

Rishi Sunak rejects calls for state guarantee of coronavirus small business loans

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Rishi Sunak has defied [pleas](#) from former chancellors and the governor of the Bank of England for the taxpayer to underwrite 100 per cent of loans to small businesses struggling for survival.

The chancellor said he was “not persuaded” that a total state guarantee was the right thing to do despite concerns that the government’s troubled emergency credit scheme is failing.

Mr Sunak said the number of loans provided under the coronavirus business interruption loans scheme had doubled since last week to 12,000, and it is understood that about £2 billion of credit has now been provided.

The scheme, under which the state provides an 80 per cent guarantee on loans to small companies, has been marred by a myriad of problems, with politicians and business leaders warning that it is failing to get enough money to the front line.

Some in the banking industry fear they will not be able to claim on the government guarantee if they are placed under too much pressure to lend to unviable companies. There have also been complaints from some bankers that a requirement to meet European Union rules is curtailing their ability to provide credit.

Companies and employers’ groups meanwhile report that lenders are making it too hard to access the programme.

Mr Sunak said the number of businesses being supported by the scheme was “double what it was a week ago, which was [double what it was the week before](#)”, but he warned lenders that he would be watching their progress “very carefully”.

Figures seen by *The Times* show that as of yesterday morning, Royal Bank of Scotland alone had provided £937 million worth of credit to 5,600 companies, representing close to half the total support provided by the scheme. With other large lenders under pressure to step up their activity, MPs warned that data for the scheme was too vague and infrequent to hold banks to account.

“Many businesses up and down the country are facing a daily struggle for survival,” said Mel Stride, chairman of the Treasury select committee. “They need these emergency loans urgently, but data published so far shows that it has been taking too long to reach them.”

Mr Stride called for daily updates on how many companies had inquired about emergency loans and lodged formal applications, as well as the total numbers of approvals and rejections.

Last week Andrew Bailey, governor of the Bank of England, [suggested](#) that a total guarantee on smaller loans of up to £25,000 would help to unlock credit, but stressed that the decision was “entirely one for the Treasury and the chancellor”.

Sajid Javid and George Osborne, two former chancellors, and Ed Miliband, the shadow business secretary, are also among those calling for the guarantee to be increased to 100 per cent.

Mr Sunak hit back last night, arguing that the British government’s economic response was already “more significant than almost any other developed country”.

Although he accepted a 100 per cent guarantee may speed up loan delivery, the Treasury is understood to be concerned about raising expectations of securing debt among unviable companies and an increased risk of fraud.

Mr Miliband said that the chancellor had made the “wrong decision” and take-up of the scheme was still far too low.

Sources in the banking industry indicated that a 100 per cent guarantee might not make much difference because banks still have to follow normal commercial lending processes under scheme rules and, where relevant, exhaust normal recovery action before the guarantee can be claimed.

The scheme will be audited and some lenders are said to fear that rushing credit out and lending to unviable companies could ultimately mean they cannot claim on the guarantee.

Some in the banking industry have also complained that EU rules included in the scheme, which underscore a responsibility to check the viability of borrowers, were restricting the number of companies that lenders can support by adding a layer of red tape.

Mr Sunak said he was “very sympathetic” to persisting concerns over the speed of the scheme’s delivery. “I think there’s signs of progress there, which I’m watching very carefully,” he said. Mr Sunak vowed to work with banks “to see if there are any other elements of the process we can streaml