



HM Treasury

Report under section 231 of the Banking Act 2009:

1 October 2019 to 31 March 2020

December 2020

Report under section 231 of the
Banking Act 2009:
1 October 2019 to 31 March 2020

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



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Chapter 1

Introduction

- 1.1 Section 231 of the Banking Act 2009 ("the act") requires the Treasury to prepare reports about arrangements entered 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:
- 1 for any purpose in connection with Parts 1 to 3 of the act
 - 2 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)
 - 3 in respect of financial assistance to the Bank of England
- 1.2 This document covers the period beginning 1 October 2019 and ending 31 March 2020 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 several places:
- HM Treasury's Annual Report and Accounts 2019-20 (HC 746) and its Main Supply Estimates for 2019-20 (HC 2154)
 - previous reports published in connection with the requirements of the Banking Act 2009 – www.gov.uk/government/collections/banking-act-reports
 - UK Government Investments' website contains details of how it manages the government's shareholdings in various banks – www.ukgi.org.uk
- 1.5 Links to further information on government financial assistance schemes are provided in Annex A.

Chapter 2

Report covering 1 October 2019 to 31 March 2020

2.1 This chapter constitutes the report required to be prepared under section 231 of the act and provides information about arrangements entered in the period beginning 1 October 2019 and ending 31 March 2020, which involve or may require reliance on section 228(1) of the act. It excludes any income from financial sector interventions.

Period from 1 October 2019 to 31 March 2020

| Department | Scheme/Other commitments | New commitments | Utilisation or issuance | Cash expenditure |
|-------------|---|-----------------|-------------------------|------------------|
| | | £m | £m | £m |
| HM Treasury | 1. Asset Purchase Facility - gilts | - | 11,040 | - |
| | Asset Purchase Facility – corporate bonds | - | - | - |
| | 2. Help to Buy: mortgage guarantee scheme | - | - | 0.03 |
| | 3. Help to Buy: ISA | - | 91 | 68.9 |
| | 4. Affordable Credit Challenge Fund | - | - | 1.6 |
| BEIS | 5. Enable Funding Scheme | - | - | 22.5 |
| BEIS/MHCLG | 6. Regional Growth Fund | - | - | 1.9 |

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 **Asset Purchase Facility:** At 31 March 2020, the authorised limit of the APF was £645 billion, an increase of £200 billion from the limit at 30 September 2019. The £645 billion limit includes at least £20 billion of investment-grade corporate bond purchases, with the remainder to be made up of gilt purchases. During the period 1 October 2019 to 31 March 2020, net corporate bond purchases were negative due to £34 million of corporate bond redemptions and no reinvestments taking place. Net gilt purchases were positive during this period as reinvestments of gilt holdings and additional purchases (£26,478 million) exceeded redemptions (£15,438 million).
 - 2 **Help to Buy: mortgage guarantee scheme:** Between 1 October 2019 and 31 March 2020, £0.03 million was paid out in claims.
 - 3 **Help to Buy: ISA scheme:** The Help to Buy: ISA scheme was launched on 1 December 2015 with accounts available through banks, building societies and credit unions. The scheme enables people saving for their first home to receive a 25% boost to their savings up to a maximum of £3,000 when they buy a property of £250,000 or less (with a higher price limit of £450,000 in London). Between 1 October 2019 and 31 March 2020, the maximum potential liability increased by £91 million bringing the total maximum potential liability as at 31 March 2020 to £893 million. Between 1 October 2019 and 31 March 2020 £68.9 million was drawn.
 - 4 **Affordable Credit Challenge Fund:** Six partnerships devising technological solutions were awarded development grants totalling £0.9m plus £0.07m of legal support funding in November 2019. Following this, at Spring Budget 2020 three of those partnerships were announced as winners and each received a further £0.2m to continue developing and growing their solutions.
 - 5 **Enable Funding scheme:** The Enable Funding scheme aims to improve the provision of asset and lease finance to smaller UK businesses. Between 1 October 2019 and 31 March 2020, £22.5 million was drawn.
 - 6 **Regional Growth Fund:** Between 1 October 2019 and 31 March 2020, the Department for Business, Energy & Industrial Strategy (BEIS) reinvested £1.9 million from loan receipts 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 **Equity investments and capital contribution – financial market access**, the **Enable Guarantee Scheme** or the **NewBuy Guarantee Scheme** as there were no new commitments, utilisation had either stayed the same or decreased at the period end and no cash expenditure was incurred.
- 2.4 Additional information on all of the above schemes is in Annex A and in the published information referred to therein.

Annex A

Government financial assistance schemes

HM Treasury

Asset Purchase Facility

A.1 In January 2009, the Chancellor of the Exchequer (“the Chancellor”) authorised the Bank of England (“the Bank”) to set up the Asset Purchase Facility (APF) to buy high-quality assets financed by the issue of Treasury bills. The aim of the facility was to improve liquidity in credit markets. The Chancellor also announced that the APF would operate as an additional tool that the Monetary Policy Committee 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.

