



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

Dear Ms Ballantyne,

Thank you for your letter addressed to my colleague, Matthew Harris, on the impact of Covid-19 on businesses, workers and the economy in Scotland. As chairman of Lloyds Banking Group's Scottish Executive Committee, I was keen to respond in person. At Lloyds Banking Group, we recognise that our scale and intrinsic links to the Scottish economy position us well to support businesses, particularly during these unprecedented times. Below I have set out some of the ways we have done this and also answered your specific questions.

**By way of introduction, Lloyds Banking Group is one of the UK's largest financial services providers. Our 65,000 staff serve around 26m customers in every part of the country through our historic brands, including Bank of Scotland, Lloyds Bank, Halifax and Scottish Widows. We are the UK's largest digital bank, have the largest branch network and are leading providers of the finance that allows families to buy and protect their homes and save for their future, and businesses to provide support to their communities. Everything we do is designed to allow us to help Britain prosper by being a safe, successful, sustainable business that is a key part of the UK economy. For over 320 years, Bank of Scotland's focus has been on supporting the people, businesses and communities of Scotland. Bank of Scotland is a reassuring financial partner to over 2.8 million personal customers and 150,000 commercial customers, served through Scotland's largest network of branches.**

### **Support for Business**

Lloyds Banking Group has provided more than £6bn of financial support to tens of thousands of businesses, lending them the cash they need to counter the effects of lockdown. Much of our support has flowed through various government initiatives, including our approval of more than 160,000 Bounce Back Loans worth a total of £4.9bn, and 7,492 Coronavirus Business Interruption Loans (CBILs), worth over £1.3bn. We have worked through some initial difficulties we experienced in getting the processes for CBILs up and running and are approving loans at a rate that matches our lending before the crisis - 8 out of 10 CBILs applications approved and at our market share.

Since the successful launch of the Bounce-Back Loan (BBL) we have been working to widen accessibility, for example by fast-tracking applications to open new business banking accounts, which customers need in order to apply. We have also looked for ways to offer help to more businesses, by

gaining the necessary accreditation to be able to offer help to a number of our larger business customers through the government's Covid Corporate Finance Facility.

Alongside the government schemes we have, since March, arranged nearly 50,000 capital repayment holidays and overdraft facilities for business customers who preferred to access short-term working capital solutions rather than the longer term lending available through CBILS.

That £6bn of lending doesn't just help keep our customers trading, it also plays a vital part in the wider economy. It means the businesses we help can pay their suppliers, keeping vital supply chains going and other businesses trading. It also ensures they can keep paying their employees, protecting households around the country from the economic shock of the lockdown.

The range of businesses that we have supported keeps growing, from Forth Resource Management (a recycling business in East Lothian, which has stepped in to fill the gap created by disruption to council services in many areas) to Kinloch Lodge (a luxury hotel on the Isle of Skye).

### **Helping customers get through the disruption to their income**

We also want to do what we can for customers whose income has been affected by coronavirus, easing the pressure on their financial commitments and freeing up their available funds to spend elsewhere in the economy. We are continuing to waive fees for missed payments on credit cards, loans and mortgages; and we have agreed approaching one million payment holidays on mortgages, credit cards and loans (including car loans); and are allowing swifter access to savings accounts that normally require notice of withdrawal.

For three months from 9 April, our personal customers will pay no interest on the first £500 of an agreed overdraft, and we have made it simpler and quicker to apply for a new overdraft or an extension. We have also introduced a new charging structure, which will mean that our customers pay less interest on overdrafts.

But we recognise too that we need to help our customers manage the transition when those arrangements run out. We expect the vast majority will be able to resume payments without difficulty, but we are working closely with our regulators and with our customers to make sure we understand their needs and consider their circumstances. As we learn more about the economic effects of the lockdown we will be focusing on this area. We recognise that getting this right will be critical.

