to traditional banks. While this was considered logical given the relative volume of bank and non-bank lending expected, the following difficulties were highlighted:
 - **Pricing matrix for CBILS:** Non-bank lenders reported that it was challenging to complete the pricing matrix demonstrating they were passing on the benefit of the guarantee. This was due to their approach of pricing on a business-by-business basis rather than offering a suite of products. Many lenders reported it took many iterations to agree the pricing matrix with the British Business Bank, delaying their ability to offer the product.
 - **Demonstrating that 30 percent of capital was institutional investment capital:** The Covid-19 Loan Guarantee Schemes required that a minimum of 30 percent of the capital used to support lending originated from institutional investors (private capital), to ensure that the risks associated with lending were shared between the public and private sectors. Some alternative lenders reported that much of their capital came from external public sources (such as government grants). This caused an issue for some lenders, who reported that they had to source additional internal finance to participate in the scheme. One lender reported it would have been helpful if British Business Bank could have provided some assistance with sourcing this additional capital (though in practice it is unlikely that the British Business Bank could have performed such a function).
- **Speed of accreditation:** As illustrated in Figure 6, the speed of the accreditation process was highly variable (particularly for CBILS and CLBILS, where several lenders were not accredited to the schemes until they were extended in September 2020). According to British Business Bank monitoring information, the average number of days to completion was 66 days – though this varied from 56 days for PRA regulated banks, to over 90 days for specialist capital providers, and almost 130 days for venture debt lenders.

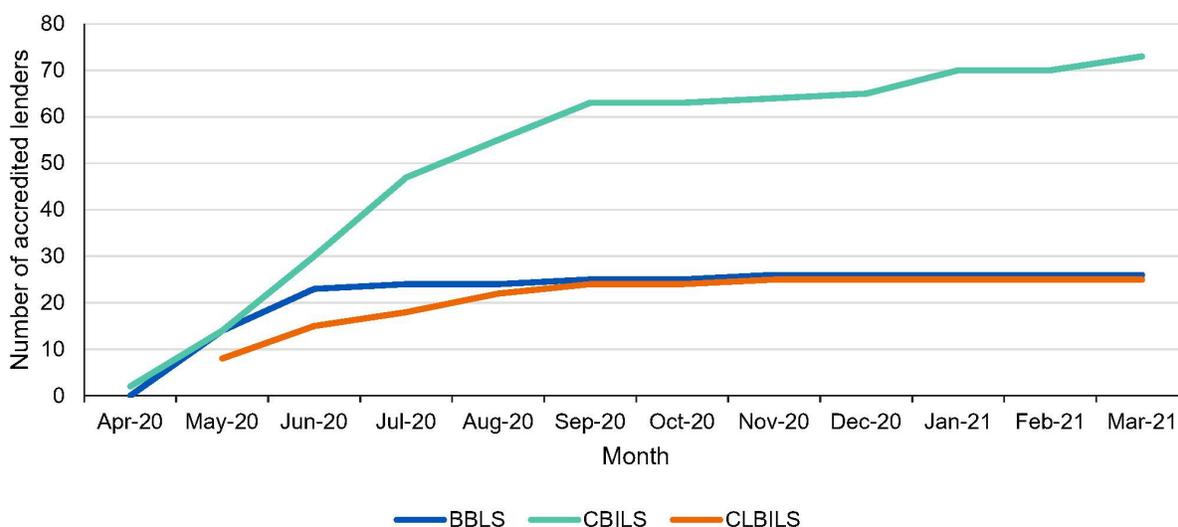
This was partly attributed to the ‘iterative’ nature of the application process, with the British Business Bank querying information received from lenders, asking for more detailed information to be provided and working with the lender to ensure all required information was available to inform a decision. This process was reported to absorb time – with lenders taking time to revise or access new information and resubmit this to the British Business Bank (and examples were given of this taking weeks on occasions), while lenders reported that they could submit a response and then not hear back for over a week. The British Business Bank

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suggested this was due to the resources required to assess their proposals, the number of applications received, the lender's ability to deploy funds at scale and in some cases, the complexity of the prospective lender's operations.

While a complete data set on the speed of accreditation for individual providers was not available, alternative lenders with more complex financial arrangements tended to report that the process took longer. This was partly attributed to the challenges highlighted above and requirement for a bespoke side letter (as described further in the following section). This had the outcome of larger traditional lenders achieving accreditation first. As these lenders had greater capacity, this supported the objectives of unlocking finance rapidly, though meant that alternative finance providers were only able to enter the market after demand for credit had peaked. This may have contributed to an increase in concentration of lending amongst large banks and may have led to adverse outcomes for some lenders (one example was given of a CBILS provider that struggled to attract equity funding as a result of its late entry) – though reducing the risk that accredited lenders could not meet demand for credit in the short term.

Figure 6: Number of new lenders accredited, April 2020 to March 2021



Source: British Business Bank Monitoring Information. Figures for CBILs do not include lenders already accredited to deliver the Enterprise Finance Guarantee.