National Audit Office

Investigation into the British Business Bank's accreditation of Greensill Capital

HM Treasury, Department for Business, Energy & Industrial Strategy, British Business Bank

REPORT

by the Comptroller and Auditor General

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HC 301

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Investigation into the British Business Bank's accreditation of Greensill Capital

HM Treasury, Department for Business, Energy & Industrial Strategy, British Business Bank

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

30 June 2021

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Investigations

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This investigation looks at Greensill Capital (UK) Limited's (Greensill's) involvement in the government's COVID-19 support schemes, including the accreditation process, and any post-accreditation monitoring of Greensill's activities.

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What this investigation is about

1 This investigation looks at the British Business Bank's (the Bank's) approval of Greensill Capital (UK) Limited's (Greensill's) access to government business support schemes, particularly those developed rapidly in response to the COVID-19 pandemic, the role of the Department for Business, Energy & Industrial Strategy (the Department), and Greensill's subsequent involvement in those schemes.

2 In March 2020, the Chancellor announced in the Budget the government's Coronavirus Business Interruption Loan Scheme (CBILS) in response to the economic challenges businesses faced as a result of the COVID-19 pandemic. This scheme offered financial support to small and medium-sized businesses across the UK that were losing revenue and seeing their cash flow disrupted. On 3 April, this scheme was extended to cover more businesses and to make it easier to access funds with the addition of the Coronavirus Large Business Interruption Loans Scheme (CLBILS). These schemes supported businesses to access loans, overdrafts and other types of finance. Commercial lenders (for example, banks, building societies and peer-to-peer lenders) provided loans directly to businesses, which are expected to repay the debt in full. The loans attract a government guarantee: if the borrower does not repay the loan, the government will step in and repay the lender 80% of the loan's value. Lenders must comply with scheme rules in order to benefit from the guarantee. CBILS supported businesses with a turnover of up to £45 million, and CLBILS supported those with a turnover of more than £45 million.

3 HM Treasury developed these two schemes with the Department and the Bank. HM Treasury, in conjunction with the Department, identified the need for the schemes and set the scheme policies and overarching terms, such as the 80% guarantee. The Bank is fully owned by the Department, which has a wider policy responsibility for business and enterprise. The Bank, established to help finance markets work better for small businesses across the UK, was involved in the schemes' design and is responsible for their implementation. It is responsible for accrediting lenders before they are allowed to make loans and it is responsible for the schemes' ongoing administration, in consultation with HM Treasury and the Department. Given the demand from businesses for emergency lending, the Department required the Bank to accredit lenders for the schemes quickly and at high volumes. The Bank's Accounting Officer informed the Department's Accounting Officer of the value-for-money risks and uncertainties CBILS and CLBILS presented. The Department's Accounting Officer sought and received ministerial direction to implement both.

4 Greensill was an accredited lender under both support schemes. It was a financier to Liberty Steel Group (Liberty Steel; part of the Gupta Family Group Alliance) and made several loans to companies within the Gupta Family Group Alliance through the CLBILS. On 8 March 2021, Greensill entered administration having "fallen into severe financial distress". A range of commentators, including Members of Parliament and the media, have raised concerns relating to Greensill's relationship with the government, including: Greensill's engagement with public officials; whether the accreditation of Greensill to COVID-19 business support schemes was fair and transparent; and to whom Greensill made government-guaranteed loans, particularly in the steel industry, and the resultant level of taxpayer exposure through the guarantees.

5 This investigation:

- provides background and context to the COVID-19 business support schemes in which Greensill participated (Part One);
- looks at the Bank's consideration of Greensill's application and accreditation to CBILS and CLBILS in particular, and the role of the Department (Part Two); and
- considers Greensill's lending activity under those two schemes, and the Bank's subsequent investigation into Greensill's compliance with the scheme rules (Part Three).

We undertook our investigation between April and June 2021.

6 This investigation does not consider Greensill's business activities providing supply chain finance and services to, for example, pharmacies. It also does not consider other concerns raised by Members of Parliament and the media, such as the process of appointing Crown Representatives, including the appointment to this role of Lex Greensill, the founder of the group of companies bearing his name. In addition, it does not consider the lobbying activities of former Prime Minister David Cameron on Greensill's behalf. We do not seek to examine the value for money of the government's COVID-19 business support schemes nor the Bank's wider operation of these schemes. In February 2020, we reported on how well the Bank had improved small businesses' access to finance[1], and in October 2020 on the performance of the Bounce Back Loans Scheme (which was developed subsequent to the CBILS and CLBILS).[2]

1 Comptroller and Auditor General, *British Business Bank*, Session 2019-20, HC 21, National Audit Office, February 2020.

2 Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019-21, HC 860, National Audit Office, October 2020.

7 Several inquiries are seeking to address the wider concerns surrounding Greensill, including:

- Parliamentary inquiries by: the Committee of Public Accounts; the Public Administration and Constitutional Affairs Committee; the Business, Energy and Industrial Strategy Committee; and the Treasury Committee.
- A review into the development and use of supply chain finance (and associated schemes), conducted by Nigel Boardman and reporting to the Prime Minister.
- A Cabinet Office review of private-sector positions held by civil servants.
- A Committee on Standards in Public Life landscape review of the institutions, processes and structures in place to support high standards of conduct.
- A Financial Conduct Authority investigation into matters relating to several Greensill companies, including Greensill Capital (UK) Limited.
- A Serious Fraud Office investigation into suspected fraud, fraudulent trading and money laundering in relation to the financing and conduct of business within the GFG Alliance Group, including financing arrangements with Greensill.
- On 28 June 2021, the Financial Reporting Council (FRC) announced an investigation into the auditor of Greensill Capital (UK) Limited in relation to its audit of the company's 2019 financial statements.

Summary

Key findings

8 **A major customer of Greensill – Liberty Steel – approached the government for financial support in the early part of the COVID-19 pandemic.** The Department told us that in early 2020 it received an approach from Liberty Steel (a part of the Gupta Family Group Alliance) seeking around £160 million to £180 million in funding to support the business beyond May 2020. The Department told us it and HM Treasury jointly considered Liberty Steel's request for direct government support, which they viewed as a last resort, requiring a strong strategic case. The Department told us Liberty Steel had also suggested developing a bespoke government guarantee to support its lender, Greensill, making loans to Liberty Steel. The Department clarified to Liberty Steel that it might be eligible for support under the broader COVID-19 business support schemes. The Department told the Bank that Liberty Steel used Greensill for its financing needs and suggested to Liberty Steel that Greensill could apply for COVID-19 business support schemes through the Bank (paragraphs 2.22 and 2.23).

The Bank's accreditation process

9 **The Bank put in place an accreditation process to authorise lenders to use the schemes, including CLBILS.** Because CBILS and CLBILS were developed quickly to respond to the financial challenges COVID-19 caused businesses, the Bank, in consultation with the Department and HM Treasury, streamlined an existing accreditation process. The Bank raised concerns with the Department about the fast pace required for the delivery of these schemes. The Bank assessed a prospective lender against seven criteria, which include its lending history, operational capacity and legal structure. It relied on information prospective lenders provided in their application being accurate and did not do detailed independent checks on the information. The Bank told us that while it applies a critical view of the information presented and seeks clarifications where needed, the primary focus was to determine whether a lender could reliably deliver the scheme's objectives by quickly providing money to borrowers in need. The Bank's Investment Committee, comprising senior Bank staff, decided whether to approve an application if the lender required more than £250 million; for amounts below this, a Managing Director Forum could decide. Lenders new to the Bank underwent a standard accreditation process, while lenders already accredited under other Bank-led schemes (or supervised by a financial regulator) underwent an accelerated (shortened) process (paragraphs 1.6 to 1.8, 2.2 to 2.7, 2.15 and Figures 3 and 4).

10 **To speed up the accreditation process, the Bank placed greater reliance on audit checks after it accredited lenders rather than due diligence before.** Post-accreditation audits, which typically occur three months after accreditation, are intended to assure the Bank that lenders are operating within the scheme rules. Early audits focus on the processes and procedures for issuing loans, while later audits review default and debt recovery policies. All lenders will be audited within the first year of scheme participation and then subject to ongoing audits, with the frequency dependent on a lender's perceived risk level. For example, a lender that has issued more loans or has performed poorly at previous audits, will be subjected to a greater number of audits (paragraph 2.8).

11 **The Bank approved Greensill to lend up to £400 million under CLBILS following the accreditation process, noting that it had conducted limited due diligence on the information in Greensill's application.** On 23 April 2020, Greensill applied to lend up to £1 billion through CLBILS. The Bank applied the standard accreditation process with papers to the Investment Committee noting Greensill's robust internal processes, limited losses in recent years and that Greensill had very low default rates across its lending facilities. But the papers noted the accreditation team had conducted limited due diligence on the application; the Bank told us it accepted as accurate the key information applicants provided, including Greensill. For example, it carried out cross-referencing to Greensill's audited accounts but did not test in detail Greensill's claims of where it would lend. The Bank told us the key objective of its due diligence process was to establish that lenders could reliably deliver money to borrowers, in line with government's objectives for the scheme. The Bank's Chief Commercial Officer set a £400 million lending limit which was confirmed to Greensill on 4 June 2020 (with a maximum loan limit of £50 million per borrower group, in line with the scheme rules). Following approval to lend under CLBILS, Greensill also sought approval to lend under CBILS which the Bank gave after an accelerated accreditation process (paragraphs 1.13, 2.10 to 2.19, 2.28 and 2.29).

12 The Bank treated Greensill’s application like other similar applicants, although the Department was particularly interested in Greensill’s accreditation. Of the 27 CLBILS accredited lenders, 24 were established banks, and three, including Greensill, were non-bank lenders. The Bank applied the same accreditation process and due diligence to Greensill as it did to the two other non-bank lenders. The Department repeatedly requested updates on the accreditation process. It told us it did so as it knew Greensill could potentially provide support to Liberty Steel, and if Greensill were not accredited the Department would have to consider what other types of support, if any, it would offer. The Department made eight email enquiries of the Bank over 19 weeks on the status of Greensill’s accreditation and whether it might be accredited to lend more than £50 million per borrower. The Department wanted the decision on Greensill’s accreditation to be prioritised so alternative support options could be considered. The Department considers these to be informal approaches. The Bank did not prioritise Greensill’s application as it could delay the accreditation of other lenders. The Bank told us that the Department occasionally sought information on the accreditation of specific lenders, which included lenders to other steel companies, but described this level of departmental interest as “unusual”. The Bank’s legal team reviewed whether third parties sought to influence the Greensill accreditation process and, if so, the impact. It concluded that external parties did not influence the Bank’s accreditation of Greensill or the Bank’s decision-making process (paragraphs 2.9, 2.15 and 2.24 to 2.27).