### **Our colleagues and offices**

**From the outset of the pandemic, we have committed to keep paying both our full-time and part-time permanent colleagues and confirmed to them that they will continue to be paid their contracted hours as normal – no matter what their role is, how the outbreak affects their role, or what their circumstances are. We have also suspended all colleague redundancies until October. This includes any colleagues who were placed on notice of redundancy prior to the crisis.**

We have a number of tools in place to support colleagues who might be finding the change to remote working stressful, including an employee assistance programme that can be approached in confidence by any colleague. We are taking a sympathetic and constructive approach to those colleagues who are unwell, or caring for someone who is unwell, during the coronavirus crisis, and we are also taking steps to ensure that colleagues take the holiday time that they are entitled to.

Like all other businesses we have been developing our approach for a gradual return to office work. We have emphasised to all of our staff that their safety and wellbeing will be our guiding principle in deciding when to bring more of our colleagues back to working in offices. We will evolve our approach in light of advice from the UK and Scottish Governments. Within weeks of the lockdown we went from 15,000 staff working from home with some regularity to nearly 50,000 working from home full time. We expect the majority will continue to do so for some time, so that we can maintain social distancing at our sites and keep down the numbers needing to travel, including on public transport. We are working alongside our trade union partners, Unite and Accord, to keep our working environments as safe as they can be, and are providing help with travel expenses for colleagues who need to get to different workplaces from usual.

### Answering your questions

In relation to the specific questions you have raised:

**Q1) in order to determine whether to offer support, some banks are using normal commercial criteria that existed before the Coronavirus Business Interruption Loans Scheme (CBILS) was created, with certain businesses (such as small hospitality businesses) being put through a higher level of scrutiny than businesses in other industries, making support less likely.**

We fully appreciate the concern and frustration expressed by business owners under these trying circumstances and we are doing everything we can in order to support our customers and the economy. In respect of CBILS, we have worked very closely with the government on its development and are committed to its success. The rules of the scheme are set by the British Business Bank (BBB) and require us to evidence that the business can pay the loan back - even with a taxpayer guarantee of 80%. We are required to assess affordability and approve on a credit basis but we then have to confirm viability to the BBB at the end of the process. We assess affordability by looking at the trading activity before the pandemic, as well as all financial information that the business can provide.

Support for customers has continued to evolve and the government has launched its new Bounce Back Loan (BBL) scheme in early May which is designed to get money to businesses which need it, quickly. Businesses are able to borrow up to £50,000, subject to the loan amount not exceeding 25% of the business' annual turnover, with only minor affordability checks and we aim to ensure funds are made available within 24 hours of approval. As I mentioned above, we have so far approved more than 160,000 applications under this scheme worth almost £5bn.

**Q2) some banks are requiring normal paperwork, applying unchanged timelines for processing applications or requiring personal liability.**

We have aimed to keep our paperwork as simple as possible. Under the CBIL scheme, we do ask company Directors to complete an asset, liability, income and expenditure form (ALIE) when applying for funding. This information allows us to better understand if, as Directors, these key individuals are assuming an equitable share of the funding risk, in addition to seeking CBILS support.

Initially, with banks required by the British Business Bank to apply their own processes to obtain security against the loans, a number of banks had requirements for the owners of businesses to make personal guarantees, for example putting part of their home down as security for the loan in the event that the business itself was unable to repay. This is a routine part of commercial lending to make sure the borrower has an incentive to repay. This requirement has now been removed. At Lloyds Banking Group, we had already removed this requirement in the early days of the scheme, prior to the

Chancellor's announcements. **We have throughout sought to balance the need to support businesses as quickly as possible with our regulatory responsibilities to ensure that lending is appropriate.**

**Q3) some banks are lending a minimum of £25k in loans and not operating overdrafts, (which are better suited to most smaller businesses) through the scheme.**

Since the start of the crisis, we have been proactively contacting many of our clients in the most affected sectors to offer capital repayment holidays and overdraft extensions to support their working capital needs. We have found that these measures have helped tens of thousands of our customers and are being well received alongside the lending schemes.

