

Michelle Ballantyne MSP
Convener, Economy, Energy and Fair Work Committee
The Scottish Parliament
Edinburgh
EH99 1SP

20 May 2020

Dear Ms Ballantyne,

Thank you for your letter to Susan Allen dated 6 May regarding the Committee's inquiry into the impact of COVID-19 on businesses, workers and the economy in Scotland. As the Head of Corporate and Commercial Banking for Santander UK, and the Executive Committee member that has led the implementation of CBILS for the bank, I am responding on her behalf.

I fully appreciate the impact that COVID-19 is having on businesses in Scotland and across the UK and I can assure you that we are working as hard as we can to ensure that our business customers receive the support they need at this time. In this response I have set out the information requested in your letter. I hope that this is useful to the Committee's work.

CBILS

Your letter referenced some specific points on CBILS that have been highlighted to the Committee through written evidence. I have outlined my view on these points, in the order they were raised, below. I think it is important to bear in mind that CBILS has been revised substantially since its introduction and therefore a business' experience of applying for the Scheme will have differed over time.

- In order to provide a business with a CBILS facility, lenders are required to assess whether the business is eligible for a CBILS facility. As part of this, lenders must also consider whether a borrowing proposal is considered viable, were it not for the current pandemic and also that the business is not classed as "business in difficulty" (as at 31st December 2019) for those loan requests greater than £30,000. To do this it is necessary to understand the credit worthiness of the business, and therefore the application will be subject to relevant checks to ensure the lender complies with this requirement. Santander has not introduced any new checks to existing lending policies that would make it harder for a business from a particular sector to access a CBILS facility.
- Businesses applying for a CBILS facility must complete an initial CBILS application. As lenders are required to assess whether a business was viable prior to coronavirus (and prior to the Government's announcement on 27 April, we were also required to assess a business' 'forward viability') we also ask for further documentation to enable us to make a proper assessment of the business' financial position. Therefore, it is necessary for a business to provide paperwork that would allow us to assess these aspects, in line with the requirements of CBILS. Since the introduction of CBILS, our focus has been on processing loan applications as quickly as possible, as we recognise the pressure that coronavirus has placed on many businesses. Due to the number of applications that we received (predominately for sub

£50,000 loans), it has taken us longer than usual to respond. We have however significantly increased the size of our teams processing these applications and have built technology solutions to improve our delivery time and most of the initial backlog of application has since been processed. With regard to personal liability – we do not ask for this, apart from in a small number of cases in which CBILS lending is above £250,000 where this is considered needed to support the credit worthiness of the application, in line with both our existing lending policies and British Business Bank guidance.

- Prior to the introduction of the Bounce Back Loan Scheme (BBL), Santander provided CBILS term loans from a minimum of £2,000, and CBILS overdrafts from a minimum of £500. Since the introduction of BBL, we provide CBILS above £50,000, being the maximum value of BBL.
- Due to the scale of demand we have seen for CBILS, our priority has been on facilitating the applications of current customers. One significant reason for this is that onboarding new customers includes significant financial crime checks, which would add to the time taken to process a CBILS application. The British Business Bank states that businesses should approach their primary lender first for a CBILS facility.
- Santander assesses a business' CBILS application based on the criteria set out by the British Business Bank. Whilst I am not aware of businesses being rejected for being 'too strong', CBILS initially had a requirement that lenders only provide a facility under the Scheme if a business was not eligible for a commercial product – this requirement has now been removed. A business must also demonstrate that it has been adversely affected by coronavirus.
- Santander's interest rates on CBILS facilities are broadly the same or lower than our commercial products prior to COVID-19. We are passing on the benefits of the HMG guarantee and that of the Bank of England's Term Funding Scheme.

Your letter also asked for an outline of what criteria a business would need to meet to demonstrate that they are viable in order to be eligible for a CBILS facility. This would be customer specific, with an assessment undertaken against our existing lending policies, assessing factors such as affordability and serviceability were it not for the current pandemic.

Bounce Back Loan Scheme

The Bounce Back Loan Scheme (BBL) was launched in order to provide a simplified application process for a Government guaranteed loan. Customers are able to apply online for a loan of up to £50,000 or 25% of their 2019 turnover (whichever is lower) if they are a UK business, have not already received a BBL and have not already received a CBILS, CLBILS, or CCFF, unless it is being refinanced in full by taking the BBL. Customers complete an online form which requests their name and contact details, as well as the details of their business account and business name. For our smaller customers applying they are then digitally sent a form in which they state their 2019 turnover (or estimate) and the amount of finance they are requesting, before signing and returning to us. Subject to anti-money laundering checks being passed, customers should receive their money within days. For large clients applying, the process is semi-automated and hence could take a few days longer for the loan to be made available. There are no viability checks through the BBL.

Data

I fully appreciate that the Committee and the public will want reassurance that banks are working at pace and with a genuine willingness to support the large number of businesses that find themselves facing difficulties as a result of COVID19. Since the launch of the scheme in March we have been providing lending figures to UK Finance, who are currently publishing this data on a weekly basis as a



temporary arrangement. We are now supporting efforts to put in place a new more robust and consistent data reporting mechanism. I understand discussions are ongoing between UK Finance, HM Treasury and the British Business Bank to agree plans for the publication of this new reporting mechanism, and we will of course be providing the necessary data for this.

Further support

Alongside the provision of loans through the British Business Bank's various guarantee schemes, Santander is providing a range of support to its business customers to help them manage the impact of coronavirus. This includes access to capital repayment holidays and additional liquidity across overdrafts, working capital, trade finance and loan facilities. Our website provides tips for businesses, including advice on how they can manage their finances as well as links to government advice and support.

I hope that this letter helps in answering some of the queries you have had raised through the Committee's inquiry. As a business bank, our share of lending to businesses across the UK is relatively small at c4.5% market share however I am very proud of the support that Santander has provided to its customers through this crisis. I am happy to help the Committee in any way I can, and if you have any further questions please do let me know.

Yours sincerely,

Tim Hinton

Head, Corporate and Commercial Banking, Santander UK