

Crunch time for companies as Rishi Sunak is pushed for 100% loans

Taxman braced for tidal wave of claims for wages one month into lockdown

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Money is only trickling out of Rishi Sunak's £330bn bailout fund



The chancellor Rishi Sunak is weighing up whether to fully underwrite loans to hundreds of thousands of small businesses facing a make-or-break week.

Tomorrow up to 2.3 million businesses could apply for government furlough cash to pay wages, potentially flooding HMRC's new website when it opens.

One month into the lockdown, and with Friday's payday looming, businesses are fast running out of cash. Money is only trickling out of Sunak's £330bn bailout fund, despite the state's offer to guarantee 80% of loans to small businesses. As of the middle of last week, only £1.1bn had been lent to about 6,000 of Britain's 5.8 million small companies.

The chancellor held crisis talks over the coronavirus business interruption scheme (CBILS) on Friday with Keith Morgan, the chief executive of the British Business Bank, amid a growing clamour for the guarantee to be increased from 80% to 100% for smaller companies. Andrew Bailey, Bank of England governor, suggested there was a case for a blanket 100% guarantee for loans up to £25,000 — but said the “judgment was entirely one for the Treasury”.

Sunak is due to meet the bosses of the big banks this week to assess the progress of the support packages for business. The chancellor is also preparing to announce a new scheme to grant lifelines of about £1bn to technology and life sciences start-ups that have not yet been able to access any emergency funding.

Sunak's intervention comes as:

- Economic data this week will shed light on the impact of the shutdown, with retail sales for March expected to fall and the PMI indicator of manufacturing and services activity in April also plummeting
- Sam Woods, deputy Bank governor, is concerned about the prospect of corporate downgrades but insisted the banks had capacity to lend and could — in extremis — stomach £120bn of bad debts
- A scheme is being devised to finance privately-owned companies unable to access existing Covid-19 rescue packages, according to Sky News. It reported that individual loans could be pooled into securitisation vehicles that would be partly backed by the government or sold to the Bank of England.

Sunak devised elements of the new scheme for start-ups and other fast-growing businesses himself, including the idea of providing convertible loans offered on commercial terms, which are matched by private investors. Grants and loans will also be made available.

Shadow business secretary Ed Miliband said the government risked sending thousands of businesses to the wall if it did not fully underwrite smaller loans in CBILS. “The decisions taken in the coming days will determine whether some of them will survive,” he said.

Despite more than 40 accredited lenders, the bulk of the loans is being made by two banks. NatWest, 62% taxpayer-owned, said yesterday it had approved 5,001 loans worth £840m. HSBC has approved 2,026, worth £278.6m. Barclays, Lloyds and Santander refused to reveal the extent of their lending.

The controversy rages as HMRC prepares to open the furlough scheme, which guarantees 80% of wages. On Friday it was extended until the end of June after businesses warned they would otherwise have to start cutting jobs.

Officials have been surprised by the number of companies preparing to furlough workers. The Resolution Foundation think tank estimated that more than nine million would be furloughed under the scheme. The cost has been estimated at more than £50bn.

There are 2.3 million companies with staff on payroll, according to figures processed by the Corporate Finance Network (CFN), an accountancy trade body.

Small companies looking to furlough fewer than 100 workers are not able to do so in bulk, adding further strain to the online system. HMRC has said it can cope with 450,000 users an hour, but an initial surge is expected to top that tomorrow. “There could be more than a million users attempting to log on in the first hour,” said Kirsty McGregor, the CFN's chairwoman.