HM Treasury

Report under section 231 of the Banking Act 2009:

1 April 2022 to 30 September 2022

January 2023

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1 April 2022 to 30 September 2022

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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 April 2021 and ending 30 September 2021 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 2021-22 (HC 495) and its Main Supply Estimates (HC 396) for 2022-23
- 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 April 2022 to 30 September 2022

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 April 2022 and ending 30 September 2022, which involve or may require reliance on section 228(1) of the act. It excludes any income from financial sector interventions.

Table 2.A Period from 1 April 2022 to 30 September 2022

Department	Scheme/ Other commitments	New commitments £m	Utilisation or issuance £m	Cash expenditure £m
HM Treasury	Asset Purchase Facility – gilts for monetary policy	-	-	-
	Asset Purchase Facility – corporate bonds	-	-	-
	Asset Purchase Facility – financial stability gilt portfolio	100,000	2,440	-
	Help to Buy: Mortgage Guarantee scheme	-	-	0.01
	Help to Buy: ISA	-	-	62.0
	Mortgage Guarantee Scheme	-	325	-
	No-Interest Loans Scheme	-	0.02	0.09
BEIS	Enable Funding Scheme	-	-	22.8
BEIS DLUHC	Regional Growth Fund	-	-	2.4

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: Asset Purchase Facility: At 30 September 2022, the authorised limit of the APF was £966 billion, a net increase of £71 billion from the limit at 31 March 2022, which was comprised of a £29 billion reduction of the authorised limit in May and a £100 billion increase in the authorised limit in September. The £966 billion limit includes up to £19.6 billion of investment-grade corporate bonds and up to £100 billion of long-dated gilts authorised on 28 September 2022 as part of the Bank's temporary and targeted financial stability purchases of long-dated gilts, with the remainder to be made up of gilt purchases undertaken for monetary policy purposes. During the period 1 April 2022 – 30 September 2022, net corporate bond purchases were negative with £971 million of redemptions and sales and no new purchases or reinvestments, whilst net gilt purchases undertaken for monetary policy purposes were also negative with £9,073 million of redemptions and no new purchases or reinvestments. Net gilt purchases under the temporary and targeted financial stability intervention were positive with £2,440 million of long-dated conventional gilt purchases.

2. Help to Buy: Mortgage Guarantee Scheme: Between 1 April 2022 and 30 September 2022, £0.01 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 April 2022 and 30 September 2022, the maximum potential liability decreased by £150 million bringing the total maximum potential liability as at 30 September 2022 to £634million. Between 1 April 2022 and 30 September 2022, £62 million was drawn.

4. Mortgage Guarantee Scheme: Between 1 April 2022 and 30 September 2022 the maximum potential liability increased by £325million to £784m as at the 30 September 2022. No claims were paid out during the period.

5. No-Interest Loan Scheme: NILS aims to enable vulnerable consumers who would benefit from affordable short-term credit to meet unexpected costs as an alternative to relying on high-cost credit. Between 1 October 2021 and 31 March 2022, £0.02 million of guarantees were issued and £0.09 million delivery funding was paid. No claims were paid out during the period.

6. Enable Funding scheme: The Enable Funding scheme aims to improve the provision of asset and lease finance to smaller UK businesses. Between 1 April 2022 and 30 September 2022, £22.8 million was drawn. Total lifetime commitments were £406.7 as at 30 September 2022.

7. Regional Growth Fund: Between 1 April 2022 and 30 September 2022, the Department for Business, Energy & Industrial Strategy (BEIS) reinvested £2.4 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 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 ("the MPC") could use for monetary policy purposes. When the APF is used for monetary policy or financial stability purposes, purchases of assets are financed by the creation of central bank reserves.

A.2 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. The Chancellor authorised an increase in the limit on gilt purchases that may be undertaken by the APF by a further £100 billion in June 2020 and an additional £150 billion in November 2020, bringing the total authorised limit on purchases in the APF £895 billion.

