HM Treasury

Report under section 231 of the Banking Act 2009:

1 April 2015 to 30 September 2015

December 2015

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Presented to the House of Commons pursuant to section 231 of the Banking Act 2009

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This publication is available at www.gov.uk/government/publications

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ISBN 978-1-910835-64-7
PU1884

Contents

1 Introduction

1.1 Section 231 of the Banking Act 2009 ("the act") requires the Treasury to prepare reports about arrangements entered into which involve or may require reliance on section 228(1) of the act. Section 228(1) allows the Treasury to make payments from money provided by Parliament or, pursuant to section 228(5), from the Consolidated Fund:

a) for any purpose in connection with Parts 1 to 3 of the act

b) in respect of, or in connection with, giving financial assistance to or in respect of a bank or other financial institution (the Secretary of State is also permitted to make such payments with the permission of the Treasury)

c) in respect of financial assistance to the Bank of England

1.2 This document covers the period beginning 1 April 2015 and ending 30 September 2015 and fulfils the requirement under section 231(2)(b) of the act to report on successive six month periods. In accordance with section 231(4) of the act, the report does not specify individual arrangements, or identify, or enable the identification of individual beneficiaries.

1.3 This document does not cover expenditure incurred in relation to action taken under the Banking (Special Provisions) Act 2008.

1.4 Details of the support provided to financial institutions and the economy is set out in a number of places:

- HM Treasury's Annual Report and Accounts 2014-15 (HC 34) and its Main Supply Estimates for 2015-16 (HC 215)
- previous reports published in connection with the requirements of the Banking Act 2009 – www.gov.uk/government/collections/banking-act-reports
- UK Financial Investments' website contains details of how it manages the government's shareholdings in various banks – www.ukfi.co.uk

1.5 Links to further information on government financial assistance schemes are provided in Annex A.

2 Report period

Report covering the period from 1 April 2015 to 30 September 2015

2.1 This chapter constitutes the report required to be prepared under section 231 of the act and provides information about arrangements entered into in the period beginning 1 April 2015 and ending 30 September 2015 which involve or may require reliance on section 228(1) of the act. It excludes any income from financial sector interventions.

Period from 1 April 2015 to 30 September 2015

Department	Scheme/Other commitments	New commitments	Utilisation or issuance	Cash expenditure
		£m	£m	£m
HM Treasury	1. Help to Buy: mortgage guarantee scheme	-	257	-
BIS	2. Equity investments and capital contribution	-	-	110
DCLG	3. NewBuy Guarantee Scheme	-	0.1	-
DCLG/BIS	4. Regional Growth Fund	-	-	32

2.2 The above table discloses new arrangements and expenditure by scheme where applicable and by type of commitment for other arrangements. 'New commitments' represent the maximum amount that the government has committed under a scheme or arrangement and do not represent the size of any expected future losses or cash payments. Provisions for expected losses, if any, are included in departmental annual reports and accounts and Parliamentary Estimates. 'Utilisation or issuance' represents the net amount of a total facility which was used or the net increase in the amount of guarantees which were issued during the reporting period. This includes reinvestment where that reinvestment utilises the Banking Act. 'Cash expenditure' represents cash amounts paid out in respect of schemes or other commitments.

1 Help to Buy: mortgage guarantee scheme: the Help to Buy: mortgage guarantee scheme launched in October 2013, with the aim of increasing the availability of high loan to value (LTV) mortgages for creditworthy borrowers. The government has set aside a £12 billion contingent liability over the lifetime of the scheme. The guarantees formally came into effect on 2 January 2014 and the maximum potential liability from guarantees issued up to 30 September 2015 was £888 million.

2 Equity investments and capital contribution: During the period £110 million was provided to a new UK bank set up to improve finance markets for smaller businesses (SME) and small mid-cap businesses through developing and managing finance programmes designed to enhance the working of finance markets in these areas.

3 NewBuy Guarantee Scheme: the Department for Communities and Local Government (DCLG) launched the NewBuy Guarantee Scheme in March 2012. The scheme supports people without access to large deposits to realise their aspirations to own new-build homes, getting 95% loan to value new build mortgages back on the market and providing a boost to housing supply. Between 1 April 2015 and 30 September 2015, £0.1 million of guarantees were issued and there was a £0.1 million downward revision following a review of the data held on past sales bringing the total commitment to £59.5 million.

4 Regional Growth Fund: Between 1 April 2015 and 30 September 2015, £32 million has been provided by the Department for Business, Innovation and Skills (BIS) to match a similar amount invested by selected banks for onward lending to small and medium-sized entities.