Greensill’s loans

13 Greensill loaned £400 million under CLBILS, the maximum it was permitted to lend, and £18.5 million under CBILS. The 116 CBILS accredited providers lent approximately £24 billion, and 27 CLBILS providers lent £4.8 billion across 698 loans. Greensill provided eight £50 million CLBILS loans representing the maximum it could lend in total under the scheme (£400 million), with each loan at the maximum permitted value (£50 million) and well above the scheme average (median) loan value of £3 million. These eight loans made Greensill the fifth-largest CLBILS lender by value. The government guarantees 80% of the value of Greensill’s loans, which means that in the event of the loans not being repaid its maximum exposure under both schemes is £335 million should the guarantee be claimed (paragraphs 1.9, 3.2 to 3.4 and Figures 7 and 8).

14 **The Bank identified that Greensill had made seven loans totalling £350 million to Gupta Family Group (GFG) Alliance borrowers, potentially exceeding its lending limits.** On 2 October 2020, the Bank became concerned that Greensill's lending to a single group of borrowers appeared to be greater than the scheme rules allowed. Scheme rules allow loans of between £50 million and £200 million to a group subject to additional accreditation of the lender and only with the Bank's pre-approval. Greensill was not accredited for this. During Greensill's accreditation to CLBILS in May 2020, the Bank had reiterated to Greensill the scheme rules around group lending, saying that, as an illustrative example, "British Steel would be one group with a £50 million limit, and it is not a £50 million facility limit per subsidiary". The Bank raised with Greensill its concerns that Greensill's lending to the GFG Alliance borrowers exceeded the amounts permitted by the scheme rules. Greensill told the Bank on 2 October that it considered the loans to be compliant. The Bank escalated its concerns to HM Treasury on 7 October and the Department on 9 October (paragraphs 2.17, 3.5 to 3.8 and Figure 8).

The Bank's investigation of Greensill and suspension of the guarantees

15 **The Bank opened an investigation into Greensill's lending, subsequently suspending the government guarantee.** On 13 October 2020, the Bank met with Greensill to outline its concerns and told Greensill it would not be allowed to make any more loans until the issues were resolved. During the meeting, Greensill said it had received "political steers" that its support for the steel industry was welcome. From October 2020, the Bank engaged Ernst & Young (EY) as debt advisers to review the loans Greensill had made under the scheme. On 2 March, the Bank wrote a 'Letter of Concern' to Greensill setting out its provisional findings and provided notice of the suspension of the Secretary of State's guarantee obligations. This was the only such letter the Bank had issued to any lender under CLBILS. On 27 May, the Bank sent a Supplemental Letter of Concern to Greensill outlining additional provisional findings following its ongoing investigation. The Bank invited responses from Greensill to its provisional findings (paragraphs 3.9, 3.10 and 3.14).

16 **Greensill, through its administrators, has denied making loans outside of the scheme rules and it contests the Bank's provisional conclusions and questions the fairness of its decision-making.** The High Court appointed Chris Laverty, Trevor O'Sullivan and Will Stagg of Grant Thornton UK LLP as joint administrators on 8 March 2021. On 9 April the joint administrators responded to the Bank's Letter of Concern indicating that Greensill denied the allegations. The joint administrators also requested access to the Bank's procedure for investigations and decision-making relating to potential material breaches of contract by authorised lenders, as they believed the timeframe provided to Greensill to collate the necessary information to respond to the Bank's allegations to be procedurally unfair. On 16 April 2021, the Bank informed the joint administrators that the process was set out in the Letter of Concern and that any additional materials or representations received by 26 April would be considered when determining the outcome of its investigation. The Supplemental Letter of Concern extended this deadline to 25 June, which the Bank has since extended to 20 August (paragraphs 3.11 to 3.14).

17 **The Bank's investigation is ongoing, and the guarantees to Greensill's CLBILS loans remain suspended.** The Bank has not set a date for its Investment Committee to deliberate the investigation's findings. In the meantime, while guarantees are suspended, the government is not obliged to pay Greensill in the event of borrower default (paragraph 3.15).

Greensill's approaches to other government business support schemes

18 **Greensill also sought access to several other forms of government support, including other COVID-19 business support schemes.** Greensill made other approaches to the government for support to either itself or its clients during the pandemic. In addition to CBILS and CLBILS mentioned above, it also sought, through its own lender, a £500 million loan supported by an Export Development Guarantee from UK Export Finance (UKEF), which was rejected. While UKEF did consider the merits of Greensill's proposal, it ultimately rejected the application following due diligence because it did not feel the proposal was aligned with the policy intent of the support product. UKEF's due diligence also identified issues, including in media reports, which potentially increased the risk profile of Greensill. Greensill also sought access to the Coronavirus Corporate Finance Facility through HM Treasury, which was unsuccessful, as outlined in HM Treasury submissions to the Treasury Select Committee.[3] Greensill Capital Management Company (UK) Limited, part of the wider Greensill group, received between £20,002 and £50,000 from HM Revenue & Customs over two months to February 2021 as part of the Coronavirus Job Retention Scheme (paragraph 1.14 and 1.15, and Appendix Two).

3 Treasury Select Committee, *Lessons from Greensill Capital: correspondence*, May 2021

Concluding remarks

19 Our review shows that the Bank followed a streamlined version of its established process for accrediting lenders for CLBILS when assessing Greensill's application. That accreditation process was streamlined in response to the policy need to deliver money to businesses at pace during the pandemic. In the case of Greensill, applying a less streamlined and more sceptical accreditation process might have led the Bank to further question several of Greensill's statements, including on: loan default rates; exposure to specific borrowers and product types; and its business model and ethical standards. Each were the subject of press reports prior to accreditation.

20 It is to the Bank's credit that it quickly picked up the loans allegedly in breach of the scheme rules, and shows that the post-accreditation monitoring process was, in this case, effective. But had the Bank done more due diligence, including on the loans Greensill claimed it intended to make, it is possible that this situation could have been avoided.

Part One

Greensill's involvement in COVID-19 business support schemes

1.1 This part provides background and context to the COVID-19 business support schemes in which Greensill Capital (UK) Limited (Greensill) participated. It provides an overview of the roles and responsibilities of the parties involved in each of the schemes, and a timeline of the main events.

COVID-19 business support schemes

1.2 Between March and May 2020, the government announced a range of schemes to support businesses in response to the economic challenges they faced as a result of the COVID-19 outbreak. The British Business Bank (the Bank) managed many of these schemes on the government's behalf (**Figure 1** on pages 14 and 15).

1.3 The Bank is a company wholly owned by government, with a mission "to help drive economic growth by making finance markets work better for smaller businesses – wherever they are in the UK and wherever they are on their business journey – enabling them to prosper and grow". The Department for Business, Energy & Industrial Strategy (the Department) is the sole shareholder of the Bank and has a wider policy responsibility for business and enterprise. It set up the Bank to be operationally independent. UK Government Investments (UKGI) manages the shareholding in the Bank on behalf of the Department. We reported on the Bank's work in 2020.[4]

4 Comptroller and Auditor General, *British Business Bank*, Session 2019-20, HC 21, National Audit Office, February 2020.

Figure 1

Description of the British Business Bank's (the Bank's) main COVID-19 business support measures

A comparison of the key terms of the Bank's three COVID-19 business interruption loan schemes

	Bounce Back Loan Scheme	Coronavirus Business Interruption Loan Scheme	Coronavirus Large Business Interruption Loan Scheme
Launch date	4 May 2020	23 March 2020	20 April 2020
Date schemes closed to further lending	31 March 2021	31 March 2021	31 March 2021
Eligibility	No business size restrictions. Must not be in a restricted sector. Businesses self-certify that they were not a 'business in difficulty' on 31 December 2019; not bankrupt; in liquidation; or a similar situation. Applicant must be carrying on business on 1 March 2020.	Maximum turnover £45 million. Must not be in a restricted sector. Must have a borrowing proposal that the lender would consider viable under normal circumstances.	Minimum turnover £45 million. Must not be in a restricted sector. Must have a borrowing proposal that the lender would consider viable under normal circumstances.
Use of proceeds	Businesses self-certify that they will use the loan only to provide economic benefit to the business, and not for personal purposes.	Lenders check that the loan is for a suitable business purpose.	Applicants provide a 'borrowing proposal' for which lenders believe the finance will enable the business to trade out of any short-to-medium-term difficulty. All borrowers are subject to restrictions on dividends. To borrow more than £50 million, companies will be subject to additional restrictions in relation to dividend payments, senior pay and share buy-backs.
Support offered per company	Up to 25% of turnover or a maximum loan of £50,000. Minimum loan size £2,000.	Up to £5 million. Minimum loan size £1,000.	Up to £50 million (up to £200 million for accredited *Larger Scheme Facility* lenders, from 19 May 2020). Minimum loan size £50,000.
Interest rate	2.5% fixed per annum. Government pays first year of interest.	Varies by lender. Government pays first year of interest and fees.	Varies by lender.
Repayment period	Six years, starting after the first year; option to extend to 10 years.	Up to six years.	Up to three years.
Finance type	Term loans.	Term loans, revolving credit facilities, invoice finance and asset finance.	Term loans, revolving credit facilities, invoice finance and asset finance. *Larger Scheme Facility*: term loans, revolving credit facilities.
Early repayment	Free of charge.	Varies by lender.	Varies by lender.
Government guarantee	100%	80%	80%
Total lending	£46.9 billion	£24.3 billion	£4.8 billion

Figure 1 *continued*

Description of the British Business Bank's (the Bank's) main COVID-19 business support measures

Notes

1 Restricted sectors are banks, building societies, insurance companies, public-sector organisations and state-funded primary and secondary schools. Lenders may apply additional business sector restrictions if part of their overall business strategy.

2 Since the end of the three schemes, the British Business Bank launched the Recovery Loan Scheme on 6 April 2021, which provides financial support to businesses across the UK as they recover and grow following the Coronavirus pandemic.

