

Rich Wentel, Deputy Director
Counter Fraud Function
8th December 2020

MINISTER OF STATE LORD AGNEW OF OULTON

Bounce Back Loan Stocktake

Purpose

1. To provide an update on the Bounce Back Loan scheme, flagging the progress that has been made and the key remaining gaps. Our view is that it is now time to take stock. This note is to support a discussion on the limitations of how much further we can push on BBL and how cross system efforts should be focused in the future.

Background

2. Since the launch in May, the Counter Fraud Function has been supporting BEIS and HMT with the BBL Scheme (a summary of the scheme is at **Annex A**). We have given expert advice and delivered activities where we have recommended action but there has not been the capability to undertake it. We have been working closely with the HO and NCA throughout.
3. We have had a variable degree of success, with many barriers. With your support, we have had some notable impact, which is detailed in **Annex B**. This has both reduced risk and financial loss in the scheme. **However, many big issues remain.**
4. Our view is that the opportunity to make a difference is now reducing and, in light of your role as the lead Minister for public sector fraud, we would like a frank conversation with you about the scheme, our activity, the gaps that have not been dealt with and the limitations of how much further we can push. The reality is that many of the areas that, for many of the areas where action could be taken the leavers lie with HMT, not us.
5. You met with EST following the C-19 Fraud Ministerial Board and have asked for a letter to be drafted from HMT Ministers to BEIS Ministers listing the post loan interventions we would like them to take. We have a draft we can share as soon as you would like to send it. We believe there would be benefit in having the broader discussion before this letter is sent.

Overarching Questions

6. Officials in the Counter fraud Function and the Home Office are aligned on the specific areas where we do not have clarity. It will be beneficial to set expectations and agree on these to set expectations with Ministers and Parliament.

Annex A - The Scheme

The Scheme

1. Bounce Back Loans is the C-19 scheme with the highest residual risk of fraud¹. To date over £42bn has been paid out to over 1.4m entities. The current run rate of payments is just under £2bn a month - the equivalent of the annual spend on the legal aid system. Our estimate of losses to fraud and error is currently 5% - 10% (£2bn - £4bn)², which is the figure that BEIS are also currently using.
2. The BBL scheme is delivered through lenders who offer loans that are 100% backed by the government. The lenders are required to operate to a minimum standard, which includes basic Know Your Customer and Anti Money Laundering checks.
3. Unlike commercial loans, credit and affordability checks are not undertaken. The scheme is based on a principle of self certification and lenders are not required to verify the information provided on an application.
4. The policy driver is for applications to be turned around within 24 hours. Where lenders have concerns they are afforded a further 24 hours to make a decision.
5. The scheme is overseen by the British Business Bank. BEIS is the accountable department. The scheme itself was designed by HMT.

¹ HMRC's JRS (Furlough) and DWP's UC may be higher, but both HMRC and DWP have resources and capability to address the risks.

² This will be informed by sampling activity by BEIS/BBB as part of their Post Event Assurance Action Plans.