Lord Smith of Kelvin
Chair, British Business Bank

By email: contactholmember@parliament.uk
cc Catherine.Little@hmtreasury.gov.uk

18ᵗʰ December 2021

Dear Lord Smith,

Counter Fraud Capability in the British Business Bank

I am writing to you to thank you for the British Business Bank's (BBB) work to provide capital support to millions of UK businesses across a number of Covid-19 schemes. However, I am aware that the BBB is facing a number of challenging and high profile issues.

I met with your senior officials on 18 November to urge them to be more proactive in their efforts to detect fraud and recover losses. I raised concerns about the level of oversight of lender performance in the BBL scheme and how we, as Government, can be assured that lenders are genuinely doing all they can to fight fraud in these schemes.
I have asked your officials to work with the centre of government's Counter Fraud Function to address the following three key areas and report back to me.

i) To develop a lender performance dashboard using the data we already hold. I have asked that this is shared on a monthly basis so we can seek to take action against those lenders who are not meeting the pace set by their peers. I am advised this will be with me in Q4. I urge you to keep the pressure up on this as it is a key weakness in the approach that has been long highlighted by myself and the Counter Fraud Function.

ii) To identify those lenders demonstrating best practice, and then use this standard to challenge lenders that operate below this level. I accept that there are limited levers to enforce these good practice standards this far into the scheme, but I believe we could influence a more positive approach.

iii) To develop improved access to data from the lenders to inform these conversations and the audit process. I'm advised by your officials that one of the challenges is getting the data we need about performance (or even how they each define and interpret fraud in their loan books) from the lenders. We must try to overcome this blocker.
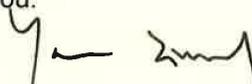
I would like to highlight four further issues I have identified. Firstly, I would like to see more done to address those businesses in receipt of loans that are still trading, where they appear to have either inflated their turnover, or misused the loan. At present the BBB response does not touch these areas.

I am aware that there are disparities in basic lender performance and would like this investigated. While some lenders put in additional checks (not required by the minimum standard in the scheme, but basic common sense counter fraud controls) to stop loans being paid fraudulently, others did not. I ask that we explore how a strong line can be taken in respect of these types of incidents.

My counter-fraud officials have flagged concerns about how the counter-fraud response to these Covid-19 schemes is sustained moving forward. I would like to understand your plans for investment in your counter fraud capability, including data analytics. I would also be interested in how this data analytics approach (currently in Bounce Back Loans) could be adopted in BBB's business as usual processes and funding frameworks.

The PAC report on Greensill flagged issues around the way lenders are on-boarded onto BBB's frameworks. I am keen to explore the level of oversight BBB has of the control regime, economic crime risks, and the performance of those lenders. Much more can be done to ensure that enhanced due diligence is conducted on lenders and borrowers. This will ensure that the risk to government around fraud, economic crime, Serious Organised Crime and Terrorist financing penetration of BBB schemes is minimised.

I look forward to hearing from you.

Personal Data

Lord Agnew Kt