**Q4) some banks are prioritising existing customers for any lending that is occurring under CBILS.**

During the crisis, we have experienced unprecedented levels of demand. Our priority has been to get support to those customers that need as quickly as possible. It is entirely appropriate that customers contact their existing bank in the first instance to discuss the various government schemes.

**Q5) One business was told by a bank that it will not be supported as its business is 'too strong' and some banks are imposing prohibitive interest charges.**

At Lloyds Banking Group, all eligible businesses seeking support are considered for the government schemes. Businesses must still however be assessed as viable to qualify for CBILS.

Under the terms of the CBILS scheme, successful applicants will pay zero interest for 12 months and subsequent interest on any SME loan from Lloyds Banking Group will be less than 5%, and for many, significantly less. Interest on BBL is fixed at 2.5%.

**Q6) Some banks are imposing prohibitive interest rates.**

As above, under the terms of the CBILS scheme, successful applicants will pay zero interest for 12 months and subsequent interest on any SME loan from Lloyds Banking Group will be less than 5%, and for many, significantly less. Interest on BBL is fixed at 2.5%.

## Summary

We fully appreciate the serious impact of the current situation on businesses across Scotland and that is why we are doing everything we can in order to support our customers and the economy.

In addition to the measures I have outlined above, we are trying to make it as easy as possible for customers to manage their finances during the pandemic. NHS employees among our customers are automatically given priority when they call us, saving these essential workers an estimated 400 plus hours so far. Because we recognise the particular challenges facing many older people in accessing our services, we set up a reserved number for our over-70 customers: more than 95,000 have made use of this helpline so far.

We have also expanded and simplified the range of everyday banking tasks that customers can carry out online, and are helping those who want to learn how by providing free online training through our Digital Academy. Having stopped our face-to-face programme, we are now focused on creating a series of online classes for small businesses. We also set up a specialist phone line with the charity We Are Digital, to help up to 20,000 vulnerable customers learn digital skills and stay connected online. Users are helped with everyday tasks such as online shopping and connecting virtually with family and

friends, as well as online banking. This partnership will also deliver up to 2,000 tablets to customers aged over 70 who would benefit most and don't have a suitable device to access the internet.

We also know that customers affected by problem gambling may be facing particular challenges. Our Mobile Banking app enables customers to block card payments to gambling retailers – with a 48-hour cooling off period before the block can be lifted. We are continuing to promote awareness of this among our customers, and we also offer a web chat service to customers seeking advice on problem gambling.

Lloyds Banking Group is also the sole funder of the Bank of Scotland Foundation, providing £5m of funding each year to be distributed to charities across Scotland. At the outset of the crisis, Bank of Scotland Foundation immediately established a Contingency Fund which has seen all current grantees offered a contingency award in the hope that this additional funding can enable them to continue to carry out the original purpose of their grant and, if not, they may accept the Foundation's offer as a contribution to their general costs to help them through this unprecedented time. The team at the Bank of Scotland Foundation are working with Lloyds Banking Group to expand the Enhance Mentoring Programme which matches the Group's colleagues with Foundation funded charities to offer strategic guidance. Colleagues provide charities with support, direction, advice and motivation – all of which can help charities through difficult times.

We all recognise that the strains of lockdown coupled with worry about the effects of the pandemic is having an impact on mental health for many. Support in Mind Scotland has been our Scottish charity partner for some years now, and we are pleased to have supported the creation of their Money and Mental Health Advice Service, which offers a range of resources for people experiencing financial difficulty during lockdown. Our funding also supports their Bloom project, which seeks to teach young people the resilience skills that we all need to manage stress successfully. This project is now being delivered online, with a particular focus on how to manage the stresses and strains of lockdown.

Throughout the crisis, our focus has been on supporting our customers and doing our bit to help keep the economy on track. We have continued to learn as the crisis has unfolded and have constantly kept our support for customers under review. I hope this summary is useful and please don't hesitate to get in touch if you require any further information.

Yours sincerely,

Philip Grant

A handwritten signature in black ink, appearing to read 'Philip Grant', with a long horizontal stroke extending to the right.

Chairman, Scottish Executive Committee,

Lloyds Banking Group