Emergency loans are doubled in ‘crunch week’ for small firms

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Small business operators such as Miah Akbar, a shopkeeper in Whitechapel, east London, can apply for emergency loans

Banks have committed £2.8 billion in emergency government-backed loans to small businesses, almost doubling the level of a week ago.

Royal Bank of Scotland, the largest lender to businesses, has approved £1.2 billion, Lloyds has lent £335 million, Barclays £586 million and HSBC £480.5 million. The number of approvals more than doubled, adding 9,000 loans, according to weekly figures from UK Finance.

Many businesses are still struggling to get funds and are frustrated by the scheme’s complexity. The British Chambers of Commerce wants banks and the government to make the system easier and said that this was a crunch week.

Alex Brazier, the Bank of England’s executive director for financial stability, said that banks had been given support from the authorities to lend and they should use it. “It is very important banks lean into this crisis rather than step back,” he said.

Business interruption loans were launched by the Treasury on March 23 and the government guarantees 80 per cent of loans, which have no fees or interest payments for a year. The Treasury has amended the rules several times after criticism that the terms were too restrictive and not helping medium-sized businesses. Banks are now not allowed to ask for personal guarantees for loans up to £250,000.

Suren Thiru, head of economics at the British Chambers of Commerce, said that the number of businesses finding it difficult to access funds was still “concerningly high”, adding: “The number of applications processed and approved will need to be increased significantly in what is a crunch week for firms urgently trying to access financial support.”

Mike Cherry, of the Federation of Small Businesses, said the lending figures were an improvement but more disclosure was needed on the number of businesses turned down by banks.

“Firms deserve to know what the application process looks like at every stage at every approved lender. Banks should also be publishing decline rates,” he said, adding that the number of approvals did not tell the full story.

“We continue to hear from firms that made inquiries when this scheme launched but have still been unable to make an application because of unresponsive customer service teams. For those that have made an application the process is very slow,” he said.

Tej Parikh, chief economist at the Institute of Directors, said: “There are still swathes of businesses facing processing delays and restrictive viability criteria and many are reluctant to engage with the system at all.”

UK Finance said banks had so far approved 46 per cent of 36,000 applications.

Banks have said that the coronavirus loans are part of a package of measures to help customers, including overdraft extensions and repayment holidays on existing loans. For personal customers banks have introduced payment holidays on personal loans, credit cards and mortgages for up to three months.

The Bank of England has made capital available for banks to lend via relaxation of a regulatory buffer and has also launched what is effectively its own corporate bank, lending to businesses with an investment-grade credit rating.

Explain the slow progress, bankers told

Senior bankers will appear before MPs to explain why there has been slow progress in getting the specially designed coronavirus loans to businesses. The Treasury select committee has asked the heads of commercial lending at large institutions to give evidence on May 4.

Mel Stride, chairman of the Treasury committee, said: “These lenders are vital to ensuring that many businesses get the support they so urgently need, but data published so far shows that this can be a lengthy process.”

Mr Stride has also called on banks to provide detailed information about the coronavirus business interruption loans, including the number of customers being rejected, or encouraged not to continue with an application.

He has requested daily updates from the British Business Bank, the state-owned body that is overseeing loans for the Treasury.

“Greater transparency on progress will allow the public to be assured that the financial services sector is stepping up to the plate in providing support,” Mr Stride said.

Large banks have started to publish their loan totals and the number of customers approved weekly. They also provide the information daily to the Treasury.

David Oldfield, chief executive of commercial banking at Lloyds, which revealed yesterday that it had committed £335 million of the £2.8 billion in total coronavirus loans so far, said: “Our processing of [loan] applications for those that need them is accelerating and we would expect that to continue over coming days. We will continue to work alongside our customers to meet their needs.”