



John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

24 March 2020

Dear Minister,

Our Members across the asset, motor and consumer credit sectors are doing everything they can in difficult circumstances to help their customers, particularly those who are struggling after a sharp fall in income. These customers include retail consumers, the self-employed, and many smaller businesses.

We entirely share the Government's and FCA encouragement to firms to recognise the situation customers are in and put them first. We also welcome the massive support for business now being provided by the Government and the Bank of England. However, in a number of respects the effectiveness of the measures is not being maximised, including because the extra liquidity being offered does not reach many lenders.

As we discussed when we met, the Consumer Credit Act has a number of provisions that get in the way of lenders offering customers – whether consumers or SMEs – swift and simple solutions to requests for help without seeking their agreement to long and complex documentation. Whilst it is tempting to suggest lenders just breach their legal obligations in current circumstances to deliver a better outcome for customers, this carries a significant risk that the loan agreement would then be unenforceable in the future or provide a basis for a compensation claim. We are taking legal advice and it appears that changes to the secondary legislation under the Act could address a major part of these problems. We will share this advice with your officials and we hope it will enable action to be brought forward quickly.

Early action is also needed to provide access to those firms who are not eligible to the support being provided by the Bank of England and the British Business Bank through the Term Funding Scheme for SMEs (TFSSME), the Coronavirus Business Loan Interruption Scheme (CBILS) and the Covid Corporate Financing Facility (CCCF).

The FLA's non-bank members fund a wide range of SMEs to the tune of £7billion of new lending annually. We strongly recommend that such funders without a banking licence are made eligible for the TFSME to enable them to help businesses facing

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disruption. The Bank of England is allowing banks which do not have accreditation to apply for it: other potential lenders should be afforded the same opportunity.

CBILS will assist lenders to help SMEs. However, it does not extend to those who are already helped within the existing Enterprise Finance Guarantee (EFG) scheme but may need greater assistance. We therefore propose that existing EFG arrangements are grandfathered into the new scheme.

We also urge you to look again at the facilities criteria for the CCFF. The investment grade requirement that needs to be met for participation is a significant hurdle for many that in current circumstances will exclude many who could benefit.

I should like to commend the work you and your officials are doing. The measures introduced so far take us a significant way forward but with some adjustment to the schemes and to the CCA regulations we believe more people could be helped and, in some cases, helped faster.

I am copying this to Andrew Bailey and Chris Woolard.

A handwritten signature in blue ink that reads 'Stephen Haddrill' with a horizontal line underneath.

Stephen Haddrill
Director General