

Lenders blame British Business Bank officials for delays to small business loans

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Tuesday April 07 2020, 12.01am, The Times

Rishi Sunak, chancellor of the exchequer, is due to meet the bosses of high street banks this week to discuss the loans scheme



High street banks have blamed the government-owned body responsible for overseeing the coronavirus loans scheme for delays preventing thousands of small businesses from accessing urgently needed funds.

The criticism of the British Business Bank comes as Rishi Sunak, the chancellor, prepares to meet bank bosses this week to discuss how they are implementing the scheme.

Several banks identified the British Business Bank as a bottleneck, citing a lack of resources and cumbersome processes. It is “not fit for purpose,” according to one senior financier.

Under the terms of the coronavirus business interruption loan scheme launched two weeks ago, banks make their own decisions about which customers to lend to, but have to book those loans with the business bank, which was appointed by the Treasury.

Banks have to follow the business bank’s rules in order to qualify for the Treasury’s 80 per cent guarantee of the money lent under the scheme.

Lenders have said the way the loans are booked is too detailed and has created a backlog. Instead, less detail should be required up front but the business bank should have audit rights to assess the loans once paid to ensure adherence to the rules, banks argue.

While some banks have criticised the business bank, created by the government in 2014 to increase credit to SMEs, others say that it is following Treasury guidelines far more restrictive than support schemes in other countries.

The business bank is in charge of accrediting new lenders joining the scheme and assessing their soundness. It initially allowed lenders accredited for its previous enterprise finance guarantee scheme to offer coronavirus business interruption loans.

The bank has boosted its accreditation team from two to twenty-five to assess new banks and fintechs, but has yet to formally approve any.

A spokesman for the bank said: “Lenders are seeing very significant volumes of enquiries and we continue to work closely with them both on the updated design of the scheme as well as making all processes as efficient as possible.”