

**Witness Name:** Giles Thorley

**Statement No:** 1

**Exhibits:** INQ000589813- INQ000589821

**Date:** 27<sup>th</sup> May 2025

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**UK Covid-19 Inquiry- Module 9**  
**Witness Statement of Giles Thorley**

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**I, Giles Thorley, will say as follows:**

**The role of the Development Bank of Wales ('DBW')**

1. The Development Bank of Wales plc ("DBW") was set up by the Welsh Government ("WG") in 2017 to support the Welsh economy by making it easier for businesses to secure access to the finance needed to start-up, strengthen and grow. We are the cornerstone economic development institution for the delivery of public funds in Wales. Since 2021, DBW has been classified as Central Government, following a reclassification exercise by the ONS which was agreed between ONS and WG to review DBW in line with the growth and expanding remit of the organisation.
2. DBW has a remit to support economic development by unlocking potential in the Welsh economy. Through making sustainable, effective finance accessible, we help businesses contribute financially, socially, ethically and environmentally to our communities in Wales, and for the future of the wider world.
3. We are an arm's length body of WG, operating discretionary investment decision making. With over £1.9 billion in funds and services to deliver, we identify market gaps and catalyse a dynamic and competitive Welsh economy by supporting a wide range of government policies.
4. As a Central Government organisation, we work closely with WG, in design, delivery and evaluation of these funds and services, maintaining a position between the public and private sector in a way that demonstrates ongoing value for money in the use of public funds. These public funds are deployed through loans, equity, property development finance and investment services supporting WG policy needs.
5. We also operate from DBW Group, FW Capital, which is an FCA authorised fund management arm operating across North and South West of England as well as the whole of Wales. Its authorisation allows it to work with other stakeholders to deliver funding contracts, such as the British Business Bank (BBB) and Clwyd Pension Fund.
6. As a Development Bank, we have always undertaken a counter cyclical role in the economy. We operate in the market gap and in times of economic shock and private sector funder retrenchment it is our role to ensure consistency in access to finance for Welsh businesses. This was therefore also the case during the Covid-19 pandemic. Our role and remit was to provide accessible finance at a time of deep uncertainty which is where Covid-19 Wales Business Loan Scheme (CWBLS) was developed.
7. Outside of CWBLS, we continued to offer our business-as-usual funds through the pandemic, further ensuring continued availability of finance to businesses.

## Key people and structures in the DBW

8. My Senior Management Team comprised the key individuals that were responsible for DBWs response to the pandemic. Details of the individual members can be found in Exhibit **DBW-01 INQ000589813**. This team includes strategy, investment, communication, risk and finance experts who were collectively responsible for the quick decision making and structuring of the CWBLS for immediate delivery.
9. At an operational level our teams were redistributed into a new delivery structure in order to successfully deliver, at speed, the offer to businesses.
10. Due to the urgency of the Scheme and the need to ensure funding was available to businesses as soon as reasonably possible, we needed to enable quick and decisive decision making in its set up and delivery. It required the redirection of attention across the business to a new temporary delivery approach that also reflected the constraints of lock-down. The core of the Scheme's delivery structure included the reallocation of resources, concurrent to business-as-usual working, into sequential work teams (known as pods). This structure was a new structure for the organisation designed specifically to deliver the emergency funding in a fast yet compliant way. The pods were split as follows:
  - a. **Pod 1-** application validation, data entry and checking documentation
  - b. **Pod 2-** Customer Due Diligence and business searches referring to relevant investment executives
  - c. **Pod 3-** Investment processing for loan calculations and sanction paper completion
  - d. **Pod 4-** Sanctioning and decline management
  - e. **Pod 5-** Legal processing and document custodianship
  - f. **Pod 6-** Final drawdown checks and customer confirmations
  - g. **Pod 7-** Final payment checks and payment confirmations
11. It is also important to note that this structure and the learnings from it were used directly by our subsidiary FW Capital Ltd to deliver UK Government Covid-19 Business Interruption Loan (CBILS) funding in the north of England from June 2020. The experience of the Welsh Scheme directly contributed, albeit on a smaller scale, to the operation of UK Government funding maximising its effective and compliant delivery. Specifically this was through replicating the pod system so administrators picked up more of the front-end function and better visibility for back

office, such as finance and legals, so they were able to forward allocate work and increase the processing rate allowing us to process higher levels of enquiries without the need for extra resource. BBB were informed of the new process and efficiency arrangements at a high level as part of our regular engagement but we were not tasked with sharing specific learnings to them.

### **Relationship of the DBW with other institutions**

12. Our relationship with WG is formalised through periodic remit letters issued from Welsh Ministers. The remit letters outline the Welsh Ministers priority areas for the Development Bank to support its policy objectives. These priorities are then incorporated into our five-year corporate plans. Our latest remit letter is published on the WG website.
13. In terms of our delivery against the remit letter we operate on an independent basis. All of our funds are managed as discretionary fund services with investment decision making fully independent of WG. The parameters of the delivery arrangement with WG are operationalised through a Framework Document. Welsh Ministers and WG officials take no part in day-to-day operational matters, commercial matters, or decision-making throughout the DBW Group. A WG official attends the DBW Board as a shareholder representative in an observer capacity but does not play a role in the decision-making process of any Board or Board Committees.
14. Our main contact point in WG is through their Partnership Team, who are responsible for ensuring DBW are operating within the agreed Framework and Remit and are delivering value for money through its operations. We operate at arm's length and the Partnership Team takes no part in day-to-day decisions.
15. My Executive Team and I attend an annual Public Accounts and Public Administration Committee of the Welsh Senedd, or more often for specific reviews, to answer Committee questions on our performance. From time-to-time WG may carry out other bespoke reviews of DBW as they consider appropriate. Before commencing any such review, WG will consult our Board on its terms of reference.
16. We do not operate a direct relationship with His Majesty's Treasury as this is undertaken through WG. We also do not operate a direct relationship with the Bank of England although we are connected to the local representatives and attended their online events over this period.
17. The BBB is a key stakeholder of DBW Group, with our subsidiary FW Capital operating over £300m of funding on their behalf. During the period, we maintained a

strong relationship with the national and regional team which extended to their Wholesale and Guarantee solutions team when FWC applied to operate CBILS for our north of England BBB funding contracts.