3 The figures for total lending are up to date as at 21 June 2021.

Source: National Audit Office analysis of British Business Bank documents

1.4 On 23 March 2020, the Bank launched the Coronavirus Business Interruption Loan Scheme (CBILS), offering financial support to small and medium-sized businesses across the UK that were losing revenue and seeing their cash flow disrupted. CBILS enabled businesses with a turnover of less than £45 million to access up to £5 million in finance. On 20 April, the Bank launched the Coronavirus Large Business Interruption Loan Scheme (CLBILS), enabling large businesses with turnover greater than £45 million to access finance of up to £50 million or up to £200 million from a lender with additional accreditation under the Larger Scheme Facility. The Bank was responsible for accrediting lenders before they were allowed to make loans, and loans attracted an 80% government guarantee. Commercial lenders (for example, banks, building societies and peer-to-peer lenders) provided these loans directly to businesses, which are expected to repay the debt in full. HM Treasury developed the schemes with the Department and the Bank. The Bank's Accounting Officer informed the Department's Accounting Officer of the value-for-money risks and uncertainties these schemes presented. The Department's Accounting Officer sought and received ministerial direction to implement both.[5]

1.5 The government also announced other schemes to target both very large and very small businesses, such as the Coronavirus Corporate Financing Facility to help larger firms address cash flow issues by purchasing their short-term debt, and the Bounce Back Loan Scheme, which provided to the smallest businesses loans of up to £50,000 with a 100% government guarantee. We published an investigation into the Bounce Back Loan Scheme in October 2020, which found that the government was willing to tolerate a potentially very high level of losses to achieve its objective of supporting small businesses quickly.[6]

5 An accounting officer seeks a ministerial direction when they believe that a spending proposal breaches any of the following criteria: regularity; propriety; value for money; or feasibility. A ministerial direction was also sought and received in relation to the Bank's Bounce Back Loan Scheme (see Figure 1).

6 Comptroller and Auditor General, *Investigation into the Bounce Back Loan Scheme*, Session 2019-21, HC 860, National Audit Office, October 2020.

CBILS and CLBILS

1.6 CBILS and CLBILS were designed to support businesses in accessing loans, overdrafts and other types of finance. Under these schemes, commercial lenders (for example, banks, building societies and peer-to-peer lenders) provided loans directly to businesses, who are expected to repay the debt in full. The loans under the schemes attract a government guarantee: if the borrower does not repay the loan, the government will step in and repay the lender 80% of the loan's value. To benefit from the government guarantee, the lender must be accredited by the Bank and comply with the rules set for each scheme. **Figure 2** provides an overview of how the schemes operate in practice.

1.7 The Bank is responsible for the operation of CBILS and CLBILS, including deciding which lenders could issue loans under the schemes (details of how the Bank does this are given in Part Two). These 'accredited lenders' could then provide financial support to borrowers using four types of debt products:

- **Term loans:** A simple loan arrangement where the amount borrowed is repaid over a set period in regular payments, including interest at a fixed or variable rate.
- **Revolving credit facilities:** A form of lending similar to an overdraft arrangement, where a business can draw on funding to a set limit and repay at any time. Any repaid funding can be drawn again if needed.
- **Invoice finance:** A form of lending used to support cash flow and release funding for investment by raising funds against unpaid invoices. It is often used by businesses that sell products or services on credit to other businesses.
- **Asset finance:** A form of lending often used to buy specific items or equipment for a business (for example, a vehicle). The loans are usually secured against the asset being purchased, allowing the lender to take ownership of the asset if the borrower is unable to repay.[7]

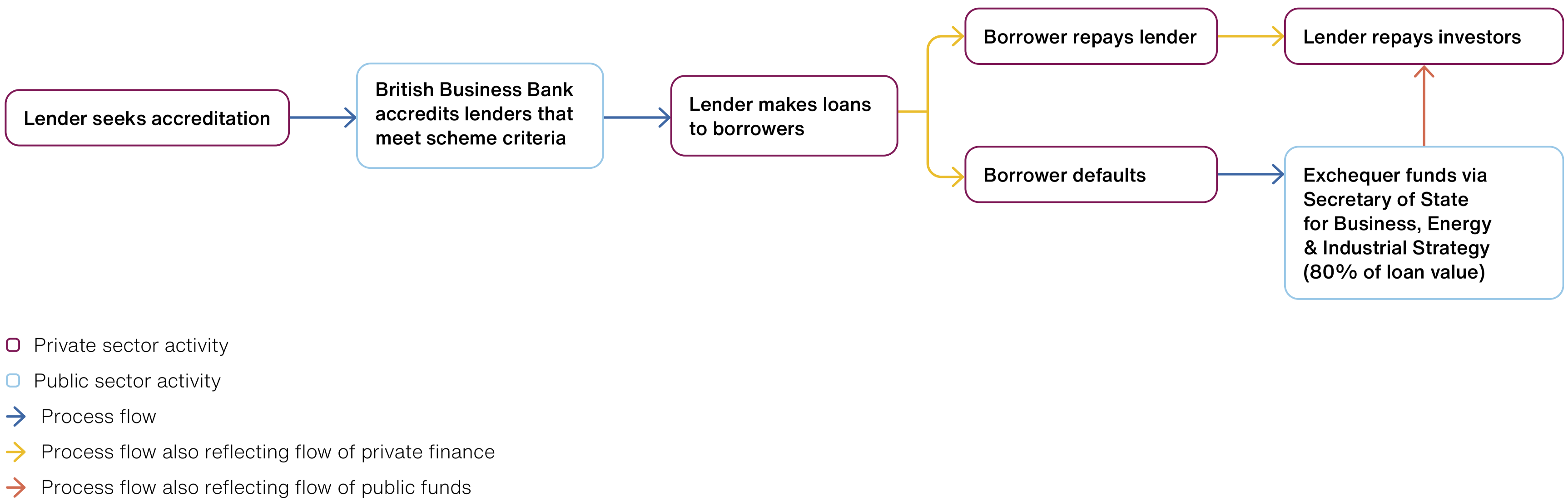
1.8 The Bank administers the schemes in consultation with HM Treasury and the Department. The Department has policy responsibility for business and enterprise, including the policy design of CBILS and CLBILS. The Secretary of State for Business, Energy and Industrial Strategy acts as the legal guarantor for loans accredited lenders make. HM Treasury was consulted in the design of the schemes and agreed the terms of CBILS and CLBILS with the Department. Although accreditation decisions under the schemes were the Bank's responsibility, HM Treasury had the power to veto the Bank's decisions under CLBILS when lenders sought additional accreditation to make larger loans of between £50 million and £200 million.

7 For simplicity we have referred to each of these debt products as loans throughout the report.

Figure 2

Simplified overview of accreditation and lending under the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

CBILS and CLBILS provide the lender with a government-backed partial guarantee (80%) against the outstanding balance of the facility



Source: National Audit Office analysis of British Business Bank documents

1.9 In total, 116 lenders made more than 94,000 loans under CBILS, totalling £24.3 billion, with an average (median) size of £150,000. Under CLBILS, 27 lenders made 698 loans totalling £4.8 billion, with an average (median) loan size of £3 million; over 2% of loans by number being at or above £50 million. Term loans were the most widely provided form of financial support under CLBILS, representing 77% of total lending by number and 59% by value, followed by revolving credit facilities. No asset finance or invoice finance facilities were issued under CLBILS. Both schemes are now closed to further lending, although amounts loaned will change as borrowers repay, or draw against, existing loan facilities.

Greensill's involvement in COVID-19 and other business support schemes

1.10 Greensill is a part of a global financial services group, incorporated in Australia in 2011 and headquartered in the UK. Greensill typically provided loans to businesses and individuals by raising money from large investors. Greensill specialised in providing working capital finance, which is often used to enable suppliers to be paid more quickly while allowing customers to defer payments.

1.11 Greensill reported that the Greensill group operates in more than 170 countries, providing $143 billion of financing in 2019 to more than eight million customers and suppliers.[8] For the financial year ending 31 December 2019, the latest available, the group reported global revenues of over $475 million and an operating profit of more than $52 million. At the end of the financial year, the group reported total assets of more than $5.3 billion and net assets (total assets less liabilities) of $440 million. Its Australian parent company is 64.55% owned by founder, staff and directors (a trust associated with Lex Greensill, the founder, owns 28.06%); 25.11% owned by the Softbank Vision Fund (a technology-focused venture capital fund); and 10.34% owned by General Atlantic (a US private equity investor).

1.12 On 8 March 2021, Greensill entered administration having "fallen into severe financial distress".[9] The High Court of Justice appointed Chris Laverty, Trevor O'Sullivan and Will Stagg of Grant Thornton UK LLP as joint administrators. In March 2021, Parliament raised concerns around Greensill's relationship with the UK government, including: Greensill's engagement with public officials; whether the accreditations of Greensill to COVID-19 support schemes were fair and transparent; and to whom Greensill made government-guaranteed loans, particularly in the steel industry, and the resultant level of taxpayer exposure.

1.13 Greensill was an accredited lender under two COVID-19 business support schemes: CBILS and CLBILS. Greensill also applied for accreditation to the Larger Scheme Facility under CLBILS, which would allow it to make loans of up to £200 million, but the Bank rejected the application. Appendix Two provides a timeline of key events related to Greensill's involvement in CBILS and CLBILS, and a summary of relevant corporate events and news over the period of its involvement in these schemes.

8 Greensill reports in US Dollars.
9 Widely reported in the media, based on court filings.

1.14 Greensill made applications to other COVID-19 business support schemes. HM Treasury rejected Greensill for the Coronavirus Corporate Finance Facility. The Facility buys 'commercial paper' from businesses, and Greensill was ineligible as the Facility was not open to financial institutions. Greensill Capital Management Company (UK) Limited, part of the wider Greensill group, received between £20,002 and £50,000 from HM Revenue & Customs as a part of the Coronavirus Job Retention Scheme.[10]

1.15 We have identified that Greensill sought other government business support during the same period. In February 2020 Standard Chartered, as one of Greensill's lenders, approached UK Export Finance (UKEF) seeking an Export Development Guarantee for a £500 million loan to Greensill repayable over five years. UKEF would guarantee 80% of the loan (£400 million).[11] UKEF began direct discussions with Greensill in late March 2020. UKEF rejected this application in June 2020 because it did not feel Greensill's proposal was aligned with the policy intent of the support product. Greensill suggested some amendments to its proposal, lowering the value of the loan to £100 million – £200 million (with the Export Development Guarantee covering 80%, or £80 million – £160 million) and reducing the term to one year. However, the intended purpose was unchanged. UKEF discussed these revisions internally in September 2020 and again rejected the approach. UKEF's due diligence, which included reviewing publicly available sources and media reports, identified concerns relating to Greensill's governance and how exposed Greensill might have been to some of its customers. UKEF considered that these potentially raised the risk profile of Greensill (see Appendix Two).