In August 2016, the Chancellor authorised the limit on purchases that may be undertaken by the APF to be raised by £170 billion to £545 billion. This included £60 billion of additional gilt purchases, a new scheme to purchase private sector assets of up to £10 billion, and a new Term Funding Scheme (TFS) of up to £100 billion that would lend central bank reserves to banks and building societies for an extended period at rates close to Bank Rate. The Chancellor also authorised an extension of the definition of assets eligible to be held in the APF to include secured lending of central bank reserves, backed by the full range of collateral eligible in the Bank’s Sterling Monetary Framework.

In March 2020, the Chancellor authorised the limit on purchases that may be undertaken by the APF to be raised by £200 billion to £645 billion. The increase in the authorised limit included at least £10 billion of additional investment-grade corporate bond purchases, with the remainder of the increase to be made up of additional gilt purchases.

HM Treasury has indemnified the Bank of England Asset Purchase Facility Fund (BEAPFF) from any losses arising out of, or in connection with, the facility. Further information on the APF can be found at:

<https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/our-tools#APF>

Help to Buy: Mortgage Guarantee Scheme

A.2 The Help to Buy: mortgage guarantee scheme opened on 8 October 2013 with the aim of increasing the availability of high loan-to-value mortgages for creditworthy borrowers. The guarantees formally came into effect on 2 January 2014. Under the scheme the government offered lenders the option

to purchase a guarantee on mortgage loans where the borrower had a deposit of between 5% and 20%. The guarantee compensated mortgage lenders for a portion of net losses suffered in the event of repossession. Lenders were charged a commercial fee for participation in the scheme, which covered the scheme's expected losses, the cost of capital and the administration costs. Over the life of the scheme the government made available up to £12 billion of guarantees, which was sufficient to support up to £130 billion of high loan-to-value mortgages. The Help to Buy: mortgage guarantee scheme closed to new loans on the 31 December 2016 as planned. Participating mortgage lenders were allowed to complete loans into the scheme until 30 June 2017, where they had an application date on or before 31 December 2016.

Help to Buy: ISA

- A.3** The Help to Buy: ISA scheme was launched on 1 December 2015 with accounts available through banks, building societies and credit unions. The scheme enables people saving for their first home to receive a 25% boost to their savings from the Government when they buy a property of £250,000 or less (with a higher price limit of £450,000 in London). This means that for every £200 saved, first-time buyers can receive a government bonus of £50. The maximum government bonus is £3,000. The scheme will be open to new savers until 30 November 2019. Help to Buy: ISA account holders can, however, continue saving into their account until 30 November 2029 when accounts will close to additional contributions. The Help to Buy: ISA government bonus must be claimed by 1 December 2030. Further information can be found at: www.gov.uk/affordable-home-ownership-schemes/help-to-buy-mortgage-guarantees

Affordable Credit Challenge Fund

- A.4** Social and community lenders – such as credit unions and community development financial institutions (CDFIs) - provide affordable and responsible sources of credit to lower income groups. However, the sector has struggled in recent years to compete with high-cost lenders in areas such as visibility, customer journey and technological capability. At Autumn Budget 2018 the Government committed to launching a £2 million Affordable Credit Challenge Fund, harnessing the power of the UK's world-leading fintech industry to support these social and community lenders. Six partnerships devising technological solutions were each awarded development grants of £150,000 plus £12,000 of legal support funding in November 2019. Following this, three of those partnerships were announced as winners at Spring Budget 2020 and each received a further £200,000 to continue developing and growing their solutions.

Department for Business, Energy and Industrial Strategy (BEIS)

Enable Guarantee Scheme

- A.5** The Enable Guarantee Scheme aims to address capital constraints 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.

Enable Funding Scheme

- A.6** The Enable Funding scheme aims to improve the provision of asset and lease finance to smaller UK businesses. Asset finance is an important source of finance for smaller businesses, but providers of such finance often lack the scale to access capital markets – a key source of funding for lending institutions – in a cost-efficient manner. Enable Funding will warehouse newly-originated asset finance receivables from different originators – bringing them together into a new structure. Once the structure has sufficient scale, it will refinance a portion of its funding on the capital markets, helping small finance providers to tap institutional investors' funds.

Ministry of Housing, Communities and Local Government (MHCLG)

NewBuy Guarantee Scheme

- A.7** The NewBuy Guarantee scheme assisted buyers who had a deposit of at least 5% to buy a new build home. The scheme allowed 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

BEIS/MHCLG

Regional Growth Fund

- A.8** The Regional Growth Fund (RGF) is a £2.6 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. The economic context has changed since 2011 when the first round was launched and following the 2015 Spending Review no future rounds are proposed. Further information can be found at:
www.gov.uk/understanding-the-regional-growth-fund