18. In regard to Banks, my team had regular interaction with all the regional heads of the main banks over the period to ensure we could unlock any barriers to customers securing Covid loans. For instance, for some of the larger loans where debentures were taken, we required a deed of priority or consent from banks which could get held up in their security teams and so senior influence was required.
19. The Chair of the Board and I also attended regular meetings organised by WG to discuss coordination of efforts i.e. referrals from Banks to CWBLS pre-UK government CBILS scheme launch and then from us towards CBILS and Bounce Back Loan Scheme (BBLs) once they were live.
20. We continued to work in line with our Framework Document and Remit Letter over the course of the Covid-19 period providing discretionary investment services. During the pandemic, I was given greater flexibility to vire finance between our investment funds should there be a pressing need allowing us to act quickly. In practice this wasn't required to be used as CWBLS provided our initial response which was then followed by a return to business-as-usual funding alongside the UK recovery scheme offer.
21. Prior to January 2020 members of my senior team had a regular quarterly informal meeting with other administrations though the Financial Instruments Network (FINE). This meeting comprised officials from Invest NI, BBB, Strathclyde University, the WG partnership team, us and Scottish Enterprise. It was originally formed to share experience and best practice in implementing EU funded financial instruments. From March 2020 the meeting became far more frequent, meeting weekly during the early stages of the pandemic before moving to monthly through to mid-2022. It allowed the group to share experience and approaches and receive updates and information, including for instance on EU state aid rulings. I feel this certainly helped DBW in setting up CWBLS at pace.

### **Covid-19 Wales Business Loan Scheme**

22. Over February and early March the senior team were reviewing the evolving situation and discussing potential actions to support both our customers and the wider business needs in Wales. Together the team developed the outline of a business

support fund, that eventually became known as CWBLS, that provided working capital relief for those being immediately hit by the effects of the pandemic. My team considered the offer and its parameters, as well as financial risk management levers such as Personal Guarantees and maximum lending limits. The outline offer was regularly discussed with WG officials through early and mid-March with those discussions focused on possible ways to fund the Scheme, either through allowance to redirect funds, or availability of new capital.

23. On the 16<sup>th</sup> of March as the first step of support we announced a 3-month repayment holiday option for all portfolio customer who required it.
24. In mid-March, WG requested that we submit a proposal for a cashflow focused emergency response to be launched as part of their suite of measures being developed to support businesses. At this time additional funding capital was being considered for a series of existing funds managed by DBW and the view was that this funding could be redirected and supplemented to create a response vehicle.
25. Conversations continued with WG officials over this time particularly in regard to the level of interest rate to be charged.
26. On the 24<sup>th</sup> of March I wrote to the Minister for Economy, Transport and North Wales detailing the work my team had undertaken to date, in close collaboration with their officials, and outlining the proposed scheme, as in **Exhibit DBW-02 INQ000589814**. The proposal outlined the opportunity to repurpose funding to create a £100m emergency response vehicle. This was comprised of £40m of funding from our Wales Tourism Investment Fund, £30m already held within our Wales Flexible Investment Fund and redirection of a further £30m earmarked for the same fund due for allocation that March.
27. The proposal outlined the terms of delivery of the £100m to provide subsidised loans to Welsh businesses to support disruption over a forecast 6–12-month period. It was positioned as short-term finance for businesses as they managed impacts of Covid-19.
28. On the 25<sup>th</sup> of March the Minister wrote back to us confirming support for the proposal and directing us to prepare for its launch, as in **Exhibit DBW-03 INQ000589815**. It was agreed that a 2% interest rate would be charged, making use of the temporary state aid regulation that was in place at the time. It was vital from our perspective that this was not offered at 0% to ensure it was not displacing or abrogating the responsibility of high street banks offering the UK government response. Yet at the same time subsidised support was imperative in unprecedented times.

29. Our offer was developed to complement the Coronavirus Business Interruption Loan Scheme which had been publicised on the 23<sup>rd</sup> of March. We were aware in the weeks leading up to this that UK government were considering financial support packages, although there was no official notification of this to us. Our intention was for our Scheme to remain in place until the UK Government offer was fully rolled out and accessible for Welsh businesses. It was also built around other WG schemes being developed in the form of grant, ensuring its role was temporary support for those businesses directly affected by the immediate effects of the pandemic and resulting lockdown. It was not built as a longer-term support or recovery vehicle.
30. On the 30<sup>th</sup> of March the Fund was opened to businesses and we received over 1100 applications in the first week.

