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**From:** Peck, Gemma (BEIS) [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=70F7586EF80B42A3A4FB062D4A1C6DB3-PECK2, GEMM]  
**Sent:** 14/09/2020 11:27:24 PM  
**To:** Mark Cheeseman [mark.cheeseman@cabinetoffice.gov.uk]; Raw, David - HMT [David.Raw@hmtreasury.gov.uk]; Rich Wentel [rich.wentel@cabinetoffice.gov.uk]  
**BCC:** Pawley, Laurence (Business Growth) [laurence.pawley@beis.gov.uk]  
**Subject:** RE: Meeting between Lord Agnew and BEIS SoS/Perm Sec on Wed - urgent  
**Flag:** Follow up

Hi both

We signed the SLA with NATIS today, so that should mean they can start looking at the SARS.

Mark and Rich, you guys are working on a proposal to trial using the dissolved companies data with some willing lenders and you're coming back to us on that Weds – look forward to seeing as keen to crack on. To same timeline I think you're also going to give us a proposal on identifying links/chains/patterns between individual cases of fraud, to uncover organised crime networks, using intelligence you have.

We're pushing the BBB to get the ball rolling on sampling (PWC coming back to them tomorrow on whether they can do some of this as part of existing contract), also addressing feedback on the PEAP.

I'm talking to Tom Taylor and NR about our resource on this stuff – we need more. Also spoke to BBB CEO today about need to make sure this is given due priority. Mark – welcome any thoughts on ppl elsewhere in Whitehall we could bring into BEIS temporarily to give this a big shove.

Gemma

 <p>Department for Business, Energy &amp; Industrial Strategy</p>	<p>Gemma Peck <b>Director, Business Growth and Office for Artificial Intelligence</b> Mobile: <span style="border: 1px dashed black; padding: 0 5px;">I&amp;S</span> <a href="mailto:gemma.peck@beis.gov.uk">gemma.peck@beis.gov.uk</a> 1 Victoria Street, London, SW1H 0ET <a href="http://www.gov.uk/beis">www.gov.uk/beis</a>   <a href="https://twitter.com/beisgovuk">https://twitter.com/beisgovuk</a></p>
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**From:** Mark Cheeseman <mark.cheeseman@cabinetoffice.gov.uk>  
**Sent:** 14 September 2020 21:10  
**To:** Raw, David - HMT <David.Raw@hmtreasury.gov.uk>; Peck, Gemma (BEIS) <Gemma.Peck@beis.gov.uk>; Rich Wentel <rich.wentel@cabinetoffice.gov.uk>  
**Subject:** Re: Meeting between Lord Agnew and BEIS SoS/Perm Sec on Wed - urgent

Hi David,

I feel like I should come back to a few points in your email, but I am removing the other cc's in other than Gemma and Rich. I hope that is ok - happy for you to add them back in or to forward on, but I am not too sure of the relationships here and wanted to be as open as possible.

I know this is a fast moving, highly political area and we are all aiming for the same thing. As a bit of context, from where I sit, this is the scheme that worries me the most of the C-19 response - and that is something we cannot shy away from. In BBL, as of this week there are over 9,680 suspicious activity reports raised by the banks (none of which we have been able to progress), eight people have been stopped at the border with cash from the scheme, looking to take it out of the country. My feel we need a strong response in this area and we will receive justified criticism if we do not. My view is we currently do not have a strong response.

To turn to the points in your email, on the estimate of the potential level of fraud and credit risk, we have tried to be really clear that this is a combined number and we are not yet able to separate out the fraud level. In addition, we have made it clear that we would expect the credit risk to be higher than the fraud risk (in line with your steer). I am not sure that we were aware that HMT had done separate analysis and come to a different risk level. If this could be shared, could we all try and unite behind one set of numbers?

I would not be comfortable saying that we have minimised fraud risk as far as possible in line with the policy. Some controls have been put in, and I can see that BEIS and HMT have tried to balance the need for speed and simplicity with the high risk of fraud. However, I feel we have a real opportunity to explore more dynamic activities to try and find fraud in the system, and to do something about it.

Turning to the VAT check, this is where the technical experience of the experienced counter fraud resources can really help. I don't want to replay things talked about in some of the workshops, but a VAT check is actually a strong fraud indicator and my advice is that it is certainly worth testing.

What it will show is where a company has made different declarations to different parts of government. If a business declares a turnover of £250k in application for a bounceback loan, but declared £20k to HMRC, this tells us one of two things - that they may have overdeclared their turnover in the loan application ,or they may have misdeclared to HMRC. From my perspective, both are things that government would be keen to know.

I know you are concerned about false positives. There will be some false positives (for instance, because the data covers different periods). There are always false positives in counter fraud activity (as the banks are well aware) and part of the compliance response is to make sure these cases are not unfairly dealt with.

I am really keen that we debate less and move to more action in this space. I hear you loud and clear that we need to be careful not to take money away from deserving businesses (something that Ministers also emphasised).

However, if we trial data matching and claim reviews to look for fraud, limiting the risk by working with a few lenders, we will be able to find out far more about the level of fraud in the system and - more importantly - try and get some of it back and show those that commit fraud that there is a response. We have to accept that some of these trials won't work (such is the nature of this work) but some should, and then could be broadened out.

I would also encourage arrangements are put in place as soon as possible for the SARs. By next week there will be over 10,000. I think we can be pretty confident there will be some fraud in there and I am not sure we could justify why we have not taken action. If there is anything I can do to help on this, please let me know.

Happy to discuss.

