

# Bailey leans toward 100% guarantee for state credit

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Andrew Bailey believes a blanket guarantee for loans under £25,000 might clear any blockages



Blanket state guarantees for small business loans might help unblock the supply of credit for companies urgently in need of cash to help them through the crisis, the Bank of England governor has suggested.

Under the [business interruption loan scheme](#), the Treasury is guaranteeing 80 per cent of any losses. But the scheme has been attacked for taking too long to get credit to businesses compared with schemes in Germany and Switzerland where 100 per cent state guarantees have been provided.

[Andrew Bailey](#), the Bank governor, said the “judgment was entirely one for the Treasury and the chancellor [as] the public purse is at risk”, but suggested a blanket guarantee for loans under £25,000, might clear the blockages.

“Is there a case [for 100 per cent guarantees] for very small firms that account for quite a high volume of applications? Would it unblock things to change the risk appetite for those firms?” he said on a call with the press.

Asked what size loans he was talking about, he said: “You often hear talk of a £25,000 threshold.” The Treasury is believed to be close to increasing the guarantee to 100 per cent, and is considering a threshold of up to £250,000. A decision may be taken this weekend.

Banks are making [credit checks](#) that slow the process. Complications arise among the smallest businesses, which are applying in huge numbers.

Mr Bailey said they need to work harder. “Banks have really got to dig in and get on with it because this is livelihoods at stake,” he said. If companies collapse, it will have “a scarring effect” on the economy, he warned.

He said of the [Office for Budget Responsibility](#)’s forecast for a 35 per cent fall in GDP growth in the second quarter: “I don’t think there is anything implausible about a second quarter number of that nature.” The Bank will publish its own forecast in May.