



The Rt. Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
Chief Secretary's Office
1 Horse Guards Road
London
SW1A 2HQ

April 21, 2020

Dear Chancellor of the Exchequer,

Re: COVID-19

Further to my letters on the 23rd March and 1st April, I am writing to you on behalf of our members regarding the continuing difficulty many small businesses are facing in securing loans from the Coronavirus Business Interruption Loan Scheme (CBILs).

We support the work the government is undertaking at this difficult time to stop the spread of the virus and help businesses with the economic implications. However, we feel there are some gaps in the loan scheme that need to be addressed urgently in order to support our nations SMEs who will play a big role in our economic recovery.

Many of our 80,000 members in the UK are reporting the difficulties their clients are facing in securing the CBILs and get much needed cashflow into their business. We are hearing cases like this every single day. Whilst some banks are doing very good work in getting loans approved and money to SMEs quickly as the loans were intended, from what we are hearing these are exceptions and not the rule.

CIMA believes that there are three areas of the CBILs scheme that could be changed to make lending to SMEs more efficient and more effective. We set out these three recommendations below:

1) The Government Increases its loan guarantee from 80% to 100%:

The Government should increase its guarantee to 100% for loans for SME's under £250,000, in order to get loans from banks approved quickly. This would mean that banks would have no excuse for not lending to SMEs and other than the regular fraud and economic crime checks they perform on new applicants, they would not need to perform affordability checks that can be time consuming. This would get cashflow into businesses quickly.

2) Interest Free and Fee Free CBILs:

Banks should issue interest free and fee free CBILs equivalent to the borrower's last 3 months revenue that was banked with the CBIL issuing bank. This could be all



revenue receipts received by the issuing bank in the three-month period prior to the COVID-19 lockdown or 1st December 2019 to 29th February 2020, as appropriate. This should apply to all businesses who have applied for a CBIL or those who have told their bank that they require a CBIL. New applications should also be allowed to be made, up until the release of the lockdown.

This approach will fast track the loans as the banks already have the information they require from a borrower's bank transactions. All the borrower would need to do is confirm they need a loan, agree the term and agree the loan documentation, all of which they can do online through their existing online banking facility. The whole process should require very little human intervention or interference.

3) **Bank of England Buys all the CBILs from Banks for SME Loans:**

The Bank of England should buy all of the CBILs from the banks for SME loans on issue at par value, plus a margin for the banks to incent them to process the loans and manage the loans through to full repayment.

This would encourage the banks to process loans more quickly and effectively as they would be getting a cash incentive to do so.

I hope that HM Treasury finds our above recommendations helpful and useful. I would be happy to have a call with you or your officials, in my capacity as Chief Executive, to discuss our suggestions to support SMEs, the economy and how CBILs could be improved to allow more SMEs to access them. I look forward to hearing back from you.

Yours sincerely,

Andrew Harding
Chief Executive, CIMA

cc.

Rt Hon Michael Gove, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office

Rt Hon Alok Sharma, Secretary of State for Business Energy and Industrial Strategy

Paul Scully MP, Minister for Small Business, Consumers and Labour Markets