2.3 There is nothing to report in the period for the Asset Purchase Facility (APF), Homeowners Mortgage Support Scheme (HMS), National Loan Guarantee Scheme (NLGS) or Wholesale Guarantee Scheme/Enable Guarantee Scheme. In each of these schemes there were no new commitments, utilisation had either stayed the same or decreased at the period end and none of them had incurred any cash expenditure. The HMS Scheme has been closed to new entrants since 21 April 2011. The Business Finance Partnership has now transferred to the British Business Bank Investment Ltd and will no longer be reported separately.

2.4 Additional information on all of the above schemes is in Annex A and in the published information referred to therein.

A Government schemes

Information on government financial assistance schemes

HM Treasury

Asset Purchase Facility

A.1 In January 2009, the Chancellor of the Exchequer authorised the Bank of England to set up an Asset Purchase Facility (APF) to buy high-quality assets financed by the issue of Treasury bills and the Debt Management Office's cash management operations. The aim of the facility was to improve liquidity in credit markets. The Chancellor also announced that the APF provided an additional tool that the Monetary Policy Committee (MPC) could use for monetary policy purposes. When the APF is used for monetary policy purposes, purchases of assets are financed by the creation of central bank reserves. The APF has purchased £375 billion of assets by the creation of central bank reserves. The APF continues to operate its corporate facilities, with purchases financed by the issue of Treasury bills and the Debt Management Office's cash management operations. HM Treasury has indemnified the Bank of England and the fund specially created by the Bank to implement the facility from any losses arising out of or in connection with the facility. Further information can be found at: www.bankofengland.co.uk/monetarypolicy/Pages/qe/facility.aspx

National Loan Guarantee Scheme

A.2 The National Loan Guarantee Scheme (NLGS) was launched on 20 March 2012 and helps businesses access cheaper finance by reducing the cost of bank loans under the scheme by 1 percentage point. The NLGS uses government guarantees on unsecured borrowing by banks, enabling them to borrow at a cheaper rate. Participating banks pass on the entire benefit that they receive from the guarantees across the UK through cheaper loans. Further information about the scheme can be found at: www.dmo.gov.uk/index.aspx?page=CGS/NLGS2012

Help to Buy: Mortgage Guarantee Scheme

A.3 The Help to Buy: mortgage guarantee scheme launched in October 2013, with the aim of increasing the availability of high loan to value (LTV) mortgages for creditworthy borrowers. The guarantees formally came into effect on 2 January 2014. The scheme will run for three years and offers lenders the option to purchase a guarantee on mortgages on both new build and existing homes, where a borrower has a deposit of between 5% and 20%. The guarantee compensates mortgage lenders for a portion of net losses suffered in the event of repossession. Lenders are charged a commercial fee for participation in the scheme, which covers the scheme's expected losses, the cost of capital and the administration costs. The government has set aside a £12 billion contingent liability over the lifetime of the scheme, enough to support up to £130 billion of mortgage lending. Further information can be found at: www.gov.uk/affordable-home-ownership-schemes/help-to-buy-mortgage-guarantees

Department for Business, Innovation and Skills

Wholesale Guarantee Scheme/Enable Guarantee Scheme

A.4 The Wholesale Guarantee Scheme aims to address capital constrains associated with SME lending by enabling participating bank originators to share a portion of the credit risk of a newly originated small business lending portfolio with HM Government in return for a fee. This will lead to a reduction in capital requirements connected to the guaranteed lending, thus making SME lending more commercially attractive for the bank originator.

Department for Communities and Local Government

Homeowners Mortgage Support Scheme

A.5 The Homeowners Mortgage Support (HMS) Scheme enabled eligible borrowers who suffered a temporary loss of income to defer a percentage of their mortgage interest payments for up to two years to help them get back on track with their finances. If repossession cannot be avoided, lenders can claim on the HMS guarantee for up to 80% of the deferred interest. The scheme closed on 21 April 2011, although the government guarantee will run until 2017. Further information can be found at: http://bit.ly/mortgagesupportscheme

NewBuy Guarantee Scheme

A.6 The NewBuy Guarantee Scheme assists buyers who have a deposit of at least 5% to buy a new build home. The scheme will allow more borrowers to obtain up to 95% loan to value mortgages on new build properties from participating builders in England. The scheme closed to new mortgage offers in March 2015. Further information can be found at: www.gov.uk/government/policies/helping-people-to-buy-a-home/supporting-pages/help-for-first-time-buyers

Department for Communities and Local Government/Department for Business, Innovation and Skills

Regional Growth Fund

A.7 The Regional Growth Fund (RGF) is a £3.2 billion fund operating across England from 2011 to 2017. It supports projects and programmes with significant potential for economic growth that can create additional, sustainable private sector employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. The majority of funds disbursed under the RGF scheme have been provided under the vires of the Industrial Development Act but, where intermediaries are banks, the Banking Act is used. Further information can be found at: www.gov.uk/understanding-the-regional-growth-fund

HM Treasury contacts

This document can be downloaded from www.gov.uk

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