## Design

31. DBW and WG officials began talking about the requirement for a funding response in early March. At that point discussions were underway around new funding allocations for our existing Funds and the opportunity to repurpose this capital was noted as the catalyst to create CWBLS. DBW and WG have a close working relationship and these discussions were fluid, two or three times a week over the period of late February and March (email/calendar retention policy does not retain information as far as this date so an exact schedule cannot be shared). The development of a scheme was clearly needed and work and discussions were initiated from both WG and DBW on the matter. By mid- March, as the shape of CWBLS became evident that it could be launched imminently, WG asked DBW to formally submit the proposal for approval. Following swift approval the Scheme was then announced on the 30<sup>th</sup> March.
32. Once discussions had commenced my team then took responsibility for shaping a deliverable offer using growing customer feedback from our portfolio customers on the impacts and challenges they were starting to face and funding capacity available. The structure of DBW provides each of our portfolio customers with a dedicated account manager, customer feedback was therefore received both verbally and by email during this period. The portfolio at this point held around 1,000 customers but as feedback was ad hoc we do not have specific records on how many were spoken to. An outline offer as described previously and term sheet was discussed with officials and ultimately submitted to the Minister on the 24<sup>th</sup> of March.
33. As noted in paragraph 10, a new 'pod' structure was established and guidance on the scheme was shared through a dedicated Teams site with senior managers allocated to each of the pods. Care was taken to ensure we had the correct level of experience

in each role, as an example the DBW internal compliance teams lead on the customer due diligence pod. Templates were also developed to improve the speed and consistency of delivery, including sanction papers, template cash flow forecasts and template correspondence emails with customers. Regular reviews of progress and bottlenecks in the process could be seen through reports which logged the applications at each stage.

34. The basis of the CWBLS structure was adapted from the funding model we use across the majority of our funding instruments for economic support in Wales. The adaptation required was to allow for standardisation of the offer with specific eligibility to be able to deliver at the speed and volume required for an emergency response.
35. This standardisation of the loan allowed for ease of communication and ease of delivery. The offer was for a 12-month repayment holiday and discounted interest rate fixed over the length of the investment. The teams existing expertise in matters such as state aid and customer due diligence were intrinsic to the swift delivery.
36. Aside from the main delivery through the CWBLS fund, we also recognised the regulatory implications of lending to sole traders and partnerships through a non-regulated vehicle. To counter this we sought permission from WG to temporarily amend the offer through our Wales Micro Loan Fund to mirror the terms of CWBLS which operated from a subsidiary with the required regulatory cover.
37. The Scheme was naturally shaped by the structure of public funding instruments we offer on a business-as-usual basis. This included a ringfenced fund with separate bank accounts, modelled to operate independently of other schemes/funds, with replicated reporting, managed through our embedded finance and CRM systems and standard document templates ready for adaptation. This hugely benefited the design of the Scheme with a clear base structure to develop the specific needs and the back-office infrastructure in place from which to deliver it from.
38. From this we then looked at specific operational considerations, most importantly the need to act with speed while still ensuring clear governance. The team were quick to identify non-negotiable decision points such as cash flow review and ID checks and shape the required steps through a division of labour of specialist teams i.e. the pod arrangement.
39. From a customer perspective the key focus for value for money was on cost effective capital that was patient, providing a supportive funding package. Consideration here included the right level of interest to be charged, recognising the risks and displacement effects of zero interest yet maximising the cost-effective capital to

businesses. This is where we agreed with WG to utilise the temporary state aid framework allowance and set a standardised rate at 2%.

40. Also, in building the case for the Scheme and assessing its value for money, a Benefits-Cost Value Ratio (BCVR) exercise was completed. We utilised the WG issued BCVR model, which calculated the Scheme was forecast to have a net-present value of £486 million and gross GVA of £696m resulting in a BCVR score of 5.86. Based on actual delivery for the safeguarding of 16,058 jobs with £92m of investment, the BCVR is forecast to be 19.25 with a net-present value of £1.69bn and gross GVA of £2.8bn by the time of repayment in 2031/32.
41. Over the very short timescale in which we developed the Scheme there was limited new data available that could be used to shape the offer. It was many months before external sources began providing impact and associated market need data due to the speed at which the pandemic began.
42. However, our core ethos as a business is the direct relationships we have with our customers, with each business being assigned a dedicated account manager. This allowed us to access direct feedback from our customers in a real time basis that helped inform the needs that required immediate support. It was clear from these discussions that speed and confidence in access to support were vital components required in the market.
43. In addition to the benefit cost ratio modelling undertaken, we undertook additional financial and impact modelling to support decision making and approval for the Scheme launch with forecasts provided in the term sheet to WG.
44. Our financial modelling looked at the £100m delivery over the space of 12 months with a further five years for repayment. The huge uncertainties at the time led to forecast default expectations in the range of 50%-80%. It was agreed that the unprecedented nature of the pandemic at that time meant high-level down side scenarios need to be considered as base case outcomes. This modelling allowed WG to consider repayment forecasts, and although a 'worst case' position it still provided policy makers with an option that was more financially beneficial than an additional grant offering.
45. We also undertook job impact forecasting. In order to ensure funding was being applied for on a needs basis, one of the key eligibility requirements was that a business could not receive more than £10k per employee within the business. Therefore, it was originally forecast that for £100m, 10,000 jobs would be safeguarded. As a result, the investment per job was forecast to be £10,000. Actual delivery of 16,058 jobs safeguarded through £92m of investment resulted in an

investment per job of £5,729.