10 HM Revenue & Customs (HMRC) started the Coronavirus Job Retention Scheme in April 2020 and in February 2021 began publishing employer claims made from December 2020 onwards. As of June 2021, HMRC has published data up to and including March 2021 which show that a Greensill company claimed between £10,001 and £25,000 in both January and February 2021. This may not be the full amount claimed by Greensill companies under this scheme as data before December 2020 are not publicly available. Coronavirus Job Retention Scheme data available at: www.gov.uk/government/publications/employers-who-have-claimed-through-the-coronavirus-job-retention-scheme

11 The Export Development Guarantee is a 'business as usual' product rather than a COVID-19 business support scheme. It aims to help UK exporters access high-value loan facilities by providing guarantees to 80% of the risk to lenders for up to five years; minimum transaction value is £25 million, and the average is expected to be between £100 million and £500 million.

Part Two

Greensill's application and accreditation

2.1 This part sets out the British Business Bank's (the Bank's) accreditation process that prospective lenders go through to make loans under the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS). It also explains the process Greensill Capital (UK) Limited (Greensill) went through to become an accredited lender.

Accreditation process

2.2 The Bank delivers its business support schemes through a network of accredited lenders. Lenders could participate in these two schemes after undergoing one of the Bank's three accreditation processes:

- **Standard:** All lenders who did not have an existing relationship with the Bank needed to go through the standard accreditation process.
- **Accelerated:** Applicable for existing delivery partners, such as those previously accredited under the Bank's other business support schemes or established banks supervised by a financial regulator.[12]
- **Enhanced:** Applied to any existing delivery partner seeking to provide financial support of more than £50 million as part of the Larger Scheme Facility.

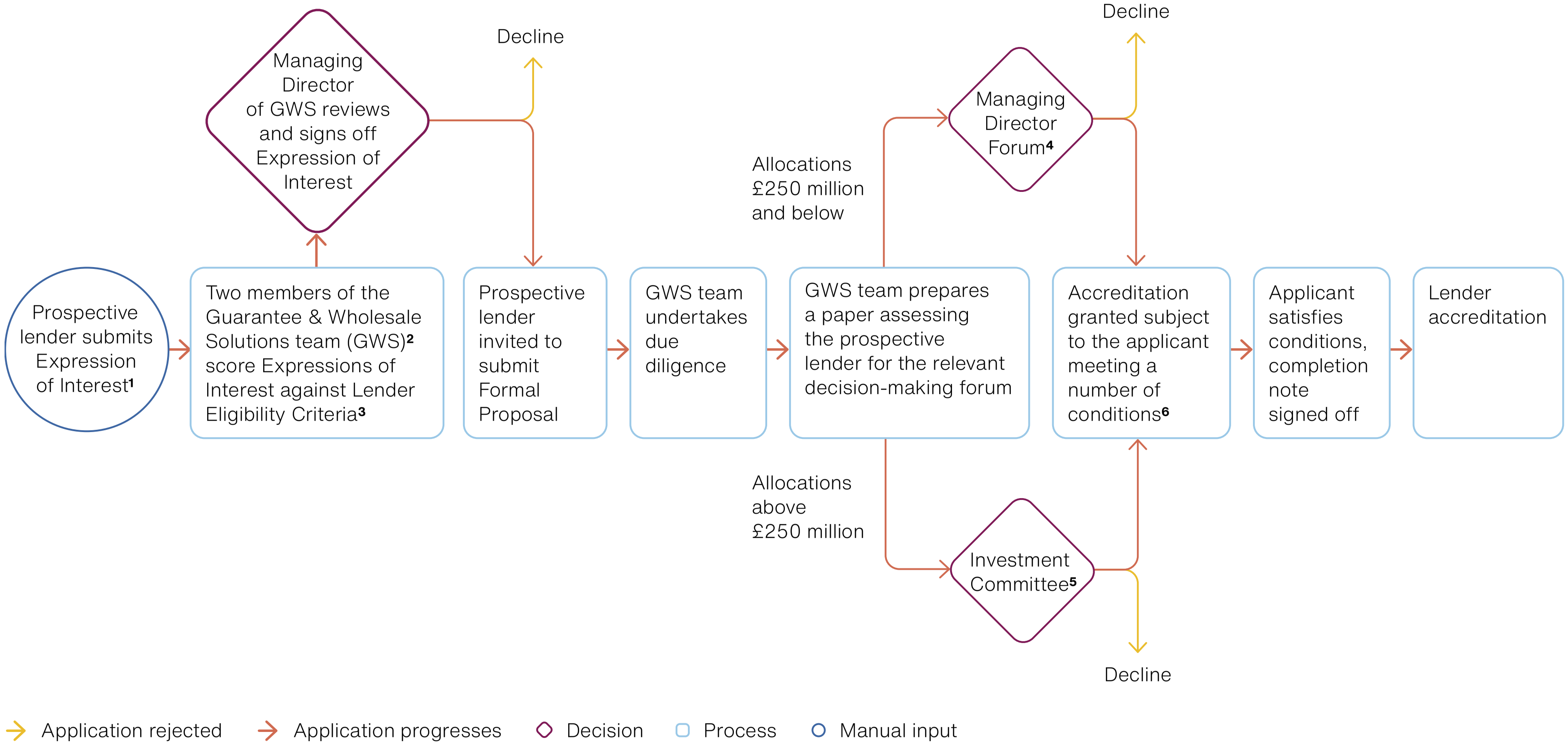
2.3 There were several stages to the standard accreditation (**Figure 3**).[13] First, an applicant submitted an 'Expression of Interest' outlining how it met the Bank's seven eligibility criteria (**Figure 4** on page 22). Two Bank officials from the Product Team (**Figure 5** on page 23) separately scored the Expression of Interest against each criterion, assigning a 'yes' or 'no' rating depending on whether they believed a criterion was satisfied. The Bank told us that the threshold for a 'yes' rating was "relatively low" as the purpose of this stage was to determine whether it was appropriate to move the application to the next stage, rather than to perform a detailed review. If all seven criteria received a 'yes' rating from both officials then the applicant was invited to submit a 'Formal Proposal' containing more detailed information on its organisation, strategy and processes and intended use of CLBILS.[14]

12 If the lender is not an existing delivery partner but supervised by the Prudential Regulation Authority or similar regulator, in order to be accredited under the accelerated process, it is also required to be operational for longer than 24 months.
13 Unless otherwise stated, references to the accreditation process relate to the standard process.
14 This process is the same for CBILS with one exception: CBILS applicants were able to self-certify a series of questions (by providing a 'yes' response), in order to proceed to the next stage of the accreditation. The Bank told us this self-certifying approach was not considered appropriate for CLBILS given the greater scale and complexity of lending.

Figure 3

The British Business Bank's (the Bank's) standard accreditation process for new to bank lenders

Prospective lenders underwent an accreditation process



Notes

1 An Expression of Interest is a short submission outlining how the applicant meets the requirements for lenders participating in the schemes.

2 The Guarantee and Wholesale Solutions team (GWS), also referred to as the Product Team, performs the initial assessment of a prospective lender's suitability for the scheme (see Figure 5).

3 The Lender Eligibility Criteria includes seven requirements on track record of lending, critical mass, interest and fees, availability of capital, operations, management and track record, regulation and tax domicile, and legal structure (see Figure 4).

4 The Managing Director Forum (MD Forum) makes lender accreditation decisions when the recommended allocation is at or less than £250 million (see Figure 5).

5 The Investment Committee (IC) makes lender accreditation decisions when the recommended allocation is greater than £250 million or the Guarantee and Wholesale Solutions team raises specific accreditation challenges (see Figure 5).

6 The conditions that an applicant has to satisfy before accreditation is finalised include: client due diligence/know your client checks, legal agreements, training and knowledge, web portal and other specific lender conditions.

Source: National Audit Office analysis of British Business Bank documents

Figure 4

Summary of the British Business Bank's (the Bank's) seven lender eligibility criteria for becoming accredited under the Coronavirus Large Business Interruption Loan Scheme (CLBILS)

The Bank assessed the applications of prospective lenders against seven eligibility criteria

Criterion	Description
Large lending track record[1]	Lenders need to demonstrate either a track record in providing loans to CLBILS-eligible UK large businesses or a clear intention and strategy to lend to qualifying UK large businesses.
Critical mass[2]	Lenders need to provide a forecast of expected lending under each scheme, with the Bank expecting minimum lending activity of £10 million to represent value for money for the Bank to allow participation in the scheme.
Interest and fees	Each applicant needs to demonstrate that fees and interest levied on each scheme loan are reasonable and based on a lender's existing pricing. Further, that such pricing will take into account the economic benefit provided by the government guarantee.
Availability of capital	Each applicant must demonstrate that it has, or will have, sufficient capital available to meet its lending forecasts for the duration of the scheme.
Operations, management team and track record	Lenders must demonstrate a viable business model and have in place robust and tested systems for making and managing loans to borrowers. This includes monitoring and compliance arrangements, management information reporting and a competent team with the necessary skills to deliver the forecast lending.
Regulation and tax domicile	Applicants are expected to be appropriately regulated, licensed and have the necessary authorisations and permission to carry out the forecast scheme lending.
Legal structure	Lenders are required to enter into a standard legal agreement, including terms such as ensuring that the issuing and managing of the loan is undertaken by the same legal entity. Proposals that do not fit the standard legal agreement are assessed on a risk-based approach.

Notes

1 For the Coronavirus Business Interruption Loan Scheme (CBILS), lenders must demonstrate a track record in providing loans to CBILS-eligible UK small and medium-sized enterprises (SMEs), ideally to the value of minimum £10 million.

2 For CBILS, the Bank expects lenders should support a minimum of £3 million of new lending during the scheme.

3 With the above exceptions, CLBILS follows the same eligibility criteria as CBILS.

Source: National Audit Office analysis of British Business Bank documents

Figure 5
Key roles in the British Business Bank's (the Bank's) lender accreditation process

A description of the key teams and decision-making bodies involved in the accreditation of lenders to the Bank's COVID-19 business support schemes

Guarantee and Wholesale Solutions (Product Team)
This team performs the initial assessment of a prospective lender's suitability for the scheme. Two members of the team score the applications of prospective lenders against the seven eligibility criteria and undertake due diligence. The team then prepares a paper that includes an assessment of the lender and how it meets the scheme criteria, and what the relevant decision-making forum needs to consider. This includes a recommendation on the amount of allocation to give each lender under the scheme. The product team presents the paper at the relevant forum – Investment Committee or Managing Director Forum – for approval.

