

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

15 January 2024

Dear Chancellor,

FLA's 2024 Budget Proposals

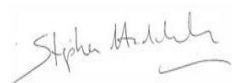
I would like to draw your attention to three issues in our Budget submission (that is attached) in particular: a Recovery Loan Scheme (RLS) replacement, the inclusion of leasing in the full expensing regime and support for non-bank lenders.

The UK has had a credit guarantee scheme in operation since the 1980s. There are equivalents in every other developed economy, as they are seen as an important tool to support SMEs' growth. RLS expires this year, with no clear successor at this stage. A permanent replacement scheme would provide our members with certainty and allow long-term planning for small and medium-sized businesses. We propose that a new Business Finance Growth Guarantee should be created. We also recommend the inclusion of green and greener assets. This could be specific a green variant of the RLS replacement: a Green Finance Growth Guarantee that enables lenders to fund green assets.

At last year's Autumn Statement, you made full expensing permanent. We welcomed this as it gives business certainty and encourages investment. It was also announced that there would be a technical consultation on draft legislation that would include leasing in the regime. We look forward to working with your officials on this to ensure that the draft legislation is ready for the 2024 Finance Bill.

Non-bank lenders provide support for underserved customer groups, however they lack access to the support structures available to banks, such as Term Funding for SMEs, potentially putting them at risk of a liquidity squeeze in times of crisis in turn limiting the support they can offer their SME customers. To address this, we propose a new Emergency Warehouse Liquidity Finance Scheme to address the liquidity gap that may arise. This would allow the lender to provide payment deferrals to viable SME customers and support them as required through the crisis.

Yours sincerely,



Stephen Haddrill
Director General
Finance & Leasing Association