Mark

		<p>Mark Cheeseman Director, Fraud, Debt and Grants Director, Government Counter Fraud Function Chair of the Counter Fraud Profession Board E: <a href="mailto:mark.cheeseman@cabinetoffice.gov.uk">mark.cheeseman@cabinetoffice.gov.uk</a> M: <b>I&amp;S</b> Follow us on Twitter <a href="https://twitter.com/cabinetofficeuk">@cabinetofficeuk</a></p>
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Please note, I may send emails early or late to help me work flexibly and balance my work and home commitments. I do not expect others to be replying at those times.

On Mon, 14 Sep 2020 at 13:24, Raw, David - HMT <[David.Raw@hmtreasury.gov.uk](mailto:David.Raw@hmtreasury.gov.uk)> wrote:

Rich,

Thanks for your email. It is helpful to have the heads up.

In terms of the detail, I think our ministers will be keen to drill down into the numbers. Estimated losses of 40% to 60% are highly uncertain (HMT's view is that they will be considerably less than this) and of course this number is largely the loss associated with credit risk, which is separate from the fraud risk. To lead with this number therefore runs the danger of misleading.

That said, we take the fraud risk seriously which is precisely why we have taken the steps we have taken – overnight fraud checks, CIFAS checks, change of Director flags, weekly fraud meeting with lenders – to minimise the risk from fraud as far as is possible given the policy design. It is however very important that any interventions work. For instance, since there is no requirement for small businesses to be VAT registered, it doesn't work to use this as a fraud indicator. Where there are proposals that work in line with the policy objectives we are keen to keep exploring them.

Best wishes

David

**David Raw** | Deputy Director, Banking & Credit Team | Financial Services Group  
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PA: [redacted] [NR@HMTreasury.gsi.gov.uk](mailto:NR@HMTreasury.gsi.gov.uk) [redacted] I&S

**From:** Rich Wentel <[rich.wentel@cabinetoffice.gov.uk](mailto:rich.wentel@cabinetoffice.gov.uk)>

**Sent:** 14 September 2020 12:55

**To:** Peck, Gemma (BEIS) <[gemma.peck@beis.gov.uk](mailto:gemma.peck@beis.gov.uk)> [redacted] [NR@beis.gov.uk](mailto:NR@beis.gov.uk); Pawley, Laurence (International Research and Innovation) <[laurence.pawley@beis.gov.uk](mailto:laurence.pawley@beis.gov.uk)>; Raw, David - HMT <[David.Raw@hmtreasury.gov.uk](mailto:David.Raw@hmtreasury.gov.uk)>

**Cc:** Mark Cheeseman <[mark.cheeseman@cabinetoffice.gov.uk](mailto:mark.cheeseman@cabinetoffice.gov.uk)>

**Subject:** Meeting between Lord Agnew and BEIS SoS/Perm Sec on Wed - urgent

Gemma/David

I wanted to flag that following our meeting with Lord Agnew last week, and ahead of the meeting he has planned with the BEIS SoS and Perm Sec on Wed, he has asked for a specific briefing on the Bounce Back Loan scheme which he intends to raise in AOB. Lord Agnew is very concerned about the potential fraud and credit losses in this scheme and is concerned about the current response.

Our briefing covers the following points from the perspective of the Counter Fraud Function:

1) BBL is a very high risk scheme

- a. Estimated losses due to fraud **and credit** losses are estimated **40% - 60%** of the total loan book. On current lending this could total up to **£21bn**. If fraud in this scheme is 5%-10% it will be **£2bn - £4bn**.
- b. There are over **8200 Suspicious Activity Reports** by lenders - by far the highest in C-19 schemes.
- c. Intelligence indicates the scheme is being defrauded in multiple way

2) Our strong view is that the fraud response is currently inadequate

- a. There is no route to investigation in place yet (a proposal was provided on 26/6/20). NATIS are not yet formally contracted to deal with this work. There is no civil investigation route yet agreed.
- b. At present the intelligence known on the scheme (inc the 8,200 SARs) is not being dealt with (leading to action)
- c. There is no activity in place to actively seek out fraud in the scheme beyond that where the Cabinet Office has intervened and there is nervousness about trying to do this
- d. There is no plan to measure and recover fraud loss from this scheme (sampling & testing).
- e. The Post Event Assurance Action Plan remains insufficient (I've gone back to [redacted] **NR** on the detail of this already)

3) Given the nervousness that HMT and BEIS have about how counter fraud activity may impact on the scheme (both policy intent and the burden on lenders) - there is limited appetite for this activity at this stage.

4) We are supporting with specialist resources and will continue to assist but a clear plan to deal with fraud needs to be in place. The accountability for this plan rests with BEIS/HMT.

The briefing will be going to Lord Agnew's office later today at 3pm in case you want to come back to me on any of the points. I wanted to make sure that you are sighted so that you can brief accordingly.

I have sent a separate email to NR about the Post Event Assurance Action Plan. We are keen to help move things forward and have offered resources to do this.

Please come back to me if you have any comments or queries.

Thanks

Rich

				<p><b>Rich Wentel</b> <b>Deputy Director</b> <b>Data Analytics and NFI</b> Counter Fraud Centre of Expertise (CoEx) E: <a href="mailto:rich.wentel@cabinetoffice.gov.uk">rich.wentel@cabinetoffice.gov.uk</a> M: <span style="border: 1px dashed black; padding: 2px;">I&amp;S</span> <a href="#">Follow us on Twitter @cabinetofficeuk</a></p>
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