Investment Committee (IC)
The Investment Committee takes lender accreditation decisions when the recommended allocation is greater than £250 million, or the product team raises specific accreditation challenges.[1] A quorum consists of the Committee Chair (the Bank's Chief Executive Officer, or their nominee), the Chief Risk Officer, the Chief Finance Officer, the Chief Commercial Officer and the General Counsel or their delegates. The Investment Committee can also approve, modify or reject a lender's request to lend more than £50 million to a single borrower.

Managing Director Forum (MD Forum)
The MD Forum takes lender accreditation decisions when the recommended allocation is at or less than £250 million. A quorum consists of the Chief Risk Officer or their delegate, and either the Managing Director (Product Team) or the Chief Commercial Officer. The Chief Risk Officer or their delegate can approve or reject requests for additional variants for accredited lenders (within the approved allocation lending limits); additional group companies for accredited lenders, within their allocations; aggregate allocation increases of up to the higher of £100 million or 25% of the most recently approved allocation by IC per accredited lender.

Note

1 Such cases could include when the applicant has no direct alignment of interest; the lending policy could conflict with the spirit of the scheme (for example interest rates above 20%); or there are concerns over the applicant's systems and processes.

Source: National Audit Office analysis of British Business Bank documents

2.4 The Bank then undertook due diligence on the Formal Proposal, looking at the applicant's business, governance, risk management and compliance frameworks. The Bank did not independently verify the accuracy of information received from each applicant but would "seek clarification if a particular declaration or piece of information seemed out of place or inaccurate". The Bank assessed each Formal Proposal using a risk- and judgement-based approach against the seven lender eligibility criteria. It did this using a template document, which the Bank official responsible for reviewing the Formal Proposal was required to complete. The template document outlined the type of information and level of detail to be included, together with instructions on the areas to focus on and consider when reviewing an application. An accreditation decision was then made, either by the Managing Director (MD) Forum or the Investment Committee, depending on the lending limit requested (Figure 3). The decision was based on the completed template document. If the Bank was satisfied, the lender would be offered accreditation status 'in principle', subject to completing any remaining conditions, such as signing the Guarantee Agreement and completing staff training.[15]

2.5 For lenders seeking accreditation to make loans up to £50 million, the Bank operated the accreditation process completely independently of the government, with neither HM Treasury nor the Department having any input on accreditation decisions (see paragraphs 1.3 and 1.8). Once accredited, responsibility for determining borrower eligibility, borrower credit assessment and lending, issuing funds, and all other aspects of managing the loan, was devolved fully to the lender, subject to the Bank's scheme rules. Contractual arrangements between the government and the lender require the lender to adhere to a "standard of care" and "act in good faith".

15 The Guarantee Agreement is a legal document between the lender and the Secretary of State for Business, Energy and Industrial Strategy as the guarantor. The purpose of the Guarantee Agreement is to provide the partial guarantee between the lender and government as well as setting out the terms under which a lender can make loans under the Bank's COVID-19 business support schemes.

2.6 To get the COVID-19 support schemes up and running as quickly as possible, the Bank adopted the accreditation process used for its Enterprise Finance Guarantee (EFG) scheme; a scheme similar to CBILS and CLBILS, that provided government-backed debt finance for businesses, but on a much smaller scale in terms of both borrowers and value.[16] Following the launch of CBILS, 160 new lenders applied for accreditation, putting pressure on the existing EFG process. Given the demand from businesses for emergency lending, the Department required the Bank to accredit lenders for the schemes quickly and at high volumes. The Bank's concern with the pace of delivery of these schemes, the high demand for accreditation, and the potential reputational risk of being perceived as not progressing applicants fast enough, led to the Bank requesting the Department's approval to streamline the process. The Bank also introduced an accelerated accreditation process for existing delivery partners whereby lenders were immediately invited to submit a shortened Formal Proposal, providing only details relevant to the scheme. All other information was sourced from the Bank's previous engagement with the lender. The Bank then performed less due diligence compared with the standard accreditation process, focusing only on how the lender proposed to operate the scheme, including the suitability of its processes and systems to adequately issue and monitor loans.

2.7 Applicants seeking to lend under the Larger Scheme Facility (loans above £50 million) underwent enhanced accreditation. In addition to satisfying the requirements of either a standard or accelerated accreditation, lenders needed to demonstrate they had permission from their regulator to use the Internal Ratings Based (IRB) approach to calculating capital requirements. The IRB approach is typically only available to larger banks.[17] Once the Bank confirmed this, it consulted HM Treasury. The final decision on whether to grant a lender access to the Larger Scheme Facility rested with HM Treasury. HM Treasury would not conduct independent due diligence on the lender unless it had specific concerns. Once approved, lenders must first notify the Bank before providing loans of more than £50 million, with the Bank reserving the right to veto the proposed loan.

16 Launched in 2009, the Enterprise Finance Guarantee provides accredited lenders with a government-backed guarantee of up to 75%, against the outstanding facility balance. Similar to CBILS and CLBILS, support includes revolving credit facilities (like overdrafts), invoice financing and asset financing. According to the Bank's website, from inception to December 2017 it had supported more than 35,000 smaller businesses with £3.3 billion of finance.

17 Under international banking regulations, financial institutions are required to hold a minimum level of capital to protect against insolvency. The Internal Ratings Based (IRB) approach is a methodology used by banks or financial institutions to calculate the minimum capital requirement. Only banks or financial institutions that meet various conditions and disclosure requirements are granted permission by their regulator to use the IRB approach.

Audit assurance programme

2.8 To further speed up the accreditation process and to mitigate some of the associated risks, the Bank placed greater reliance on performing audit checks after accreditation was given. These post-accreditation audits, which typically occur three months after accreditation, are intended to assure the Bank that lenders are operating within the scheme rules and within the terms of the Guarantee Agreement. The Bank appointed KPMG, RSM and BDO as external auditors to design and implement the audit programme, with each audit examining lender performance by reviewing a sample of loans. The focus of the audits changes with the lifecycle of each scheme. For example, initial audits will focus on the processes and procedures for issuing loans, while later audits will review default and debt recovery policies. Both will check whether the loans adhere to the scheme rules. Once an audit has been completed, any findings are discussed with the lender and, where required, a remediation plan is put in place. All lenders will be audited within the first year of scheme participation and then subject to ongoing audits, with the frequency dependent on a lender's perceived risk level. For example, a lender that has issued more loans or has performed poorly at previous audits will be exposed to a greater number of audits.[18]

Number of accredited lenders

2.9 The Bank accredited 116 CBILS lenders and 27 CLBILS lenders.[19] Greensill was the first non-bank lender to be accredited under CLBILS. ThinCats and Mercedes Benz Financial Services – two other non-bank lenders – were added later, with the latter not issuing any CLBILS loans. The remaining 24 CLBILS lenders were almost all established banks. Seven CLBILS lenders applied to be accredited under the Larger Scheme Facility, with six being successful.

Greensill's accreditation under CLBILS

2.10 **Appendix Two** provides a timeline of key events related to Greensill's involvement in CLBILS and CBILS, and a summary of relevant corporate events over the period and news of its involvement in these schemes.

2.11 Greensill made two separate applications to be accredited under CLBILS. It first applied on 19 April 2020 to offer the invoice finance variant (see paragraph 1.7). It later, on 12 June, submitted a separate application for accreditation under the term loan and revolving credit facility variants. This application also requested approval to participate in the Larger Scheme Facility, to allow it to make loans of more than £50 million.

18 As of 1 June, 86 post-accreditation audits have taken place.

19 Despite accrediting 116 CBILS lenders, the Bank's management information records 120 unique lenders. This reflects the way corporate groups and brands are treated: some lenders are accredited by brand, for example the NatWest Group brands – Coutts, RBS and NatWest – are individually accredited. For some other lenders the parent group is accredited, but when individual brands make a loan, each is captured as a unique lender.

Greensill's accreditation to invoice financing

2.12 Greensill first approached the Bank about CLBILS accreditation on 17 April 2020, three days before the scheme launch. Lex Greensill contacted the Bank's Chief Commercial Officer, saying Greensill's technology could "help to quickly increase the reach of CLBILS in the UK economy and would welcome an opportunity to become an accredited lender".[20] The Bank told us it directed Greensill's officials to apply for accreditation through formal channels. Since Greensill did not have a pre-existing relationship with the Bank and was not a regulated bank, it was subject to the standard accreditation process (see paragraph 2.2). Greensill was therefore required to submit an Expression of Interest (see paragraph 2.3), which it did on 19 April, after the Scheme was announced, but a day before scheme launch.

2.13 Greensill's Expression of Interest outlined that it wanted to be accredited under the invoice finance variant of CLBILS. Greensill stated that a lending target of more than £5 billion was not unreasonable because it worked with large corporations, typically providing individual financing above £50 million, and that it had a pipeline of 10 prospective borrowers. Two Bank officials, an Analyst and Director from the Guarantee and Wholesale Solutions (GWS) team (see Figure 5), reviewed Greensill's Expression of Interest to assess its potential to fulfil the Bank's seven lender eligibility criteria, and submitted to a Managing Director for approval; they confirmed it was appropriate for Greensill to be invited to the next stage of the accreditation process. Greensill submitted a Formal Proposal on 23 April before the Bank formally invited it to do so. A Managing Director within the Bank's GWS team approved Greensill's Expression of Interest on 25 April.

2.14 In its Formal Proposal, Greensill applied for a revised lending allocation of £1 billion, based on a pipeline of 40 to 50 borrowers, with each facility expected to be £35 million on average. Greensill planned to deliver this lending using three products: *supply chain finance*, *accounts receivable*, and *accounts receivable portfolio*. In justifying its eligibility, Greensill's application stated that it provided more than £120 billion of financing in 2019, with 30% relating to UK buyers or sellers; that it had no external debt; and that in the last 18 months it had received an investment of $1.7 billion, valuing the company at around $4 billion. Greensill's application also highlighted its very low default rates across its lending facilities, at 0.03% for the year ended 31 December 2019, and defaulted assets accounting for 0.43% of total assets as of March 2020

20 E-mail from Lex Greensill to the Bank's Chief Commercial Officer, 17 April 2020.

2.15 The Bank performed limited due diligence on Greensill's application – in line with its established process – and told us it accepted at face value the accuracy of key information provided by Greensill (see paragraphs 2.4 and 2.6). For example, it did not test in detail who Greensill would lend to; the same approach it took with the two other non-bank lenders' applications. The Bank did carry out some cross-referencing of Greensill's application to its 2018 audited accounts, but important figures, such as Greensill's stated £120 billion of financing in 2019, could not be verified using publicly available information. Furthermore, Greensill's 2019 audited accounts were not available at the time of accreditation.[21] The Bank also told us that the purpose of its due diligence was not to conduct a detailed assessment of Greensill's financial position. Instead, owing to the policy direction to accredit lenders quickly together with a greater reliance on post-accreditation audits, the Bank told us the key objective of its due diligence process was to confirm that lenders could reliably deliver money to borrowers, in line with government's objectives for the scheme. The Bank told us it was satisfied that Greensill could deliver the scheme objective because it had been profitable since 2018, had cash reserves, experienced minimal losses on loans and had received significant recent investment from reputable organisations.

