

Message

From: Stephen Jones [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=EE6CC641813B4CABBE6B66E491A46922-STEPHENJONE]

Sent: 08/03/2020 12:49:07 PM

To: [NR]@lloydsbanking.com; [NR]@lloydsbanking.com; [NR]
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CC: Stephen Pegge [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=7da7782f2fdc44db90000952ead02a92-Stephen Peg]; [NR]

[NR]

[Personal Data]

Subject: Covid19 support for SMEs

All

See note sent to the EST just now to which he has responded “extremely useful, will consider carefully over the next 24 hours”.

We will arrange a follow up call for you or your delegates to take forward further detail on operationalising an EFG scheme and to secure individual firm COVID19-related SME commitments to be able to offer in aggregate at the time of the Budget on Wednesday.

I can pick up again from 4pm this afternoon as required.

Kind regards

Stephen

Stephen Jones

Tel: [Irrelevant & Sensitive]

From: Stephen Jones
Sent: Sunday, March 8, 2020 12:28:11 PM
To: Glen, John - HMT <JG@hmtreasury.gov.uk>
Subject: Covid19 support for SMEs

Dear John,

We have spoken to CEOs commercial banking and there is strong support for a public/private sector initiative focused on working capital support for businesses £3m to £25m turnover and lines of up to £5m subject to repayment based on the Enterprise Finance Guarantee platform, but with radically streamlined criteria and processes compared to existing EFG programmes.

Smaller firms with turnover below £3m tend to be cash positive and non-borrowers and therefore do not have such significant finance needs and can be supported by banks and existing programmes. We believe the new EFG working capital scheme should be administered by banks and aggregated by the British Business Bank and priced attractively with no fees from banks or premium from government. Given uncertainty on intensity

and duration, while affordability will be tested, risk appetite will need to encompass a significantly higher write off than the existing scheme, so portfolio caps at current 15% should not apply.

To provide confidence to the market, we are reaching out to banks to understand the scale of their lending commitments and, over the coming week or so, will discuss a consistent, collective structure but, in the interest of making an announcement in time for the Budget, we are discussing with individual banks their own funds and propositions to support customers similar to the approach taken to flooding with a view to achieving a banking and finance sector Covid19 impact fund of some £7bn - £10bn.

To put this in context, the stock of SME overdraft borrowing and invoice finance advances total around £20bn at the moment. If government's contribution in total were £20bn, this collective sum might create real impact. I cannot stress enough the importance of additional government help with cashflow for SMEs through measures such as deferring vat and nics, forbearance on corporation tax and prompt payment by government itself to its suppliers. In this context, it could be very helpful to finance providers lending against inventory including asset based for the proposed introduction of secondary preferential creditor status for HMRC to be rethought or at least delayed. Without this, turnaround support for companies and funding of higher stock levels will be put at risk.

As far as grants are concerned, there is a view that some businesses within supply chains will need non-repayable support but it would be difficult to make the case for precise sectoral boundaries and, as with Carillion, there will be secondary effects. Outright subsidies might have to be considered at a later stage perhaps including equity depending on how the crisis plays out. In the meantime, we all, including the government, need strongly to advocate to larger companies the requirement on them to pass payments promptly down their supply chain with enforcement to manage late payment.

We continue to believe that of greater value than a reduction in bank rate would be a suspension in the requirement to repay FLS and TFS and preparation, in case markets get disrupted, for the relaunch of an SME specific FLS scheme including provision for non-bank finance providers to be able to benefit.

It will be very important for there to be close to real time tracking and dialogue and our members were keen that the Business Finance Council be reinstated with initially frequent convening, key ministers across HMT and BEIS to attend when possible and senior level officials involved.

I will come back to you with further thoughts tomorrow but in the meantime, please do let me any comments.

Kind regards,

Stephen