

Message

From: Keith Morgan [Keith.Morgan@british-business-bank.co.uk]
Sent: 25/04/2020 20:47:09
To: Patrick Magee [patrick.magee@british-business-bank.co.uk]; [REDACTED] NR @british-business-bank.co.uk]; Graeme Fisher [Graeme.Fisher@british-business-bank.co.uk]
CC: Shanika Amarasekara [Shanika.Amarasekara@british-business-bank.co.uk]
Subject: RE: CSIBILS

Patrick

Given you have a call with the FCA and this will give further information on this point I'm going to leave it out. KYC point is definitely removed.

I'm sending on to Robert and Neeta now.

Best regards

Keith

Keith Morgan
Chief Executive Officer

t
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Executive Assistant - [REDACTED] NR
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From: Patrick Magee <patrick.magee@british-business-bank.co.uk>
Sent: 25 April 2020 21:43
To: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; [REDACTED] NR @british-business-bank.co.uk]; Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: RE: CSIBILS

All

My comments attached. I am not sure where the idea of removing KYC came from, that is the one set of checks that stays. It is Fraud and Credit checks that HMT seem to be cautious about including, they are insistent previous CCJs are fine, and we had to push hard to have basic fraud checks allowed....

As suggested earlier, I have included a fourth issue about lessening FCA / CCA restrictions. I have a call with the FCA tomorrow at 9.30 but I have concerns that the balance is being swung a bit toward the banks from consumer. I have less concern about CCA and if others want to take that out I am fine.

Regards

Patrick Magee
Chief Commercial Officer

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From: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>
Sent: 25 April 2020 21:13
To: [NR] [@british-business-bank.co.uk](mailto:[NR]@british-business-bank.co.uk); Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: RE: CSIBILS
Importance: High

My comments are attached.

Best regards

Keith

Keith Morgan
Chief Executive Officer

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From: [redacted] NR [redacted]@british-business-bank.co.uk>
Sent: 25 April 2020 20:39
To: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: RE: CSIBILS

All

A revised draft is attached.

On the direction / instruction point, I've adapted the last sentence of the letter to follow the form for the Future Fund, namely that we need to act under instruction post-announcement, and direction post-launch. However, you could take the view that there is less wiggle-room here than there is on the Future Fund and therefore that we would need direction now to obviate the need to consider a reservation notice. I don't think that's the conclusion Whitehall colleagues would want us to reach however. Perhaps it is a question for the Board?

Regards

[redacted] NR [redacted]

From: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>
Sent: 25 April 2020 20:08
To: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>; [redacted] NR [redacted]@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: Re: CSIBILS

It would likely be cc-ed to PPS CX and we can copy in Tom and Charles.

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From: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>
Sent: Saturday, April 25, 2020 7:52:49 PM
To: Patrick Magee <patrick.magee@british-business-bank.co.uk>; Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; [redacted] NR [redacted]@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: Re: CSIBILS

I'm sure you guys are thinking of whom to copy also. Would that include HMT?

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From: Patrick Magee <patrick.magee@british-business-bank.co.uk>
Sent: Saturday, April 25, 2020 7:51:20 PM
To: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; [redacted] NR [redacted]@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: Re: CSIBILS

Graeme

Happy with the approach. Ministerial agreement seems to be to direct us do this. [NR] is the exchange of letters this weekend before announcement or next weekend before launch ?

Probably worth circulating the letter to the Board tomorrow so they are cited before we are announced / directed to deliver another scheme...?

Regards

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From: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>
Sent: Saturday, April 25, 2020 7:41:09 PM
To: Patrick Magee <patrick.magee@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; [NR] <[\[NR\]@british-business-bank.co.uk](mailto:[NR]@british-business-bank.co.uk)>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: Re: CSIBILS

Keith, Patrick

[NR] and I are not long off a call with Ceri and Jamie. They had a few comments, mainly about tone, and suggested this should be sent to Sam Beckett. We'll work on a redraft and [NR] will circulate shortly once we've eaten. Sorry for another interrupted weekend evening but if we can, it would be good to get this out tonight.

Graeme

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From: Patrick Magee <patrick.magee@british-business-bank.co.uk>
Sent: Saturday, April 25, 2020 5:38:32 PM
To: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; [NR] <[\[NR\]@british-business-bank.co.uk](mailto:[NR]@british-business-bank.co.uk)>; Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>
Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>
Subject: RE: CSIBILS

Sorry, the below got stuck in my outbox earlier, I am fine with Keith's changes.

In the next version could we suggest....

IS there a fourth major risk that removal of CCA / misalignment of incentives could lead to poorer customer treatment and borrowers becoming more encumbered...

Regards

Patrick Magee
Chief Commercial Officer

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From: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>

Sent: 25 April 2020 15:39

To: **Name Redacted** <[\[redacted\]@british-business-bank.co.uk](mailto:[redacted]@british-business-bank.co.uk)>; Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>

Subject: Re: CSIBILS

Many thanks, **NR**

Before I review, can I check if there is any feedback from the call with the banks that corroborates or mitigates any of our concerns,

Best regards

Keith

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From: **Name Redacted** <[\[redacted\]@british-business-bank.co.uk](mailto:[redacted]@british-business-bank.co.uk)>

Sent: Saturday, April 25, 2020 3:30:03 PM

To: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>

Subject: RE: CSIBILS

Dear all

I attach a draft letter that Graeme and I have put together following our conversation this morning.