2.16 Before submitting a paper to its Investment Committee, a Bank official contacted Greensill on at least two occasions to clarify its Formal Proposal. Greensill provided additional detail on its shareholders, historic performance (including losses) and number of loans made to UK companies. Bank officials submitted a paper to its Investment Committee on 4 May, recommending that Greensill be accredited with a lending allocation of up to £1 billion. The paper highlights Greensill's minimal loan default rates since 2014 and summarised its processes and controls which govern the approval of loans, which the Bank described as "operationally robust". The paper also states that the Bank had conducted limited due diligence on Greensill's application before highlighting three key risks with accrediting Greensill:

- **Supply chain finance:** The Bank noted that supply chain finance had faced scrutiny for how it allows debts to be treated as off-balance sheet, as well as its link to the collapse of Carillion in 2018.[22]

- **Greensill's high-profile clients:** The Bank highlighted Greensill's relationship with various Sanjeev Gupta firms through his Liberty Steel Group (Liberty Steel), stating that any negative publicity towards Greensill's clients would reflect badly on the Bank. The Bank stated it was comfortable with this risk as many large banks had exposure to similar clients.

- **Political connections:** The Bank noted Greensill's connection to former Prime Minister David Cameron and the government more widely, stating that its processes would come under scrutiny if significant claims against the guarantees materialised. The Bank was content that its governance process would demonstrate correct procedures were followed.

21 In June 2021 it was reported that Ebner Stolz, the auditor of Greensill Capital's German Bank, withdrew its certifications of the 2019 annual accounts in April 2021.

22 Carillion was a British multinational company that provided facilities management and construction services. It declared insolvency on 15 January 2018. Many of Carillion's sub-contractors were paid through supply chain finance.

The paper concluded that by accrediting Greensill, the Bank would be helping borrowers access financing through routes other than banks, which delivered against one of the Bank’s broader objectives: *to help create a more diverse finance market*.

2.17 The Investment Committee discussed Greensill’s application on 4 May, with members challenging the suitability of Greensill’s supply chain finance product (see paragraph 1.7). The Committee decided to consider this matter further and reconvene on 12 May, after requesting further clarification from Greensill on certain points. At this time, a Bank official in the Product Team contacted Greensill reiterating the scheme rules around group lending, saying that, as an illustrative example, “British Steel would be one group with a £50 million limit, and it is not a £50 million facility limit per subsidiary”.

2.18 The Investment Committee agreed on 12 May that Greensill’s supply chain finance product was ineligible under CLBILS. The Investment Committee agreed to approve Greensill as an accredited lender with a £1 billion allocation for the other two products (see paragraph 2.14). The Bank will often approve a lending allocation above the amount communicated to the lender, giving some headroom to increase the allowance later without having to re-run the accreditation process.

2.19 The Bank’s Chief Commercial Officer (CCO) had delegated authority to set initial lending limits. On 3 June, he set Greensill a lending allocation of £400 million. Greensill’s initial request for £1 billion comprised £250 million for supply chain finance, £650 million for the accounts receivable product and £100 million for the accounts receivable portfolio product. With supply chain finance no longer eligible and Greensill not having a pre-existing relationship with the Bank, the CCO decided to limit the allocation to £400 million. Greensill was formally accredited under CLBILS on 4 June when it signed the scheme’s legal documentation and was able to receive borrower applications from 10 June after its accreditation was announced on the Bank’s website.

Greensill’s accreditation to larger scheme lending

2.20 On 25 May, before being formally accredited for the invoice finance variant, Greensill contacted the Bank’s CCO via text message, asking whether it would be automatically approved for the Larger Scheme Facility allowing it to make loans of up to £200 million (see paragraph 1.4). The CCO explained that the Larger Scheme Facility required an enhanced accreditation and permission to make term loans (see paragraph 2.2). On 12 June, Greensill applied to become a CLBILS lender under the term loan and revolving credit facility versions and approval for the Larger Scheme Facility. Greensill again requested a lending allocation of £1 billion. Greensill was subjected to the Bank’s accelerated accreditation, having undergone the standard process for the invoice finance variant, but also the enhanced process for the Larger Scheme Facility element of its application.

2.21 On 19 June, while requesting additional information from Greensill for its application, the Bank told Greensill it was "highly unlikely" to be accredited for the Larger Scheme Facility because it was a non-bank lender. Greensill nevertheless wanted to make an application. Bank officials submitted a paper to the MD Forum recommending that Greensill be accredited for both term loan and revolving credit facility variants, within its existing lending allocation of £400 million.[23] It was recommended that Greensill be denied access to the Larger Scheme Facility because it was not permitted to use the IRB approach (see paragraph 2.7). The MD Forum agreed to this on 3 July, with Greensill formally accredited on 8 July for the term loan and revolving credit facility variants, but not the Larger Scheme Facility.

Wider government interest in Greensill's accreditation

2.22 The Bank makes accreditation decisions independently, except for the Larger Scheme Facility, and keeps both HM Treasury and the Department informed (see paragraphs 2.5 and 2.7). The Bank told us it is not uncommon for HM Treasury and the Department to request updates on the accreditation of specific lenders. In this case, the Department, concerned for the UK steel industry, had an interest in Greensill's accreditation as it knew Greensill was a financier to Liberty Steel. The government considers the steel industry to be of strategic importance to the UK, and may provide financial support in certain circumstances.[24] Liberty Steel, the UK's third-largest steel manufacturer, was struggling financially and had requested government support of around £160 million to £180 million at the start of the COVID-19 pandemic.

2.23 Liberty Steel's requests took several formats, ranging from direct support to bespoke guarantees for Greensill as its financier. The Department told us that it and HM Treasury viewed direct support as a last resort, requiring a strong strategic case. The Department did not consider a bespoke guarantee to be necessary as they were developing business support schemes that might offer government guarantees to Greensill. The Department suggested to Liberty Steel that Greensill could apply for those schemes. Greensill subsequently applied to the Bank for accreditation.

23 The accreditation decision was delegated to the Bank's MD Forum because the Product Team was not recommending an increase in Greensill's lending allocation above its existing £400 million limit. The Bank told us that had it been appropriate to increase Greensill's allocation further, the approval decision would have gone to the Investment Committee.

24 The government provided a bespoke £30 million loan to a steel company, Celsa Steel UK, considered by the government to be of strategic importance.

2.24 The Department had eight email exchanges with the Bank over 19 weeks between April and September 2020 requesting updates on Greensill's accreditation to CLBILS and the Larger Scheme Facility. Six e-mail chains originated from a Policy Advisor in the Business Growth Directorate, one from a Grade 6 official in the Business Growth Directorate, and one from an Assistant Director in the Metal and Advanced Materials Team.[25] The Department initially contacted the Bank in April 2020 asking for updates on Greensill's accreditation as it was working with some steel companies in difficulty, and CLBILS was being viewed as a potential solution. Later emails confirmed that Liberty Steel was lobbying the Department and that it was a significant client of Greensill, who met its financing needs. The Department was therefore interested to know whether Greensill would be accredited to provide loans of up to £200 million. Once accredited for CLBILS, the Bank informed the Department, adding that Greensill was unlikely to be approved for the Larger Scheme Facility. The Department stressed that Liberty Steel was reliant on Greensill and seeking financial support above the £50 million available under CLBILS and, if Greensill's application to lend more than £50 million was likely to be rejected, then the Department wanted this decision to be prioritised so alternative support options could be considered. The Department considers these to be informal approaches.

2.25 The Bank did not prioritise Greensill's application as it could delay the accreditation of other lenders. It was also explicit with the Department that Greensill was unlikely to be accredited to make loans of more than £50 million to one borrower owing to Greensill's regulatory status. The Department told us that it had a keen interest in the timing of this decision, with one of its Policy Advisors emailing the Bank on 9 June 2020 to say "unfortunately, SPADs are pushing back and want information about when Greensill will be accredited to offer loans of up to £200 million".[26] Following this exchange, on 10 June a Deputy Director in the Department's Infrastructure and Materials Directorate clarified to the Minister's private office that "The [Bank] is considering [Greensill's] application for accreditation to £200 million. [The Bank's] actions on this are independent of Government and confidential." The Bank told us that the Department is sometimes interested in accreditation decisions, which included lenders to other steel companies, but described this level of interest as "unusual". The Department told us this level of interest was not specifically about Greensill but rather its connection to the steel industry, as the Department considers disruptions in this sector can have disproportionate impacts across a range of industries.

25 In total there were 19 outbound emails from the Department to the Bank, and 14 responses.
26 Special advisers (SPADs) are political appointees hired to support ministers.

2.26 A Senior Policy Adviser in the Business Lending Team at HM Treasury made one enquiry of the Bank at the end of June to check the adviser understood the accreditation process correctly before responding to an enquiry from Greensill. The subsequent email to Greensill was published in response to a Freedom of Information request earlier this year.[27]

2.27 On 30 April 2021, the Bank's legal team launched an internal review, which assessed whether third parties sought to influence it during the Greensill accreditation process and, if so, the impact of that influence. The report was finalised in late June 2021. We reviewed the Bank's preliminary findings in May 2021 but were not able to review the final report in the time available. The Bank told us that its final report was consistent with its draft, concluding that – based on the information it had reviewed – external parties did not influence the Bank's accreditation of Greensill or the Bank's decision-making process.

