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28/09/2022

Dame Meg Hillier
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

Dear Dame Meg,

As part of your Committee's 'Bounce Back Loans Scheme: Follow-up' report, you requested that the Department for Business, Energy & Industrial Strategy provide written update on the time taken for lenders to claim on their guarantee under the Bounce Back Loan Scheme (BBLs). As this information is held by the British Business Bank (The Bank), I am writing in response.

The Department should write to the Committee and provide further information on what the shortest time period has been for a lender to claim on their guarantee to date and how this compares to the average

Early data shows that businesses have made a positive start to repayments under the scheme, with the significant majority meeting monthly repayments. A proportion of businesses have chosen to repay their loan in full already and current levels of distress amongst borrowers are relatively low. Full details of repayment rates have been published here: <https://www.gov.uk/government/publications/covid-19-loan-guarantee-schemes-repayment-data/bounce-back-loan-scheme-performance-data-as-at-31-july-2022>. This means that for the vast majority of loans issued under BBLs, no claim on the guarantee will be made.

However, in the minority of cases where lenders do make claims under the BBLs guarantee agreement, they must comply with a range of conditions. The most relevant of these are (1) demand must have been served on the borrower, (2) the facility must comply with the eligibility criteria on its offer date and (3) the lender must have performed the checks relating to fraud and anti-money laundering as set out in the Guarantee Agreement.

Time taken for lenders to claim on the guarantee

- As of 15/09/2022, the average number of days between loan drawdown and a claim being made on a guarantee by a lender has been 645 days.
- The shortest time period between loan drawdown and a claim being made on a guarantee is 60 days.

The length of time taken by a lender to claim on a guarantee is influenced by a number of factors, detailed below:

- Lenders have different business as usual recoveries processes. Some lenders take recovery action against the borrower for longer before raising a claim under the guarantee, and some lenders will raise a claim earlier in their recover processes. Note that a lender is obliged to follow its recoveries process in respect of each loan for which a demand has been served on the borrower for a minimum period of time stipulated in the Guarantee Agreement. This is unaffected by the timing of the claim submission.
- Where no formal demand can be issued on the borrower, BBLS guidance advises lenders to default the loan and raise a claim immediately on these facilities. This may act to shorten the period between drawn down of a loan and the submission of a claim.
- The Bank's strategic claims process took some time to operationalise. Lenders therefore delayed raising claims in the portal whilst they set up APIs to link into this process. Some lenders were able to develop their APIs faster than others, and as such they were able to start uploading their backlog earlier, causing a variance between lenders in the time taken to submit claims.
- In situations under which a lender's threshold to determine fraud has been met, in most business-as-usual scenarios, they will immediately default, undertake necessary reporting and claim under the guarantee.
- It should also be noted that submitting a claim does not result in an immediate cash payment. The payment lead time is an additional circa 30-90 days.

If you have any further questions about any of the topics outlined above, please do contact me or the team at bbbpublicaffairs@british-business-bank.co.uk.

Yours sincerely,



Catherine Lewis La Torre
Chief Executive – The British Business Bank