46. The proposed fund term sheet put forward to WG on the 24<sup>th</sup> of March included key modelling assumptions. These were also discussed with officials and captured in the funding award letter, provided in **Exhibit DBW-04 INQ000589816**.
47. The CWBLS offer was always centred on maintaining market confidence and providing support in the interim period before UK Government Schemes were accessible. Its purpose was never to compete with or displace these schemes and therefore its anticipated length was until the start of these schemes.
48. Due to the extent of applications received, options for a 'Fund 2' were being discussed as early as 6<sup>th</sup> April. Our priority was however servicing those that had applied for the first £100m with the capacity of the resource available through DBW in as quick as time as possible. Following closing applications on the 8<sup>th</sup> of April, we continued to process those that had been received as hard copies. In addition our business-as-usual funds remained open and continued to provide funding over this period where appropriate.
49. As was common with all support at this early stage in the pandemic, sector targeting was not put in place, instead an open for all message was critical. It was not possible to select which areas of the market or business type or size were most affected, and therefore most in need of cash flow support, as that evidence did not exist.
50. Our considerations were more in terms of ensuring the support was targeted in line with business need, right sizing the amount of loan provided so that businesses were not necessarily burdened with financial repayments following the pandemic. A formula which restricted funding to £10k per 1 FTE and/or 25% of turnover was developed to manage this. While there is no right or wrong, within reason, to this amount, it provided clear terms for the businesses and did the job of constraining funding per business, also allowing it to go further.
51. Further challenges were identified and addresses in respect to risk and fraud which is covered later in my statement.
52. It was important that we ensured support was being directed to businesses that were viable pre-pandemic and therefore funding wasn't being provided to businesses that were already in distress. To evidence this we required submission of bank statements and accounts alongside the application. As part of this assessment we ruled out support to any business looking to repay existing debt, support was for immediate cash flow purposes only.

53. The two-year trading requirement was implemented for two key reasons. For larger deals it ensured audited accounts were available to be shared as part of their submission, and for all deals it supported our anti-fraud approach by ensuring these business were genuine trading businesses prior to the pandemic.
54. I do not believe the requirement for historic financial information negatively affected the speed of deployment. The information required would have been readily accessible for any business and represented a reduced level of financial due diligence to a standard investment sanction. In addition, and as noted throughout my statement, the changes we made to the way we work were done to meet the needs of customers. This included options of how information was provided to us, online, paper etc., as well as clear eligibility and requirements detailed on our website so businesses could be ready to provide information without delay. Time taken to progress between the stages of the applications varied including whether the customer submitted the sufficient documentation requested for due diligence, eligibility and serviceability checks.
55. To give broad processing times, pods are grouped by general processing requirements and shown in working days (although bank holidays are not removed)- **Pod 1**- from submission of the online application to completion of application validation, data entry and checking documentation (including those declined on initial eligibility and serviceability checks) took on average 6 working days. The range of 1 to 18 working days to complete this processing stage demonstrates that most applications passed through this stage within a working week and the with all information provided upfront could be processed as quickly as one day. **Pod 2, 3 & 4** - From passing eligibility and serviceability checks to Customer Due Diligence, loan processing and the sanction decision took on average 10 working days. The range of 1 to 53 working days demonstrates the requirements of this stage where the customer may have had to submit further detailed documents and discuss the actual terms of the loan. **Pod 5, 6 & 7** - After the sanction decision to proceed with the loan and the final legal processing, drawdown confirmations and payment took on average 11 working days.
56. Time taken to reach a decision depended on various circumstances such as if the customer submitted multiple applications or applications for multiple companies within a group. Applications making it past initial check took on average 15 working days before being sanctioned for a loan.
57. For applications which received a loan, the average number of working days from the

application being submitted and the loan payment being made was 27. This ranged from 4 working days to 85 for the full process of the application being submitted and the loan being sent to the customer. This number is affected by the behaviour we saw of customers wanting to secure access to capital but not necessarily drawing it down immediately.

58. For many businesses we saw that the approval for access to capital was their immediate focus. The actual receipt of the loan may then have been as and when the company required it, within the offer terms of the lending.
59. The shape and size of the offer was developed to ensure 1) effective use of limited public funds and 2) appropriate levels of funding for established businesses with satisfactory trading performance and therefore the greatest chance of surviving the economic shock. To summarise areas where support was not available, as discussed through this statement these were, businesses who had been trading for less than 2 years, businesses that were classed as 'in difficulty' prior to the pandemic and an investment size cap of £250k.
60. In addition, I should note that standard excluded sectors were also applied, namely tobacco, munitions, gambling and pornography.
61. Without a doubt, our existing infrastructure played a crucial role in allowing for a well-designed scheme that had built in assurances from systems that were tried and tested. This includes both the financial and governance infrastructure as well as the subject matter expertise across delivery within DBW. Also of significant importance was the strong working relationship we have with WG, allowing for a collaborative approach to the design and swift decision making for its approval.
62. The key challenges we faced in the design of the scheme were the environment of uncertainty and unknowns that were prevalent across all impacts of the pandemic at that time. It was impossible to forecast the trajectory of the coming weeks, let alone months and so it was crucial that confident decisions based on the 'knowns' led the response. This particularly applied to funding capacity, UK government scheme timing, and decision on when to pause applications so we were not unmanageably oversubscribed. We believe information about the UK Government scheme was provided at its earliest opportunity, bearing in mind the situation in which it was being developed.

