

# Andrew Bailey pledges unlimited loans to stop companies going under

[Philip Aldrick](#), Economics Editor

Thursday March 19 2020, 12.01am, The Times

From an eerily quiet Bank of England Andrew Bailey said the Bank will do what is needed to prevent lasting economic damage



Large distressed businesses will be able to access unlimited funds directly from the Bank of England if they cannot raise money in the markets, the new governor has pledged.

Andrew Bailey announced a crisis package for companies alongside the chancellor's £20 billion of direct aid and £330 billion of loan guarantees for business on Tuesday to fight the coronavirus fallout. Speaking to the press remotely from an almost empty Bank yesterday, he said the size of the facility would depend on demand and may be extended to high-risk companies.

The economic impact of Covid-19 has escalated dramatically since the Bank cut interest rates from 0.75 per cent to 0.25 per cent and extended support to small businesses alongside the budget on Wednesday last week.

Mr Bailey said "the situation of larger firms has moved front and centre" due to the new restrictions on movement, which undermine business models.

His comments came as he also:

- Stressed that the Bank will do what is needed to prevent lasting economic damage. “What we don’t want is this to create effects that destroy the supply capacity of the economy,” he said.
- Urged the Treasury to take action to support incomes for those who have lost their job or reduced their hours. “Supporting the need of the people of this country — of which wages of course is a part — is critical,” he said.
- Told British businesses to use the emergency facilities, including the £330 billion package of loan guarantees, before cutting jobs. They should “stop, look at what’s available, come and talk to us [or] the government before you take that position”.
- Warned traders not to exploit the crisis by short-selling assets for profit. “Anybody who says, ‘I can make a load of money by shorting’ which might not be frankly in the interest of the economy, the interest of the people, just stop doing what you’re doing,” he said.

Under the Covid-19 Corporate Financing Facility, the Bank will buy short-term commercial paper issued by big businesses, rated investment-grade before the crisis escalated this month. Mr Bailey said the facility was likely to be extended to junk-rated companies as well as asset-backed commercial paper in what could end up being a substantial scheme.

Mr Bailey, 60, declined to provide an estimate of the Corporate Financing Facility’s potential size but it could reach tens of billions of pounds, dwarfing the Bank’s existing £10 billion corporate bond scheme. Commercial paper issuance totals just £3 billion but existing UK corporate bond issuance totals £375 billion, half of which is BBB — the lowest rating before junk status.

Companies rated BBB and facing a downgrade may now struggle to raise funds to keep the business functioning. Junk bond issuance, which totalled £20 billion by British companies last year according to PWC, is also likely to be hit. Much of the high-yield, junk bond market is shut, traders say.

Stephen Snowden, manager of the Artemis Corporate Bond Fund, said corporate bonds were cheaper than in the 2008 financial crisis, which means borrowing costs are higher as the two move inversely. “I didn’t think I’d see the market as cheap again,” he said.

Mr Bailey said the Bank’s intervention was urgent and the facility should be in place by the start of next week. He said: “We had to move between Sunday morning and yesterday afternoon. We had to move very rapidly. It is a means to get funding to companies and it can be used now. We are already talking to companies, to business associations.”

He added that extending the scheme to junk bonds and asset-backed commercial paper “is one of the discussions we are having. If that is the need we have got to answer it.”