Happy to discuss when you've had chance to look at it. We may need to forewarn Gwyneth in due course as she may not be expecting this.

Regards

NR

From: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>

Sent: 25 April 2020 09:38

To: Patrick Magee <patrick.magee@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>; **Name Redacted** <[\[redacted\]@british-business-bank.co.uk](mailto:[redacted]@british-business-bank.co.uk)>

Subject: RE: CSIBILS

Patrick

Regarding CSBILS, I have a very similar set of concerns to which I'd add that if HMT do decide to go down a banking route policy makers should be fully aware it may exclude a significant proportion of smaller businesses. NR analysis suggests that could be greater than 20% many of whom I suspect are from underserved communities. I was therefore startled by David Raw's comments on your slides last night that including those numbers in the deck "invited a policy discussion" suggesting these issues should be ignored as they will get in the way designing the instrument for an announcement on Monday.

My other main concern and to your point around competition and diversity in the market is looking through to the other side of the crisis. If this does wipe out a significant number of smaller players at this end of the market, a recovery will rely even more on the larger banks. Is that the place we want to end up in? If not, what are the alternative routes we would recommend? Again, NR paper had some helpful thoughts on delivery models. From what I heard their main weakness was they couldn't be stood up by 4th May so were ruled out without much if any consideration. If there was any flex on that fairly arbitrary timetable and some of the terms, especially the interest rate, could we look again at the more promising alternatives?

Finally I was in touch with Tom Scholar last night who said he and Katharine Braddick (DG Financial Services) share the same concerns. He said we were "preaching to the converted" and they'd be putting up advice today reinforcing these sorts of points. A question for our discussion this morning is how best to share our thinking so there's a formal note of our concerns before we get to instruction/reservation territory which is where we are surely heading. A number of options present themselves, from a letter from Keith at Ministerial level, where we may well see a reaction, or to Perm Secs backed up by a call. At this stage and at the speed this is unfolding, I don't think we can go any lower than that.

Graeme

From: Patrick Magee <patrick.magee@british-business-bank.co.uk>

Sent: 25 April 2020 08:31

To: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Keith Morgan <Keith.Morgan@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>; Name Redacted <Name Redacted@british-business-bank.co.uk>

Subject: Re: CSIBILS

Keith / all

I think it is a good idea that we get together to take stock of developments. We have expressed concerns to our Board and the relevant accounting officers before accepting instructions previously and I think we are in similar or more serious territory.

The most recent developments give me stronger reservations than previously and we should discuss our collective views and appropriate next steps

I have set out below the more significant issues I have with emerging policy thinking

Changes to CBILS

- proposal to weaken Lender "standard of care" under 3.1
- changing / weakening viability test
- Removing portfolio cap

In combination these change the balance of the scheme and could impact lender behaviour and MPM considerations

CSBILS proposals

- 100% guarantee rate - impact on incentives
- Disapplication of CCA rules

- Standardised product, price and application process could have major impact on bank ability to operationalise at pace
- These could also have significant competitive consequences on non bank players
- Recovery process and incentives may be challenging

In combination these changes could, while seeking to aid SMEs, lead to significant fraud, losses, poor customer treatment and may be difficult to justify as being MPM compliant

While we are proposing to have discussions with the banks today which may reduce / clarify these concerns we should consider our next steps / obligations

We are in unprecedented times and the right path to chart for the economy and for small businesses are some of the most difficult choices that we will ever have to make as a country / Government / bank but the current direction of travel has significant issues to balance

The Chancellor is proposing to make announcements on the above on Monday, so time is of the essence

Kind Regards

From: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>

Sent: Friday, April 24, 2020 10:29 pm

To: Patrick Magee; Keith Morgan

Cc: Shanika Amarasekara; NR

Subject: Re: CSIBILS

I've put an invite in for 10am tomorrow. Happy to move if that's not convenient.

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From: Patrick Magee <patrick.magee@british-business-bank.co.uk>

Sent: Friday, April 24, 2020 10:19:49 PM

To: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>; Name Redacted <Name Redacted@british-business-bank.co.uk>

Subject: RE: CSIBILS

I share the concerns and happy to do a call. 10 am?

Regards

Patrick Magee

Chief Commercial Officer

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e NR <NR@british-business-bank.co.uk>



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From: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>

Sent: 24 April 2020 21:56

To: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>; **Name Redacted** <Name Redacted@british-business-bank.co.uk>

Subject: Re: CSIBILS

I would like to discuss. I have a call at 9:30 but could do 10:00 onwards

Regards

Keith

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From: Graeme Fisher <Graeme.Fisher@british-business-bank.co.uk>

Sent: Friday, April 24, 2020 9:29:59 PM

To: Keith Morgan <Keith.Morgan@british-business-bank.co.uk>; Patrick Magee <patrick.magee@british-business-bank.co.uk>

Cc: Shanika Amarasekara <Shanika.Amarasekara@british-business-bank.co.uk>; **Name Redacted** <Name Redacted@british-business-bank.co.uk>

Subject: CSIBILS

Keith, Patrick

Can we have a quick call tomorrow about CSBILS and whether it is what we believe to be the right course of action. I have some quite serious reservations on a number of fronts and as currently configured I am struggling to reconcile with our Objective 2

and wider centre of expertise function. One option is to write to CX setting those out those concerns, copying to SoS. HMT advice going to CX tomorrow will be laying out similar concerns, so we will not be alone.

Graeme

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