## **Implementation and Delivery**

63. We were highly aware from direct feedback from our customers, stakeholders and collaborators and the coverage of Covid-19 impacts that there was a large, and growing, level of demand for financial support. At the time it was not possible for us to determine exact numbers of anticipated volume. In designing the Scheme, our key objective was around maintaining business confidence in the interim period before UK Government schemes became available. Our working assumption was that these schemes would be accessible prior to CWBLS being fully subscribed.
64. We developed the Scheme in full collaboration with WG and therefore the timing of the announcement was in our direct control. Our administrative capacity to deliver the Scheme required a restructure of our resource to fit the needs of the Scheme. My senior team were able to get this structure in place within a week aided by the proactive approach of our whole team with over 70 colleagues re allocated to support delivery. This involved a huge amount of work to train, structure, test and provide clear desk instructions for individuals that may have been redeployed from a very different day to day role.
65. The Scheme received nearly 1,900 applications with over 1,330 businesses receiving a loan. These successful applications were linked to over £92m invested in business to safeguard over 16,000 jobs.
66. No application was declined due to there no longer being funding available. The scheme closed while over-subscribed but with capacity to ensure that businesses which had applied, and were eligible, could be supported where possible. This included allowances for a likely proportion of businesses to be declined on eligibility and applications being withdrawn as wider support from the Welsh and UK Governments came on stream.
67. There was no function to apply once the Scheme was closed and the DBW website continued to communicate the closure of the Scheme throughout 2020 with appropriate alternative signposting.
68. Just under 570 applications to the Scheme were unsuccessful. Of these applications, 170 did not proceed past the initial enquiry stage. The majority of the 170 were declined on eligibility criteria, such as not being located in Wales, and the rest were either withdrawn by the customer or cancelled after the customer did not respond by the June 30<sup>th</sup> deadline.
69. Around 400 of the 570 unsuccessful applications were declined during more detailed review stages. Of these, 195 were declined on viability against criteria such as the ability to service a loan considering existing debt. Over 100 were withdrawn due to the

customer not responding to multiple attempts to proceed with the application. Less than 40 customers stated they no longer required the loan, and less than 10 refused the loan due to conditions required to receive funding.

70. £92.01m of the allocated £100m was delivered in the 3-month investment phase. Closing the Scheme at this point was considered important to avoid any displacement or duplication of public funding offered with BBB's CBILS and BBLs fully operational by this point.
71. Following the closure of the delivery phase at the end of June 2020, £92.01m was invested. The remaining funding of £7.99m, plus an additional allocation of £0.01m from early returns to the Fund, created a residual balance of £8m. Following discussion with WG it was agreed that this balance would be reallocated to the Wales Tourism Investment Fund which originally contributed to the CWBLS funding. As a sector that was having one of the greatest impacts from Covid it was clear this was the most appropriate place to place the remaining capacity.
72. A crucial part of our investment decision making was right sizing the amount of loan offer for the applicant to avoid companies applying for the relative maximum amounts i.e. £100k or £250k. To manage this, an eligibility and serviceability calculator was developed where loans were capped at either 1) £10k per 1 FTE in the business or 2) 25% of turnover. These levels were derived from analysis of our business-as-usual funds. In addition, the amount of loan was restricted by the amount of additional borrowing the company could service, prior to the pandemic.
73. One area we introduced to increase the speed of payment distribution was collecting bank details within the offer letter acceptance. Typically in business-as-usual administration these would be provided by the company separately.
74. For businesses that we couldn't support, we developed a suite of decline templates that ensured a quick response and with further signposting as we were able.
75. Team morale was key to the successful delivery of CWBLS. We recognised the importance of keeping teams engaged and supported, particularly given the high workload, remote working, long hours and fast-changing environment. The Teams channels for each pod were all extremely active as colleagues worked together to move customers through the process and the senior members of the team often posted daily rounds up to congratulate teams on their hard work which fostered a positive working environment and ensured everyone remained motivated and connected.

76. As would be expected there were areas of bottlenecks and delays, particularly in verifying customers in challenging circumstances. To address this we reallocated resource to the CDD pod and moved some of the CDD process up to our applications pod which allowed us to undertake some upfront checks as part of the application. This reallocation approach was repeated multiple times as the applications moved through the stages and volume demand shifted.
77. We used the tools we had available to us at the time, shared mailboxes and Teams channels. A more automated system would have reduced any manual errors or need for manual checking but clearly time did not allow for this. Since the pandemic we have enhanced our programme of digital transformation to build greater automation through continuous improvement into our processes.
78. I also believe that CWBLS has shown that administering a scheme at pace does not mean that there is not still the ability to apply strong governance, risk management and responsible lending to the offer.

### **Risk of fraud and error**

79. There was no relaxation of our existing information requirements for our business-as-usual services. However, the impact of social distancing rules did necessitate some changes to arrangements for undertaking customer due diligence and for the execution of legal documentation. As regards the former, we continued to use an existing online identity verification tool that had been in place prior to Covid-19. In instances where this tool failed to verify the identity of an individual, we replaced our alternative “in person” process with a process utilising video calling technology. As regards the latter, we put in place arrangements for customers to execute documentation electronically.
80. No specific assessment of the anticipated level of fraud was made. It was acknowledged more generally that delivery of CWBLS could give rise to fraudulent applications being made and this was taken into account when developing the fund parameters as covered earlier in my statement. Taking account of the activities undertaken by DBW (including consideration of the products provided, its customers, the areas in which DBW operates and DBW’s risk management framework and controls) the risk of financial crime (including fraud) is assessed to be low. As CWBLS was very much an extension of DBW’s existing activities, business as usual procedures would not have required a specific assessment of the anticipated level of fraud to be undertaken. Whilst no specific assessment of the anticipated level of fraud

was made with respect to CWBLS, it was acknowledged that certain of the characteristics of the design of the product and its means of delivery mitigated the risk of fraud. For example:

- the requirement for beneficiaries of CWBLS loans to have been trading for at least two years;
- the requirement to provide personal guarantees equivalent to 20% of the loan amount, up to a maximum of £25,000;
- the creation of a customer due diligence “pod” to execute DBW’s existing and robust “know your customer” and “anti-money laundering” procedures for all loans.