A.3 In February 2022, the MPC voted to begin reducing the APF's stock of purchased assets by ceasing to reinvest the proceeds from redemptions. It was agreed between the Chancellor and the Governor of the Bank of England that the authorised maximum size of the APF would be reduced every 6 months in line with the reduction of assets.

A.4 In May 2022, the authorised limit of the APF was reduced by £28.4 billion to £866.6 billion. The MPC voted to begin sales of the corporate bond purchases, which would commence on 27 September 2022 and be fully unwound no earlier than towards the end of 2023. On 21 September 2022, the MPC voted to reduce the stock of UK government bond purchases held in the APF by £80 billion over the next 12 months.

A.5 On 28 September 2022, it was agreed between the Chancellor and Governor to increase the maximum authorized size of the APF by £100 billion in order for the Bank to carry out temporary and targeted purchases of long-dated gilts for financial stability purposes, which also included index-linked gilts from 11 October. This took the total authorised limit on purchases that may be undertaken by the APF to £966 billion including up to £19.6 billion of investment-grade corporate bonds and up to £100 billion of long-dated gilts purchased for financial stability purchases.

A.6 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.7 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.8 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 closed to new accounts on 30 November 2019 however, Help to Buy: ISA account holders can 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: https://www.ownyourhome.gov.uk/scheme/help-to-buy-isa/

Mortgage Guarantee Scheme

A.9 The Mortgage Guarantee Scheme was launched on 19 April 2021 to help increase the supply of 95% Loan To Value (LTV) mortgage products (as an indirect effect of the COVID-19 pandemic where it reduced the availability of these products) for credit-worthy households by supporting lenders, in exchange for a commercial fee, to offer these products through a government backed guarantee. The scheme follows on from the successful 2013 Help to Buy: Mortgage Guarantee Scheme, which helped to restore the high LTV market after the financial crisis, giving those who could afford mortgage repayments but not the larger deposits the chance to buy a new home. The scheme will close to new accounts on 31st December 2022 with participating lenders being allowed to complete loans into the new scheme until 30 June 2024, where they had an application date on or before 31 December 2022 as similar to the previous scheme. Further information can be found at: https://www.ownyourhome.gov.uk/scheme/mortgage-guarantee-scheme/

No-Interest Loans Scheme (NILS)

A.10 The pilot No-Interest Loans Scheme was announced at the Budget on 3 March 2021. The loans will support consumers in vulnerable circumstances who would benefit from affordable credit to meet unexpected costs and will provide an alternative to relying on high-cost credit. Fair4All Finance, who were founded to support the financial wellbeing of people in vulnerable circumstances, have been appointed to run the pilot and will enter contracts with lenders to deliver the loans, including to provide a partial guarantee against default losses. To facilitate the lending to consumers in vulnerable circumstances, HM Treasury will reimburse Fair4All Finance for eligible default losses they incur under eligible guarantees. HM Treasury will reimburse Fair4All Finance for up to 80% of eligible default losses incurred as part of the pilot. The maximum amount to be paid under the contingent liability is £1.8 million. HM Treasury will reimburse Fair4All Finance for eligible default losses on loans initiated after 22 September 2021 and will stop reimbursing costs by 31 March 2026.

Department for Business, Energy and Industrial Strategy (BEIS)

Enable Guarantee Scheme

A.11 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.12 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.

Department for Levelling up, Housing and Communities (DLUHC)

NewBuy Guarantee Scheme

A.13 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

A.14 NewBuy guarantees on individual policies are valid for seven years from date of sale and all sales occurred between 2012 and 2015. The government guarantees only end only once all properties within a given cell have come off risk (i.e. all the builder guarantees in the same cells have reached the end of the seven years). All policies under the scheme have expired and the scheme is now being wound down with the government guarantee effectively falling away. There has been a handful of claims over the life of the scheme but none have meant that the government guarantee has been called upon.

BEIS/DLUHC

Regional Growth Fund

A.15 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

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This document can be downloaded from www.gov.uk

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