



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

1 May 2020

Dear accredited lenders,

BOUNCE BACK LOAN SCHEME

Thank you for your engagement with my team over the last 6 weeks across the range of HMG loan guarantee products, as we work to safeguard businesses from the economic impacts of COVID-19. It is vital that government and industry continue to work together to manage the long-lasting effects of COVID-19 on the UK economy.

I would also like to thank your teams for the enormous efforts that they continue to put into these schemes: from those who have already been working through the weekends to ensure the smooth delivery of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS), to frontline staff who are providing a vital service to the public by managing the increased demand in recent weeks. The fact that the latest UK Finance figures show that over 25,000 SMEs have already received lending under CBILS is a testament to your hard work.

In my statement to the House of Commons on Monday I announced the government's intention to launch a new scheme, the Bounce Back Loans Scheme (BBLS). I am writing to clarify the approach I am taking to a number of matters relevant to the design and operation of BBLS before its launch on Monday.

Pricing

As a 100% guaranteed loan scheme, the price of BBLS is critical to its success: together, we need to ensure that these loans are affordable and accessible. As such, and incorporating a range of data, I have come to the decision that the rate should be set at 2.5%.

I am also pleased to note that, to support the provision of these loans, the Bank of England will be allowing participants in the Term Funding Scheme with additional incentives for SMEs to extend the term of some of the funding they access via the TFSME to align with the 6-year term of loans made through BBLS. The PRA will also shortly be announcing that banks subject to the UK Leverage Ratio will be able to exclude loans under BBLS from the leverage ratio exposure measure.

As I have previously stated it is vital that all necessary action is taken to ensure that the benefits of this scheme, and all other measures from government and the regulators, are passed through to businesses.

Legislation and regulation

1. Amending the regulatory perimeter

The Treasury has made a statutory instrument (SI) that amends the Regulated Activities Order (RAO) so that providing regulated small business loans of £25,000 or less to sole traders, unincorporated associations and partnerships fewer than four people under the Consumer Credit Act 1974 (CCA), will not be a regulated activity for the purposes of BBLs. This will enable small businesses to access their loans quickly in the way that is envisaged under BBLs. The SI retains the protections for these loans around debt collection, recognising that the importance of appropriate protections for borrowers who experience difficulties in paying back these loans.

The SI has been laid and will come into force on Monday 4 May 2020. The SI can be found at: <http://www.legislation.gov.uk/ukSI/2020/480/made>.

2. Amending the CCA

The Government will introduce primary legislation at the earliest opportunity to disapply sections 140A-140C of the CCA for BBLs lending. The primary legislation will have retrospective effect, meaning that it will apply from the start of the scheme on Monday.

Interaction between BBLs and the Coronavirus Business Interruption Loan Scheme (CBILS)

As you are aware businesses will be able to borrow up to £50,000 under BBLs, capped at 25% of turnover. In order to ensure that businesses have a clear understanding of the support available to them under the loan guarantee schemes, the minimum facility size for term loans and overdrafts under CBILS will increase to £50,001 to avoid any risk of confusion or overlap. Any customer with a CBILS loan or overdraft of £50,000 or less will be able to switch that facility to a BBLs loan should they choose to do so over the next few months. This change to the minimum facility size will not apply to asset finance and invoice finance CBILS facilities.



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

I trust this provides you with the clarity needed to implement BBLs, and would like to thank you again for the vital role you are playing in supporting the economy at this time. I look forward to seeing the scheme rolled out from Monday to support businesses across the UK.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak'.

RT HON RISHI SUNAK MP