



Patrick Magee  
Chief Commercial Officer  
British Business Bank  
8 Salisbury Square  
London EC4Y 8AP

Email: [patrick.magee@british-business-bank.co.uk](mailto:patrick.magee@british-business-bank.co.uk)

26 June 2020

Dear Patrick,

**Bounce Bank Loan Scheme – Ongoing Fraud Checks by Accredited Lenders**

I am writing to you on behalf of our members to provide an update on the approach being taken by firms regarding ongoing fraud checks. The Bounce Back Loan Scheme has now been live for close to two months. In that period a common question has arisen amongst Lenders, which I wanted to bring to your attention, regarding the approach to be taken to ongoing transaction fraud monitoring (paragraph 5 of “Qualifying Fraud Processes” under Schedule 8). As the Guarantee Agreement is the sole legal basis under which the Lenders’ contractual obligations in respect of the Scheme are documented, it is crucial that there is clarity between the parties as to the approaches taken with respect to obligations imposed on the Lenders under that Guarantee Agreement.

As you will be aware, Clause 8.2(A)(5) of the Guarantee Agreement provides that it is a condition for making a Payment Claim that a Lender has complied with the Qualifying Fraud Processes, including by conducting ongoing transaction fraud monitoring (which I will refer to as ‘Ongoing Fraud Checks’), with respect to any Scheme Facility to which a Payment Claim relates. Given the importance of the guarantee to Lenders’ ability to facilitate the swift provision of funds to applicants under the Scheme, Lenders wish to make clear to the BBB how they are approaching the Ongoing Fraud Checks for the purposes of compliance with the Qualifying Fraud Processes. Lenders also wish to inform the BBB as to the approach they are taking with respect to information that they may acquire about an Applicant’s satisfaction of the Eligibility Criteria on an ongoing basis after origination of a Scheme Facility, whether through Ongoing Fraud Checks or otherwise.

**I&S**

Since the operationalisation of the Scheme, and despite the position under Clause 4.1(A)(2), Lenders have inevitably become aware of various issues emerging regarding the content of self-certifications relating to Scheme Facilities. These issues vary in materiality, and have included the suspected inflation of turnover figures, apparent multiple applications by the same Applicant to multiple Lenders and potential uses of Scheme Facilities for purposes other than support of the Applicant's business (for example, the making of large cash withdrawals). As Lenders are entitled under the Guarantee Agreement to rely on Applicants' self-certifications, Lenders may not have used information already known to them as part of the origination of a loan.

In order to ensure a consistent approach to the Scheme in these circumstances, Lenders have agreed on a common interpretation in respect of Ongoing Fraud Checks and satisfaction of the Qualifying Fraud Processes:

- Lenders will apply their usual fraud monitoring and screening arrangements following the origination of a Scheme Facility at a frequency that is aligned with their respective usual practices;
- These fraud monitoring and screening arrangements will seek to identify instances of fraud, Lenders' interpretation of which is set out above, in relation to a Scheme Facility. Conducting these arrangements will, therefore, satisfy Lenders' obligation to conduct Ongoing Fraud Checks, thereby satisfying this element of the Qualifying Fraud Processes;

- 

**I&S**

- It is acknowledged that any anomaly or discrepancy that a Lender may discover or become aware of in the context of a self-certification made in relation to a Scheme Facility may vary in materiality and it is for the Lenders to determine this level of materiality in their sole discretion;
- It is acknowledged that, where a Lender has or acquires information or evidence that a self-certification provided by an Applicant in relation to that Scheme Facility is inaccurate or erroneous, then this information or evidence: (i) may or may not be utilised by and acted on by a Lender at its sole discretion; (ii) may result in Lenders effecting risk management procedures at their sole discretion (such as calling or not calling in a Scheme Facility or taking action in relation to non-Scheme borrowings with that Applicant); and (iii) may result in Lenders undertaking action to ensure compliance with applicable financial crime obligations (including, for example, the filing of Suspicious Activity Reports and consequent actions, including account freezing);
- It is acknowledged that any action taken by Lenders in this context may result in interruptions or delays in the release or use of funds made under a Scheme Facility;
- In light of the above, any information or evidence held or acquired by Lenders and any actions taken or not taken by Lenders as a result will not frustrate the ability of the Lender to make a Payment Claim, provided the other conditions under Clause 8.2(A) of the Guarantee Agreement are satisfied.

We hope this letter is helpful in notifying you of the interpretation and common approach being adopted by Lenders in this regard.

Yours sincerely

Stephen Pegge  
Managing Director, Commercial Finance