81. It was also acknowledged that delivery of CWBLS could also give rise to a larger number of errors than would have been expected under “business as usual”. This was attributable, for example, to the requirement to deliver CWBLS at speed and the resultant need to deploy some colleagues not usually involved in the investment process into the Pod system. One measure intended to minimise the risk of error was to implement independent checks of the customer due diligence undertaken on all CWBLS loans by DBW’s existing Compliance Team, as part of the Pod structure.

82. The objective of CWBLS was to provide short-term cash flow support to existing Welsh businesses whilst they managed the impact of Covid 19. The fund model developed for CWBLS anticipated a higher default rate than under “business as usual” to take account of the general uncertainty at the time and, consequently, the unknown medium to long term economic impact that Covid 19 would have.

83. However, in delivering CWBLS we took a responsible approach to the appraisal of loan applications. Given the objective of the fund, some safeguards were automatically inbuilt. For example, businesses with a successful trading history inherently present a lower risk of financial loss than would a start-up venture. Other safeguards included:

- Each Pod was headed by a senior colleague with direct experience in the activity being undertaken by the Pod.
- The allocation of colleagues to a particular Pod took account of their role under business as usual.
- The requirement for beneficiary businesses to have been trading for at least 2 years.
- The requirement for beneficiary businesses to have been viable as of 31<sup>st</sup>

December 2019.

- Satisfaction with loan serviceability under “normal” circumstances (i.e. in the absence of Covid 19).
- Review of the bank statements for beneficiary businesses both to support the serviceability assessment and to demonstrate satisfactory account conduct.
- Guidance notes/desktop instructions were developed (to supplement existing procedural documentation) to support Pod activity, particularly in the case of colleagues who were not involved in lending activity under business-as-usual conditions.
- The use of Personal Guarantees to ensure companies were genuine.
- Microsoft Teams channels were established for each Pod. This provided a valuable means through which colleagues could raise and respond to queries.

Full eligibility to the Scheme is covered in the term sheet in **Exhibit DBW-02 INQ000589814**

84. I do not therefore believe that financial risk was compromised by the speed of set up.

This would appear to be supported by the CWBLS default rate (6.6% as at end February 2025 v baseline model of 48%).

85. Fraudulent activity mitigation was a key theme in the design of the Scheme. We built in a number of safeguards to manage this risk, including:

- The requirement for beneficiary businesses to have been trading for at least 2 years
- The inclusion of independent checks of the customer due diligence undertaken on all loans by DBW’s existing Compliance Team, as part of the Pod structure
- The requirement for 3 months bank statements to be provided by applicants enabled us to ensure that the proceeds of loans were being remitted to the correct bank account
- The personal liability arising from the requirement for modest personal guarantees from directors (20% of the loan amount up to a maximum of £25,000) was a key deterrent to fraudulent or erroneous applications.

86. Under business-as-usual conditions, our Compliance Team would undertake targeted sampling of loans for quality assurance purposes. The anticipated high demand for CWBLS loans, the consequent deployment of colleagues to activities that they were

unfamiliar with and the increased risk of error and of fraud, led us to implement 100% Compliance Team checks of customer due diligence as part of the Pod structure.

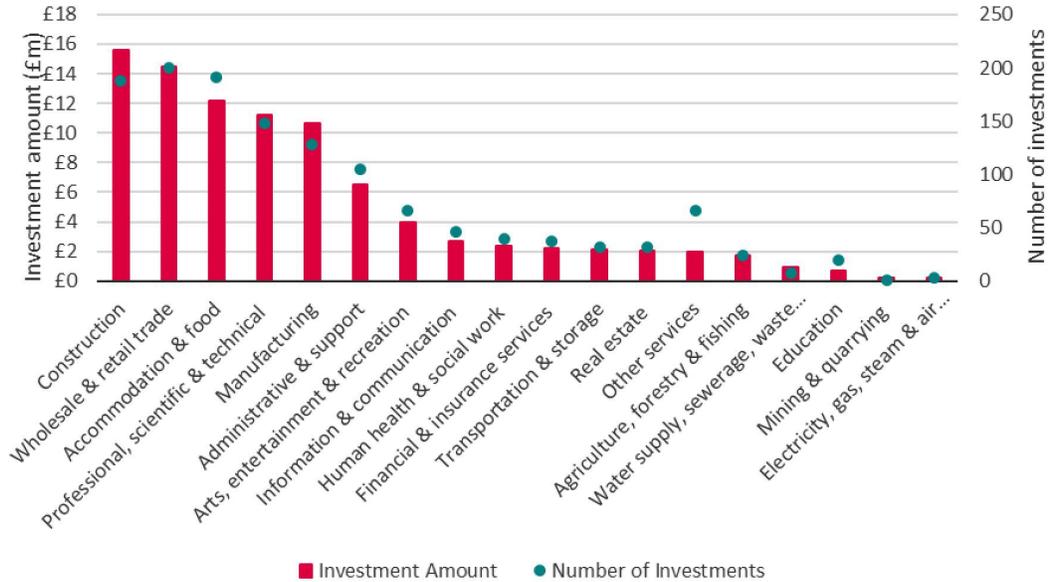
87. The workflows and procedures we introduced included provision for other checks to be undertaken as part of the loan process. An example of this was the requirement to ensure that prior to release of funds the bank account designated by the applicant was consistent with the bank statements provided as part of the application process.
88. Following draw down of funds, loan beneficiaries were assimilated into DBW's established portfolio monitoring arrangements. This includes allocation of the relationship to a designated Portfolio Executive for the purpose of ongoing monitoring of satisfactory loan performance and ongoing automated monitoring of loan beneficiaries for red flags/alerts (for example changes in directors or county court judgements) through credit reference agencies.
89. I can confirm that to date, no CWBLS loans have been identified as having been the result of fraudulent and/or erroneous applications.

