



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Anneliese Dodds MP
Member of Parliament for Oxford East
House of Commons, London SW1A 0AA

8 April 2021

Dear Anneliese,

Greensill Capital

Thank you for your letters of 21 March and 4 April regarding Greensill Capital.

In your first letter you ask about meetings HM Treasury held with Greensill Capital in 2020. As outlined in Freedom of Information releases already made public by HM Treasury, Greensill Capital approached HM Treasury officials regarding access to the Covid Corporate Finance Facility (CCFF) administered by the Bank of England.

These meetings covered requests made by Greensill Capital, first, to allow them to access the scheme by changing its terms and, second, to broaden its scope to allow supply chain finance (SCF) providers to access the scheme in general, emphasising the potential of this extension in ensuring the continued flow of capital to UK SMEs.

As is a matter of public record both of these requests were rejected but it is right that HM Treasury listened to – and gave due consideration to – all potential options to support businesses to survive the pandemic given the extraordinary challenges facing UK SMEs last Spring. As well as the discussions with Greensill Capital, HM Treasury launched a call for evidence and held discussions with several firms within the SCF sector. That consultation and the work of officials showed limited appetite from SCF providers for a scheme of this nature and that it would be challenging to target support towards UK SMEs.

In the same timeframe, in the interest of transparency, I can confirm that David Cameron reached out informally by telephone to me, and to the Economic Secretary and the Financial Secretary, on the matter of Greensill Capital's access to the CCFF. The matter was referred to the relevant officials and, following appropriate consultations as outlined in the previous requests, the request was turned down. During this process, this was communicated to Greensill Capital by officials and, in parallel, by me to David Cameron.

In your letters, you also asked about the process by which Greensill Capital were accredited as a lender under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the accreditation process for this scheme more broadly.

CLBILS was launched on 20 April 2020 to ensure lenders had the confidence to lend to larger businesses in need of financing to survive the pandemic, and provided an 80% guarantee to accredited lenders on eligible finance. The scheme mirrored closely the Coronavirus Business Interruption Loan Scheme (CBILS) which had been launched on 23 March 2020, reflecting feedback from industry stakeholders that a larger variant of CBILS

was needed to support the delivery of finance to larger businesses, to support those businesses – and the jobs they provide – through the pandemic.

There is a robust accreditation process in place for lenders seeking to lend through the coronavirus business lending schemes. The criteria for accreditation were developed by the British Business Bank (BBB), an arms-length body of the Department for Business, Energy and Industrial Strategy (BEIS). These criteria include minimum requirements such as the ability to demonstrate a track record of lending to larger enterprises, provision of evidence-based forecasts, the ability to demonstrate that it has sufficient capital available to meet their lending forecasts, a viable business model, robust operations and systems, the proposed lending will not have unreasonable lender levied fees and interest, and that the lender has all the necessary regulations, licences, authorisations and permissions to operate the scheme. These criteria, which mirrored those in the former Enterprise Finance Guarantee scheme, were set in consultation with BEIS and HM Treasury with no input from other parties.

The accreditation process itself is run independently by the BBB. HM Treasury has no involvement in standard accreditation decisions. Greensill Capital was approved by the BBB in June last year to provide finance through CLBILS based on criteria noted above. HM Treasury had no role and was not involved in the CLBILS accreditation decision for Greensill Capital.

HM Treasury's only role in the CLBILS process is where lenders are seeking further approval to make individual loans of more than £50 million. In order to lend at this level under CLBILS, lenders were required to complete an enhanced BBB accreditation process (the criteria for which were discussed with the Bank of England), which was generally restricted to lenders supervised by the Prudential Regulation Authority or equivalent and approved for internal risk-based modelling, as the government (and the regulators) have confidence in the oversight of these lenders and their track record of business lending at this scale. Once this additional accreditation process had been completed, if the BBB were prepared to accredit lenders to make loans over £50 million, they would consult with HM Treasury on providing that lender with the enhanced accreditation. Greensill Capital enquired about this process and were directed to the BBB. The BBB did not approach HM Treasury with a proposal to approve enhanced lending accreditation for Greensill Capital and as a matter of public record their individual loan limit remained at £50 million for the scheme.

You also asked about how many other non-bank lenders were accredited under CLBILS or will be accredited under the Recovery Loan Scheme (RLS). There were two (ThinCats and Mercedes-Benz Financial Services UK) accredited under CLBILS. Accreditation under RLS is still underway – we anticipate a range of non-bank lenders to participate, as was the case under CBILS where over 75 of the accredited lenders were non-bank lenders including Funding Circle and Whiteoak. It is not a requirement to be regulated by the financial regulators to lend under the schemes – this allows a wide diversity of lenders to become accredited under the scheme which is vital to ensure a broad range of choice for borrowers, enabling them to access the finance they need to survive and recover from the pandemic.

Further, you asked about investigations into Greensill Capital's accreditation under CLBILS. All accredited lenders are subject to audit by the BBB to ensure their compliance with scheme rules. The BBB opened an investigation into Greensill Capital's compliance with the terms of the scheme in October 2020 and informed HM Treasury of this on 9 October. That investigation is continuing, and the Guarantor's obligations under the CLBILS

guarantee are suspended on a precautionary basis, so it would not be appropriate for me to comment further on it at this time.

In your letter of 21 March, you also asked about how HM Treasury handles concerns regarding financial stability. HM Treasury officials continuously monitor risks across the financial sector and escalate their response where appropriate in coordination with the independent financial authorities – the Financial Conduct Authority, the Prudential Regulation Authority and the Bank of England – as well as relevant government departments.

Finally, you asked about the government's approach to the Prompt Payment Code and certain supply chain finance contracts.

Under the Public Contract Regulations 2015, public bodies must include 30-day payment terms in new public sector contracts; and require that this payment term be passed down the supply chain. Where public sector invoices are not paid within 30 days and are not disputed, interest becomes liable as set out in the Late Payment of Commercial Debts (Interest) Act 1998.

Central government departments are committed to paying 90% of undisputed and valid invoices from SMEs within 5 days and 100% of all undisputed and valid invoices within 30 days. Departments are required to report their performance against these payment targets on a quarterly basis on GOV.UK. This goes further than the requirements of the Prompt Payment Code. In addition, since 1 September 2019, any organisation that bids for a central government contract in excess of £5 million a year needs to demonstrate it has effective payment systems in place to ensure a reliable supply chain.

On your questions regarding specific Greensill Capital contracts relating to pharmacies, given these are NHS contracts, the Department for Health and Social Care would be best placed to answer any questions you may have in relation to them.

I can assure you that decisions regarding our Covid schemes were designed to maximise the support available to British businesses whilst ensuring there were mechanisms in place to protect the interests of the taxpayers, and I hope this letter addresses your concerns.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RT HON RISHI SUNAK MP