

Cash lifeline is promised for homeowners and businesses

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Boris Johnson and Rishi Sunak at No 10 where the chancellor unveiled a £350 billion economic package



Rishi Sunak responded to the unprecedented challenges for the British economy with a package of interventions that he said were “on a scale unimaginable only a few weeks ago”.

The chancellor unveiled £330 billion worth of loan guarantees for industry, equivalent to 15 per cent of the nation’s entire economic output. There was assistance for individuals struggling to pay mortgages and billions of pounds of grants for small companies and a year-long commercial tax holiday.

Industry groups broadly welcomed Mr Sunak’s announcement but the Institute for Fiscal Studies warned him that he would “need to come back with more”.

Coronavirus bailouts

US	£703bn
Germany	£500bn
France	£497bn
UK	£350bn
Italy	£309bn
Spain	£181bn
Japan	£160bn

Based on yesterday's exchange rates

Spain: largest spending package since Spain became a democracy 40 years ago

Individuals and employees

People struggling to pay their mortgages will be given payment holidays of up to three months, the chancellor said.

There wasn't any other formal support for people whose roles may be at risk but Mr Sunak said he would go "much further in the coming days" and was working with trade unions and business leaders to develop "employment support" for those who lose incomes.

Mr Sunak stressed that there would be further measures to help workers. "We plan to go further with employment support that will be direct fiscal action," Mr Sunak said. "We want to build a bold and ambitious employment support package."

The Treasury is looking into options before committing funds, which is likely to cost billions of pounds more than the £32 billion direct fiscal support already committed to the coronavirus fightback. The chancellor faced criticism for including "mortgage holidays" in his package but failing to address the needs of people who rent. He said that Robert Jenrick, the housing secretary, will announce new measures to "protect" people who rent shortly.

Jeremy Corbyn said: "The government has announced a mortgage holiday for homeowners but it must suspend rents too. Millions of people rent in the UK. Ban evictions. Now."

Mr Sunak said: "The biggest fixed costs that many families face will be their rent payment and it is right that we have regard to that . . . The housing secretary will in the coming days be making a statement with further measures to protect renters through these difficult times."

Small business loans

Small and medium-sized companies often have scant reserves to help them through a lean period and many fear failure without urgent aid. Pubs, bars and restaurants were reporting a downturn in trade of more than 50 per cent even before the government advised the public to avoid them.

Mr Sunak announced an expansion of the coronavirus business interruption loan scheme, under which the government will underwrite the risk of bank loans to small and medium-sized companies. The initiative was announced in last week's budget but Mr Sunak said he would increase the amount businesses can borrow at affordable rates from £1.2 million to £5 million, while the first six months of the finance will now be interest-free.

The scheme, which will be launched next week, is based on the Enterprise Finance Guarantee, a similar programme set up to help small companies cope with the fallout of the global financial crisis. The EFG was mis-sold by at least one major bank, was often poorly understood by local bank managers and has been called cumbersome and bureaucratic by its critics.

Ian Cass, managing director of the Forum of Private Business, said: "A loan is not going to solve the problems of a company that's on the brink, it risks pushing the problem down the road."

Sir Charles Bean of the Office for Budget Responsibility, the fiscal watchdog, said grants were preferable: "If the loan is quite sizeable you may not be a viable business at the end of it," he said.

Business rates holiday

Business rates are a tax on commercial property based on the value of a company's premises. The tax is contentious because the burden tends to fall on those who need property in expensive locations, such as town centres. Mr Sunak said he would give all retail, hospitality and leisure businesses a one-year holiday from their rates bill.

Mark Jones, chief executive of Carluccio's, the casual dining chain, said: "The package is a good start, especially rates relief. Let us hope it is enough in the coming weeks and months."

Harry Murray, chairman of Lucknam Park, a luxury country house hotel near Bath, said: "The chancellor has listened . . . though unfortunately there will still be casualties and loss of jobs."

Big business loans

Airlines, hospitality and leisure companies and manufacturers are among the industries that have warned of massive layoffs as travel restrictions and social distancing measures bite.

Mr Sunak said he had agreed a Treasury and Bank of England scheme for large companies that would operate much like quantitative easing (QE).

Companies that were classed as safe investments before the crisis but now risk running out of money will be able to raise vital funds by issuing commercial paper, a form of debt, in the

markets that the Bank of England will ultimately buy. The size of the scheme will depend on the demand.

Large businesses risk being cut out of the markets as their credit profile deteriorates. If downgraded from investment grade to junk, the higher borrowing costs could destabilise the business. Under the arrangement, the Bank will issue reserves as it does under QE to buy the paper issued by the struggling companies. The loans will be issued to asset managers who have arranged to sell them on to the Bank. The Bank can only operate in secondary markets, which explains the convoluted structure.

Grants

About 700,000 of the nation's smallest companies will get a £10,000 grant to help them in the months ahead. A further £25,000 grant will be available for retail, hospitality and leisure businesses operating from small premises with a "rateable value" for tax purposes of between £15,000 and £51,000.

Emma Jones, founder of Enterprise Nation, a small business support network, said the grants would help companies "even out their budgeting and make room for them to continue to honour their payroll responsibilities".

However, Ms Jones said self-employed people and sole traders were "losing contracts with no financial support whatsoever".