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**From:** Rich Wentel [rich.wentel@cabinetoffice.gov.uk]  
on behalf of Rich Wentel <rich.wentel@cabinetoffice.gov.uk> [rich.wentel@cabinetoffice.gov.uk]  
**Sent:** 19/01/2022 16:51:31  
**To:** NR [redacted]@cabinetoffice.gov.uk  
**Subject:** Key lines for the differences between our sub and HMT's sub

LA has asked that we provide a sub addressing the issues around lender performance and debt recovery. We have done so, and whilst we have managed to arrive at a point of consensus with BEIS and BBB, HMT don't entirely agree with the framing of the risks we have flagged (although they are content with the data we have referenced). As such it is HMT view that it is more accurate to badge this note as CO's views of the issues, although to be clear it has been signed off at DD level in BEIS and by the Director of Financial Crime in BBB.

Our view is that since the lenders are the front line for this scheme, then there should be focus on how they are performing, what the MI and data is telling us about lender performance to manage fraud risk and to maximise recoveries, and that this should inform scheme management and delivery.

### Key Areas of disagreement

**1) Lender performance data to inform effective risk management** - whilst all parties agree that there is no single lender performance dashboard, HMT's view is that it isn't an issue because lenders provide data to BBB (inc on a voluntary basis), whereas our view is that without this data to understand performance, it is not possible to manage risk if you haven't got data on what is going on in one place that everyone can use to discuss and shape performance. They agree it should be done, but fail to mention that this has been asked for by the CFF through the BBL Governance Board for many months, and yet has still not materialised. And as you will recall you have asked for this for some time yourself.

**2) Emerging evidence of lender inconsistency** - HMT have not challenged that there is inconsistency in approach but they take the view that this is not cause for concern because the scheme was built on lender discretion and use of existing BAU processes. Our view is that the examples in the sub are worrying developments which raise concerns about how lenders are approaching fraud detection and debt recovery, and how BBB is overseeing this especially without proper data/dashboards, especially as these are the Tier 1 banks who should be best equipped and experienced to manage these sorts of risks. We are also beginning to see emerging concerns about how well lenders have applied the mandated duplicate check as well as weaknesses in the contractual agreement with lenders to remove their ability to claim on the guarantee in these cases. We see lender inconsistency when paired with insufficient data as a real issue.

**3) Over reliance on audit** - HMT's view is that the audit processes in the BBB will be a sufficient control to ensure that proper fraud activity is taking place, and that significant efforts to recover debt/losses are happening. Our view is that the Lender Assurance Programme is only looking at the contractual obligations (low bar) and the Guarantee Assurance Programme is looking at process compliance and not really at risk. Plus audit is about controls in place and adherence to them, not about managing residual risk - so we have concerns that the reliance on audit makes the oversight both reactive, and late in the day.

**4) Debt recovery** - HMT's view is that the process as mapped out is sufficient - the Debt Management Function's view is that there are options (inc Indesser) to try to take more action which have historically been successful, but work needs to be done to segment the loan book and develop different treatment options - our opinion stands. And this also aligns with your challenge to BEIS/BBB to try to do more to recover more - we agree.

NR - feel free to delete or edit - thought it might help to flag the issues upfront but up to you

Final doc is here: <https://docs.google.com/document/d/14rr6Y9ZgSx9IQkejJSkDdS70fgP6PA3E/edit>

It is likely that HMT will sub you separately with their version. We are happy to be in the room to discuss their position, but more importantly we would advise that [Name Redacted] be present as the Director of Financial Crime in BBB. She is the closest to these risks and her opinion will be very insightful. She is also the clear counter fraud expert outside of the Counter Fraud Function, and as this relates to fraud and risk management, I would argue that her opinion carries significant weight.

Thanks

Rich