

Flood of virus loan requests

Banks could be overwhelmed, warns Starling chief

[Katherine Griffiths](#)

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Anne Boden, who runs Starling, a digital bank, told MPs that such high demand for loans could provoke fears among businesses that they would miss out



More than 100,000 small businesses applied for new state-backed loans within hours of their launch yesterday.

The demand for bounce back loans reflected the need for funds from companies that could not get [coronavirus business interruption loans](#), business groups said.

Businesses can borrow up to £50,000, at lower rates than under the coronavirus interruption loan scheme. The Treasury's [bounce back loans](#) for small businesses are designed to be quicker for banks to approve, with a simple digital application form and minimal credit checks.

However, yesterday morning's demand put pressure on banks' systems and caused frustration among businesses trying to apply to Barclays, which limited access because of the volume. The bank said that by 2pm it had approved 6,000 loans worth a total of £200 million.

Santander received 10,500 applications and Royal Bank of Scotland had received 22,000 by 2pm. Small and medium-sized businesses normally take out about 20,000 loans a month.

Yesterday Anne Boden, the boss of Starling, a digital bank, told MPs on the Treasury select committee: "I think there is going to be a scale problem here." If lenders could not cope with the volume, they may face questions about how they decided which customers to prioritise, she said. That could lead to fears among businesses that they needed to be at the front of the queue to secure a loan, she said, appearing alongside executives from RBS, Lloyds, Barclays and HSBC.

Bounce back loans have a 100 per cent government guarantee, with the Treasury setting the price for all lenders at 2.5 per cent after the interest-free period, compared with business interruption loans of about 3 per cent to 5 per cent. Lloyds, Barclays and RBS will offer bounce back loans to existing customers first because they have completed anti-money laundering and other checks, making it easier to fulfil the government's wish for the money to flow to borrowers' accounts within 24 to 48 hours. HSBC will consider businesses that are not customers.

Starling has been accredited to offer interruption loans by the British Business Bank, the state-owned body overseeing the schemes, and expects to be able to offer bounce back loans soon.

Bankers denied that they would make big profits from the loans. Paul Thwaite, chief executive of commercial banking at RBS, said that the bank had capped interruption loans at 5 per cent.

Matt Hammerstein, chief executive of Barclays' UK business banking, said that the pricing of bounce back was "designed to help banks recover their costs. If demand is as significant as we think, it could lead to unprecedented recovery operations."

David Oldfield, head of commercial banking at Lloyds, said that about 11 per cent of small businesses normally failed, rising to 30 per cent in the 2007-09 financial crisis. Lloyds admitted that it had been slower than rivals to get the first scheme working quickly.