### **Lessons Learned**

90. As the Scheme was set up at pace, outline assumptions were made on the outputs that may be achieved, but these were not considered defined targets, with the main emphasis being on ensuring eligible businesses received the funding they needed at a time of an extreme economic shock. Its key role was to ensure access to funding to businesses in Wales until further support was available through UK government schemes. In that regard, I consider that CWBLS adequately met the objectives for the delivery of the fund.
91. The Scheme provided over 1330 loans. Of the loans provided, 970 were under the value of £100,000, with a total value of £34.4m, while over 360 loans were provided between the value of £100,000 and £250,000, totalling a value of £57.6m.
92. Average loan size to businesses taking up CWBLS was £68,913 with construction, manufacturing, retail and hospitality accounting for almost half of the loans awarded. Take-up was well distributed geographically with nearly 400 companies in Mid and West Wales, over 330 in North Wales and nearly 600 in South Wales.
93. The Covid-19 WG financial interventions: An analysis of Welsh beneficiaries' report, published by Economic Intelligence Wales in December 2020, analyses business data from the Scheme. In this report it is outlined that funding was spread equitably by sector. Around 11% of firms supported were in manufacturing which received around 13% of the total funding, and 14% of the jobs safeguarded. Construction,

wholesale and retail, professional services and accommodation and food services together made up over 60% of the number of firms supported under the Scheme.

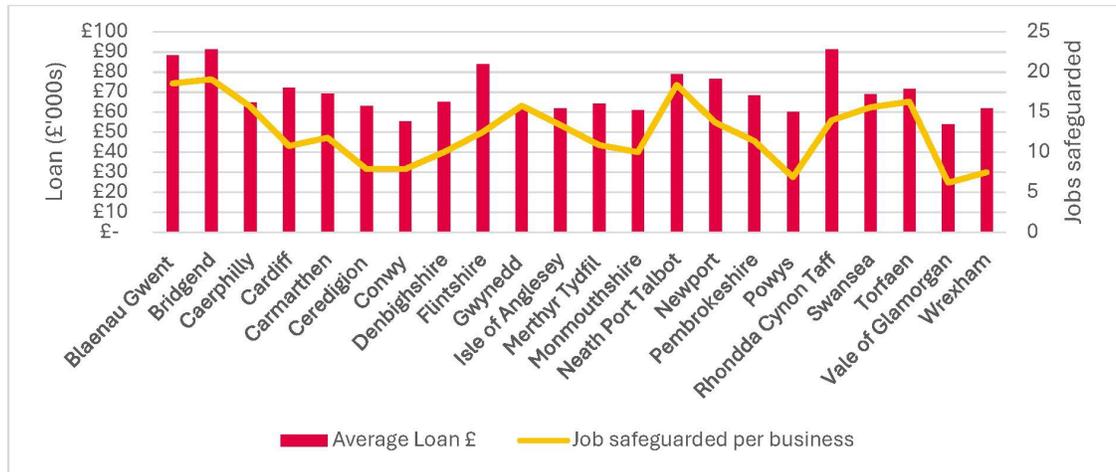
94. The graph below details the amount of funding and number of investments per sector.



95. As detailed in the 'Covid-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries' report, businesses supported by the Scheme actually employed close to 19,100 people. In supporting over 1,330 businesses with 19,100 in employment, this an average of 14 employees per firm.

96. As the Scheme safeguarded 16,000 jobs, on average an estimated 12 jobs were at risk in the businesses receiving support. Each of these jobs supported was connected to £5,729 of loan funding.

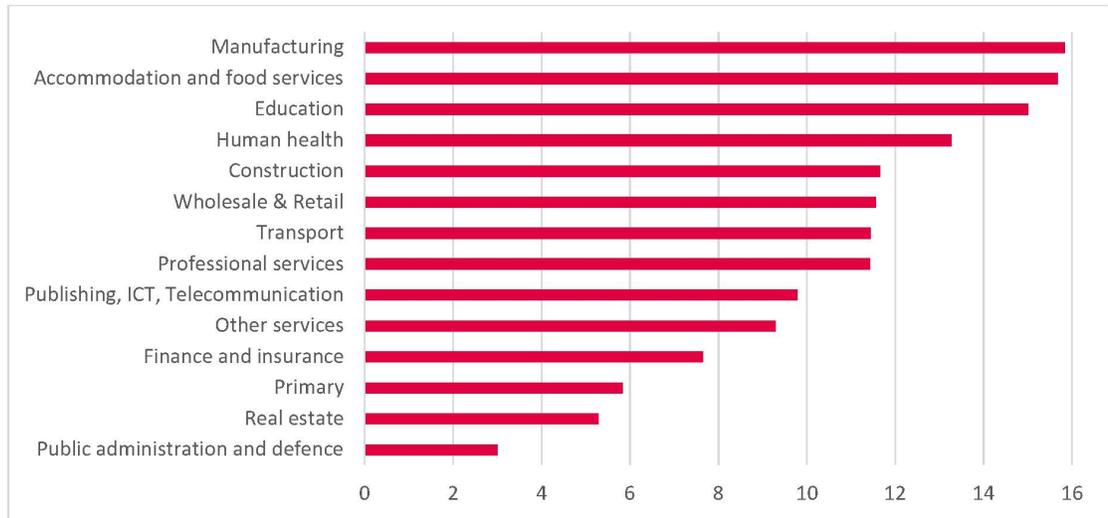
97. The analysis also suggests that it was the more deprived areas of the Welsh economy that saw higher levels of average funding per firm, and in terms of jobs safeguarded per firm by local authority area. Moreover, in terms of jobs safeguarded per firm assisted, it is noticeable that more rural areas (i.e. Vale of Glamorgan, Ceredigion, Powys and Conwy) tend to have gained loan assistance in firms with less safeguarded employment.



