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Our ref: CLBILS Direction

16 April 2020

Dear Sam

INTRODUCTION OF CORONAVIRUS LARGE BUSINESS INTERRUPTION LOAN SCHEME

Thank you for your letter dated 16 April 2020, relating to changes to the introduction of the Coronavirus Large Business Interruption Loan Scheme (CLBILS) which I have considered carefully.

As you rightly say, COVID-19 is a severe public health emergency that represents a major shock for the UK economy and thank you for noting that you fully support the goal of offering urgent financial relief to mid-sized businesses, many of which are experiencing acute trading pressures.

We both continue to see strong evidence about the severity of the economic impacts of COVID-19 and the feedback from the business community leaves us in no doubt as to the gravity of the situation and the amount of economic and financial stress being borne by different sectors of the economy. As you outline, this includes the termination of business activity in some sectors, for example in non-food physical retail, and significant disruption in other sectors such as construction. As you note, the tourism and hospitality sectors have been very severely impacted, as well as transport, logistics, and other associated businesses. Much of the UK's manufacturing capacity has also suffered, with automotive and aerospace facilities unable to operate normally due to a combination of workforce availability, supply chain disruption and restraints in the working environment.

Whilst I note your suggestion of potential additional safeguards for the scheme, I agree with your assessment that given the severity and urgency of the situation facing businesses, these proposals cannot be considered any further before the scheme is announced in detail and taken live. As you note in your letter, to respond to the crisis in a timely fashion, this intervention has been developed at speed and currently there is not enough robust information that you can rely upon to judge that the scheme parameters are optimal. As you say, the prospect of very substantial losses in the worst cases is not a scenario you anticipate and there will be opportunities to take action if there are signs that we might be heading in that direction.

The Chancellor has given me approval to proceed and I am prepared to provide support for the introduction of this scheme as soon as practicable. I am therefore formally directing you as Accounting Officer to take this forward with immediate effect.

I note that your letter and this reply will be published in due course, once the loan scheme is fully established and after you have made an assessment of the potential impact that making this request public might have on the confidence and take-up of the scheme, and consequently on our efforts to support the economy. I would be grateful if that assessment could be shared with me ahead of publication.

I am copying this letter to the Comptroller and Auditor General and the Treasury Officer of Accounts.

A handwritten signature in black ink, appearing to read 'Alok Sharma', with a stylized flourish below the name.

THE RT HON ALOK SHARMA MP
Secretary of State for Business, Energy & Industrial Strategy