Application under CBILS

2.28 On 16 July Greensill submitted a third application to the Bank, this time requesting to be an accredited CBILS lender. Greensill stated that it had been approached by an increasing number of borrowers that fell below the £45 million turnover threshold eligible for CLBILS support. Greensill told the Bank it had discussed CBILS lending with five prospective borrowers, each with a requirement for funding in the £3 million to £5 million range, with a further 20 to 50 clients expected to apply. Greensill therefore requested a lending allocation of between £100 million and £200 million to cover the term loan, revolving credit facility and invoice finance variants of CBILS. On 3 September, Greensill supplied the Bank with revised forecasts, expecting to provide 10 facilities of £5 million each, with a total lending limit of £50 million. The Bank told us it was unable to progress Greensill's application until after 3 September owing to the number of applications being reviewed in priority to Greensill (having been received before Greensill's application) and general resourcing constraints.

2.29 On 7 September, Bank officials submitted a paper to its MD Forum recommending Greensill be accredited to lend under CBILS with an allocation of £50 million. The paper noted several risks, including Greensill not passing on to the borrower, in the form of cheaper loans, the benefit of the government's 80% guarantee. The MD Forum agreed with the recommendation to accredit Greensill on 9 September, on the condition that Greensill was specifically made aware that it needed to demonstrate, when audited, that the benefit of the government's guarantee had been fully passed on to borrowers. Greensill was officially accredited on 21 September and was open to applicants on 22 September.

27 HM Treasury response to Freedom of Information request, *HM Treasury communications with Greensill*, 26 May 2021, page 7, available at: www.gov.uk/government/publications/hm-treasury-communications-with-greensill

Part Three

Investigation into Greensill's compliance

3.1 This part outlines Greensill Capital (UK) Limited's (Greensill's) lending activity under both the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and Coronavirus Business Interruption Loan Scheme (CBILS). It covers the events leading to the British Business Bank (the Bank) launching an investigation into Greensill's compliance with CLBILS scheme rules and describes the Bank's suspension of performance of the guarantor's obligations under the guarantee agreement.

Greensill's lending activity

CLBILS

3.2 Greensill lent its maximum authorised amount under CLBILS (see paragraph 2.19) – £400 million, comprising eight loans of £50 million each. The individual loans were each at the maximum permitted value under the terms of its accreditation. By contrast, ThinCats, the only other non-bank lender to lend under CLBILS, provided seven loans totalling £11.1 million.[28] Of the 20 lenders that issued loans, only six provided loans at or above £50 million, with the maximum loan provided being £150 million. A total of 17 loans were issued in this range, of which Greensill issued eight (**Figure 6** overleaf). Most loans issued were less than £10 million, and the average (median) loan size was £3 million.

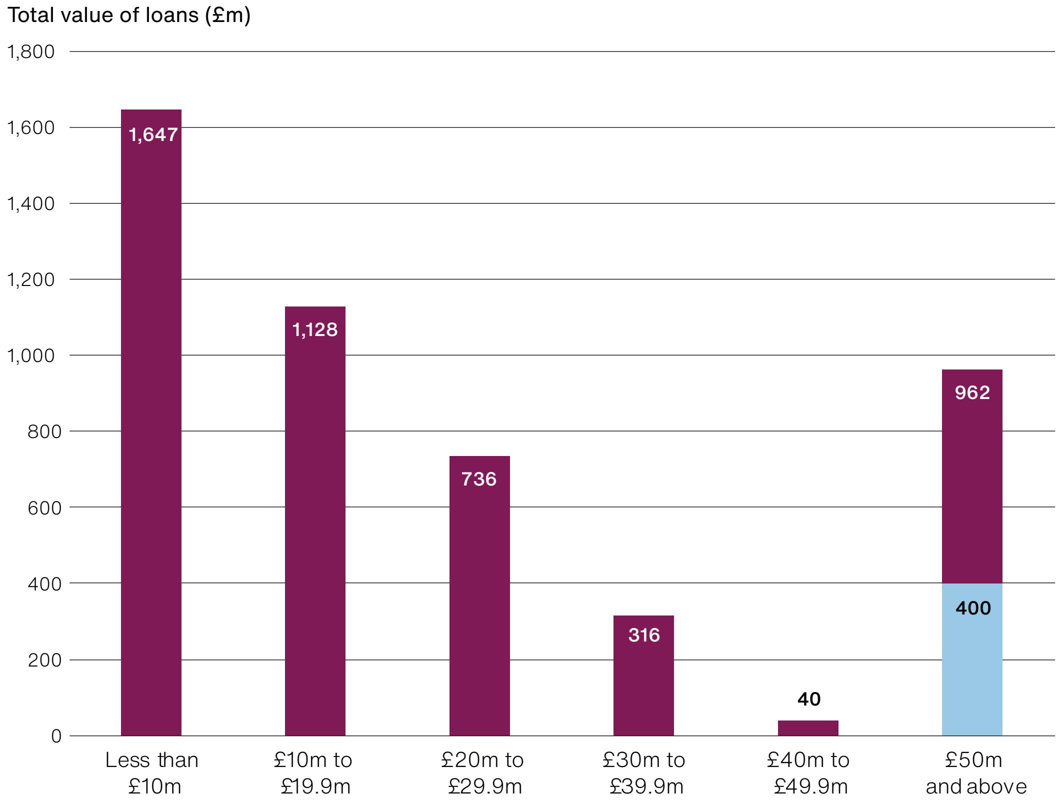
3.3 Greensill's eight loans represent just over 1% of all CLBILS loans made by all lenders, but 8% of all CLBILS loans by value, making Greensill the fifth-largest lender by value (**Figure 7** on page 35). All eight loans were revolving credit facilities (like an overdraft), meaning Greensill was responsible for 20% of total lending by value under this facility type. In the event these eight borrowers default on Greensill's loans, the government will be exposed to a maximum liability of £320 million through the 80% guarantee if it is not withdrawn.

28 The total amount a lender can loan under the schemes is set on an individual basis, based on, for example, how much the lender requested, lending track-record and forecasts.

Figure 6

Number and value of loans provided under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) by all lenders, grouped by loan size

Greensill made eight of the 17 loans in the largest loan size category (£50 million and above), comprising more than 40% of the total value of all loans issued at or above £50 million



	Less than £10m	£10m to £19.9m	£20m to £29.9m	£30m to £39.9m	£40m to £49.9m	£50m and above
Number of Loans	553	85	32	10	1	17 [8][1]

- Value of Greensill loans
- Value of other loans

Notes

1 Greensill's total number of loans under CLBILS is indicated in the square brackets. Greensill only issued loans in the £50 million and above category.

2 Greensill issued almost half of the 17 loans that were made at or above £50 million. Each individual Greensill CLBILS loan was £50 million, a total of £400 million, comprising more than 40% of the total value of lending in the £50 million and above category.

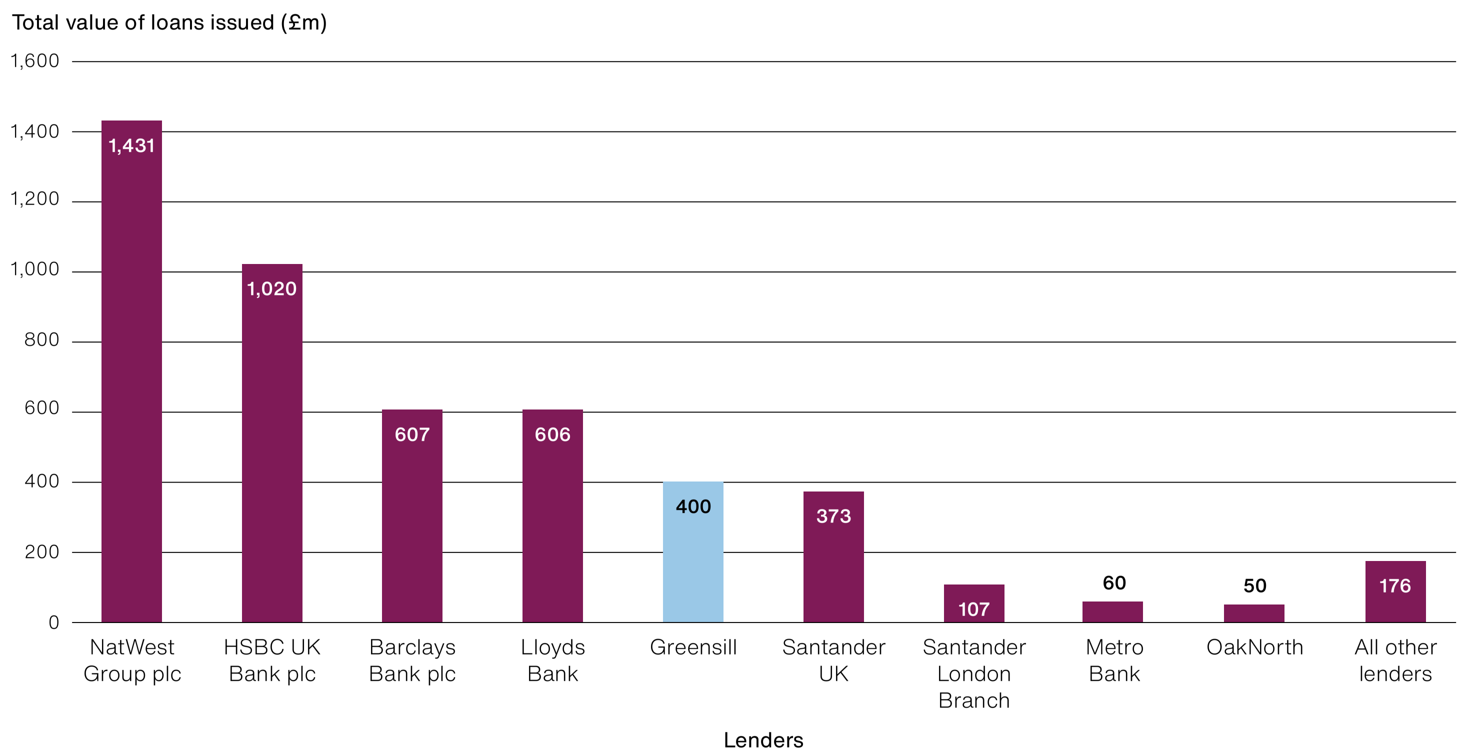
3 The largest loan issued was £150 million. Under the scheme rules, the minimum loan size was £50,000. However, the smallest loan issued was £30,000.