98. I believe that it was appropriate for the Scheme to be open to all viable businesses rather than excluding or prioritising any particular businesses at the time. This way we could ensure that support was accessible and available where it was needed, particularly in the very short term. Had we needed to extend our support for longer, i.e. UK government schemes took longer to roll out, then at this point we would have considered focusing further the support based on data available to us.

99. For instance, post-delivery analysis has shown there are some differences in the level of jobs safeguarded with this largely down to the different labour intensities in sectors. For example, accommodation and food services received 13.3% of the loan funding but accounted for 18.6% of the total jobs safeguarded. More capital-intensive construction accounted for 17% of the funding and 13.6% of the jobs safeguarded.

100. The graph below demonstrates the average number of jobs safeguarded per businesses by broad sector group.



101. A further important point was targeting the businesses that displayed pre pandemic business viability. We were highly cognisant of ensuring businesses were not left with unsustainable financial obligations post pandemic.

102. A series of different reviews have been commissioned to look at the impact of CWBLs from the position of economic impact, funding impact and operational impact. As a brief summary:

- **Covid 19 WG intervention reports commencing December 2020-** The DBW research Unit, Economic Intelligence Wales, published the first report in a long-term research project, jointly commissioned with the WG, to evaluate the effectiveness of the Covid-19-related business finance packages in supporting businesses in Wales. The final report in this project was published in May 2024. The final report is provided in **Exhibit DBW-05 INQ000591733**.
  - In summary, these reports concluded that the devolved government responded rapidly and effectively across their support interventions, and that those recipients generating a profit actually surpassed the wider economy in subsequent years. As I have already noted, they also concluded that the Welsh-led assistance was an important complement to the UK Government schemes.
  - For CWBLs particularly, these reports note the economic impact including diversity, job impacts and innovation and adaptation advancements.
- **Fund delivery review in September 2022-** An internal review was undertaken, on behalf of WG fund monitoring processes, of the investment delivery phase of CWBLs in September 2022, provided as **Exhibit DBW-06 INQ000589818**.
  - Through this we considered performance against KPIs, delivery impact, governance

and compliance and delivery learnings.

- **Internal operational review in June 2022-** Following completion of the investment phase, I initiated a project of work to review learnings from the Fund delivery and identification of any best practice to be taken forward. This has led to the benefit of a number of operational efficiencies for the organisation including centralised investment administration and simplification of investment documentation and online ID verification.

103. As experienced with Covid-19, the shape, timing and severity of further pandemics is impossible to predict. Our readiness work therefore features more centrally as part of our continuous improvement activities. Central to this is the fully geared up hybrid working capacity for the entire organisation. The ability to fully deliver the business remotely remains in place and is immediately accessible. As part of this we have elevated our Business Continuity Planning and cyber security, investing heavily in this process, including through use of external advisers.

104. Through our programme of digital transformation, the automation of the customer journey process also provides a streamlined operational interface for customers that will further improve turnaround times in emergency situations.

105. One area that I believe the CWBLS response played a leading role was that of businesses confidence. The quick decision making in WG and ability of my team in DBW to structure a product for businesses within 7 days of official lockdown meant that businesses, in the midst of vast degrees of uncertainty could have some assurance on funding support, further reassured with it being from government. Clearly it is important to get it right, and on a national scale more time was required as seen with CBILS becoming available just after, but timely direction from Ministers and convening expertise rapidly is key. CWBLS was announced by the First Minister during the daily press call and was supported by a media briefing and social media posts, website product pages and an application form. Stakeholders including representative bodies and local authorities, received a briefing and links for their members to make applications and offices of local politicians across Wales also received information to share on their channels and with their constituents. Business Wales and the Welsh Government both published product pages with links back to the DBW website. As time progressed, we published an update on take-up of the scheme to highlight the pace at which the scheme was becoming subscribed and manage expectations. The simplicity and clarity of the message and application was a clear positive for ease of roll out.

106. I have exhibited to this statement minutes of meetings or copies of discussions and advice with the Welsh Government about the design, implementation and delivery of the Covid-19 Wales Business Loan Scheme. These include: **DBW-02 INQ000589814-** Letter to WG Minister with Scheme proposal, **DBW-03 INQ000589815-** Letter from WG Minister approving proposal, **DBW-07 INQ000589819-** Senior Management Team Meeting minutes- March 2020, **DBW-08 INQ000589820-** DBW plc Board Minutes 1st April 2020, **DBW-09 INQ000589821-** CWBLS Fund Report- Sep 2020 (first)”

**I believe that the facts stated in this witness statement are true.**

**PD**

**Giles Thorley**

**Chief Executive officer**

**27<sup>th</sup> May 2025**