Coronavirus bounce back loan scheme: Treasury stumbles into repeat of CBILS chaos

Peter Evans
Sunday May 03 2020, 12.01am, The Sunday Times

Rishi Sunak has personally helped to design some of the Covid-19 rescue packages, including the Future Fund for start-ups

Just before 4am on March 23, lawyers at the Treasury were poring over the final terms of one of the government's flagship rescue plans. Hours later, the coronavirus business interruption loan scheme (CBILS) was open for applications.

Banks accredited to lend were inundated with pleas from business owners, overwhelming staff who had worked flat-out to prepare for the launch. Senior bank executives say last-minute wrangling over terms meant that their teams were not prepared for the onslaught.

It has taken weeks for CBILS to run efficiently, but by last Thursday, more than 25,000 loans had been approved, worth £4.1bn.

Still, thousands of firms have missed out, forcing the government to draw up a bounce back loan scheme (BBLS). Under the plan, banks will offer up to £50,000 with a 100% guarantee from the Treasury, as opposed to 80% underwritten through CBILS. After an interest-free period, the rate on the BBLS will be no more than 2.5%.

Ahead of the BBLS launch tomorrow, history appears to be repeating itself. This weekend, Treasury officials and bank bosses are locked in discussions over the final details, with lenders unwilling to go through the chaos of CBILS again.

Bank bosses have raised the concern that allowing businesses to self-certify their viability — an attempt to speed up the process — will open the system to fraud. Senior executives also fear they will be held personally liable for failing to lend responsibly, which could lead to criminal prosecutions.

Several big banks have developed technology to automate the process, allowing, in theory, successful applicants to receive cash within 24 hours. Those systems are being stress-tested today, ahead of the rush of inquiries expected tomorrow, when the scheme is scheduled to go live at 9am.

“The energy going into getting it ready is certainly there,” said one banker. “I’d be pretty confident it will be ready,” he added, nervously.

For Rishi Sunak, there is a lot riding on BBLS. The chancellor has personally helped to design several of the packages, including the Future Fund for start-ups. He will be held accountable for their success — or otherwise.

There is no doubt that extra support is required for businesses unable to access CBILS, where the average loan size is about £165,000, far higher than many firms need or could afford to repay.

“We know there is huge appetite for these smaller-value loans from across small businesses and sole traders,” said Craig Beaumont, a director at the Federation of Small Businesses. “An amount of up to £50,000 will be the single deciding factor for whether or not a business survives. The stakes could not be higher for 9am tomorrow.”

The loans are designed to be fast-tracked and require the completion of just a two-page online application form, but will not result in a cash free-for-all. The big lenders hope existing customers will receive their cash in as little as 24 hours, but privately admit there will be no quick access for non-customers.

That has raised questions about the accredited lenders, which include high street banks and some alternative lenders. Many fintech start-ups created to distribute funds rapidly to small businesses are not included.

“It’s not clear why they haven’t just given this to fintechs,” said Kirsty McGregor of the Corporate Finance Network. “The banks are absolutely overwhelmed. Why does the Treasury take six weeks to make this decision, then expect lenders to roll it out in six days?”

A significant sticking point this weekend is liability under the senior managers regime, which allows the Financial Conduct Authority (FCA) to hold executives personally liable for irresponsible lending. The FCA has provided “clarity” on this for CBILS and has said it will offer “similar clarity” once BBLS is up and running.

“We need a clearer position from the FCA that bankers won’t be criminally prosecuted in the future for being wrong or immoral,” said one executive. “At the moment, under the regime, bankers are criminally liable if we do anything that’s in breach of our responsibilities.

“I’ve got kids. I’m not ready to go to jail.”