Source: National Audit Office analysis of British Business Bank portal data

Figure 7

The largest lenders in the Coronavirus Large Business Interruption Loan Scheme (CLBILS) by total value of loans issued

Greensill was the fifth-largest lender by total value of lending under CLBILS



Notes

1 'All other lenders' includes the remaining 11 CLBILS lenders that issued loans: Clydesdale Bank plc (£36 million), Close Brothers (£34 million), AIB Group (UK) Limited (£25 million), Bank of Scotland (£19 million), Investec Bank plc (£17 million), Secure Trust Bank plc (£17 million), ESF Capital Ltd/Thin Cats (£11 million), Danske Bank (£6 million), Bank of Ireland (£5 million), Royal Bank of Canada (£4 million), Banco V BBVA (£3 million).

2 The total value of all loans under CLBILS was £4.8 billion. Totals may not sum owing to rounding.

3 The largest CLBILS lenders refers to those lenders that lent a total amount of at least £50 million.

4 The names of lenders are as presented in the British Business Bank's portal data.

Source: National Audit Office analysis of British Business Bank portal data

CBILS

3.4 Under CBILS, Greensill initially issued four revolving credit facilities of £5 million each, which is the maximum available to a single borrower. One facility was subsequently reduced to £3.5 million following the discovery that the borrower had an existing CBILS facility with a different lender. Greensill's total lending of £18.5 million represents less than 0.1% of all CBILS loans by value, making it the 63rd largest lender.[29] The government will be exposed to a maximum liability of £14.8 million if these four borrowers default on the loans.

Events leading to the Bank's investigation into Greensill

3.5 On 2 October 2020, a Bank official reviewing data on the Bank's reporting system saw that Greensill made six CLBILS loans – totalling £300 million – on 30 September to six companies that appeared to be associated with the Gupta Family Group (GFG) Alliance.[30] In July, Greensill had made a loan to SIMEC International (UK) Limited, also a GFG Alliance company, thereby taking the total to seven loans to seven associated companies (**Figure 8**). All seven loans were of £50 million.

3.6 The scheme rules specify that loans to the same borrower or to any member of the borrower's group cannot exceed £50 million.[31] An exception is a lender accredited to the Larger Scheme Facility (see paragraph 1.4) can provide up to £200 million to a borrower group. Loans to a borrower group over £50 million are subject to the condition that the Bank is first notified and subsequently approves the loans, and the borrower adheres to various dividend and executive pay restrictions.

3.7 The Bank was concerned that Greensill's activity may have contravened the scheme rules on lending to groups. Greensill was not accredited to the Larger Scheme Facility. Given that, if the GFG Alliance borrowers were to be treated as a single group, Greensill's lending was £300 million above the lending limits applicable to it.

29 Greensill was the 63rd largest lender, based on £20 million of lending, in line with the Bank's portal data.

30 The Bank's reporting system (the portal) facilitates the collection of data needed to administer the guarantees in the event of borrower default. Lenders are required to upload onto the portal specific information for each new loan, including size and type of the facility, borrower name and date the funds were made available. The portal was not designed to monitor risks or prevent fraud in real-time, but the data are used to produce weekly and quarterly reports. Data are not always immediately uploaded to the portal.

31 The term 'group' is based on the European Commission's definition, Commission Recommendation 2003/361/EC of 6 May 2003, which states that a company is only considered to be autonomous if it has no associated partner or linked enterprises. Available at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF

Figure 8

Recipients of Greensill lending under the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and total lending under the Coronavirus Business Interruption Loan Scheme (CBILS)

Greensill made eight loans under CLBILS, seven to companies with connections to the Gupta Family Group (GFG) Alliance

Company name	Date loan received	Loan amount	GFG Alliance
CLBILS loans			
SIMEC International (UK) Limited	31 July 2020	£50 million	✔
Aar Tee Commodities (UK) Limited	27 August 2020	£50 million	
Speciality Steel UK Limited	30 September 2020	£50 million	✔
Liberty Commodities Limited	30 September 2020	£50 million	✔
Liberty Industries UK Limited	30 September 2020	£50 million	✔
Liberty Steel Newport Limited	30 September 2020	£50 million	✔
Liberty Pipes (Hartlepool) Limited	30 September 2020	£50 million	✔
Liberty Merchant Bar Plc	30 September 2020	£50 million	✔
Total CLBILS loans		**£400 million**	
Greensill's lending under CBILS		£18.5 million	
Total all loans		**£418.5 million**	

Notes

1 The British Business Bank noted that the owner of Aar Tee Commodities, was previously a board member of GFG's charitable foundation and GFG's strategic board.

2 There were four types of facilities available under CLBILS and CBILS: term loans, revolving credit, invoice finance and asset finance. All 12 of Greensill's lending arrangements were revolving credit facilities.

3 In the event of all 12 companies defaulting, the government is potentially exposed to 80% of this debt, which amounts to £334.8 million.

4 Greensill issued all CLBILS facilities at the maximum allowed to a single lender (£50 million). Greensill initially issued all CBILS facilities at the maximum amount (£5 million), however, one of these facilities was later reduced to £3.5 million following the discovery of an existing CBILS facility to this borrower with a different lender.

5 The lender, in this case Greensill, inputs this lending data into the portal.

6 'Date loan received' is the Initial Draw Date in the portal.

Source: National Audit Office analysis of British Business Bank documents and portal data.

3.8 On the same day it noticed the six GFG Alliance loans the Bank contacted Greensill, asking if it was aware of the scheme rules on group lending limits. Greensill responded later that day that it considered the loans to be compliant. Bank officials escalated concerns to its Chief Commercial Officer (CCO) on 6 October and subsequently sought further information from Greensill on GFG Alliance group structures. On 7 October the Bank informed HM Treasury and on 9 October the Bank informed the Department of its concerns and formed a working group (consisting of officials from the Bank's Product and Legal teams) to investigate Greensill's lending activities in more detail.

The Bank's investigation and suspension of guarantees

3.9 The Bank's Investment Committee agreed on 12 October to launch an investigation into Greensill's compliance with the CLBILS rules. The Bank took the following steps:

- On 13 October, the Bank's staff, including the CCO, met with Greensill representatives to outline its concerns and told them it had reduced to zero the amount it could lend.[32] The Bank told us that during the meeting, Greensill said it had received "political steers" that its support for the steel industry was welcome. The Bank asked follow-up questions on 21 December before holding two meetings with Greensill on 21 and 26 January 2021 to discuss Greensill's responses.
- Between October 2020 and March 2021, the Bank instructed Ernst & Young (EY) to provide it with debt advice on all eight Greensill CLBILS loans.
- A post-accreditation audit of Greensill began on 16 October. This audit is a standard part of the Bank's post-accreditation lender monitoring (see paragraph 2.8).[33] The report was not finalised but fed into the Bank's investigation.

32 Although Greensill had made £400 million of loans in respect of CLBILS (the maximum it was accredited to make), it had only made £18.5 million of loans in respect of CBILS out of a maximum of £50 million.
33 The post-accreditation audit of Greensill had been planned to take place around that time irrespective of the decision to launch the investigation.

The Bank's provisional findings

3.10 In March 2021, the Bank's working group came to a provisional view that there was enough evidence to conclude that Greensill had breached the Guarantee Agreement terms. The Bank informed HM Treasury and Department ministers, and then on 2 March wrote a Letter of Concern to Greensill. The Letter of Concern set out the working group's provisional findings in detail, outlining what it considered to be Greensill's breaches of the Guarantee Agreement. It also provided notice of the suspension of the Secretary of State's guarantee obligations and invited representations from Greensill. This was the only such letter the Bank had issued under CLBILS.[34]

Greensill's response

3.11 On 8 March the High Court appointed Chris Laverty, Trevor O'Sullivan and Will Stagg of Grant Thornton UK LLP as Greensill's joint administrators as it had "fallen into severe financial distress". These administrators act as Greensill's agents, managing its affairs, business and property. On 9 April, the joint administrators wrote to the Bank with Greensill's response, indicating that Greensill denied the allegations against it in the Letter of Concern. It is Greensill's view that its loans were compliant with the Scheme rules, including those related to lending to groups (see paragraph 3.6) and thus the guarantees should continue.

3.12 It was the joint administrators' view that if the Bank seeks to rely on the issues it identified in its Letter of Concern as grounds for cancelling any or all of the scheme guarantees, it would be wrong to do so and would constitute a breach of the guarantees and the agreement between Greensill and the Secretary of State. It noted that in such circumstances, Greensill reserves the right to seek damages, including direct and indirect losses.

3.13 The joint administrators requested the Bank's procedure for investigations and decision-making relating to potential material breaches of contract by lenders, given it believed the timeframe provided to Greensill to collate the necessary information to respond to the Bank's allegations to be procedurally unfair. On 16 April 2021, the Bank informed the joint administrators that the process was set out in the Letter of Concern, and that any additional materials or representations received by 26 April would be considered when determining the outcome of its investigation.

34 The Bank subsequently wrote another Letter of Concern, also to Greensill, in relation to a loan it had made under CLBILS to Aar Tee Commodities (UK) Ltd. The two letters of concern to Greensill are the only such letters issued by the Bank under CLBILS.

3.14 On 27 May 2021, the Bank sent a Supplemental Letter of Concern to Greensill outlining additional provisional findings, including consideration of the information which came into the public domain since the Letter of Concern. The Bank set a revised deadline of 25 June 2021 for Greensill to make representations: the Bank has since agreed to extend the date for Greensill's response to 20 August 2021.

3.15 As of 30 June 2021 the investigation is ongoing and the performance of the guarantor's obligations under the guarantee agreement is suspended. The Bank has not set a date for its Investment Committee to deliberate the findings of its investigation. In the meantime, while performance of the guarantor's obligations under the guarantee agreement remain suspended, the government is not obliged to pay Greensill in the event of borrower default.

Appendix One

Our investigative approach

Scope

1 This investigation provides an overview of Greensill Capital (UK) Limited's (Greensill's) involvement in COVID-19 business support schemes. The report:

- provides background and context to the COVID-19 business support schemes in which Greensill participated (Part One);
- looks at the British Business Bank's (the Bank's) consideration of Greensill's application and accreditation to the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Coronavirus Business Interruption Loan Scheme (CBILS) in particular, and the role of the Department for Business, Energy & Industrial Strategy (the Department) (Part Two); and
- considers Greensill's lending activity under those two schemes, and the Bank's subsequent investigation into Greensill's compliance with the scheme rules (Part Three).

2 The investigation is non-evaluative. We have not assessed the value for money of the schemes.

Methods

3 In examining these issues, we drew on a variety of evidence sources.

Interviews

4 We interviewed working-level staff and senior officials from the Bank, HM Treasury and the Department to understand Greensill's involvement in CLBILS and CBILS. We also interviewed key individuals from HM Revenue & Customs and UK Export Finance to understand Greensill's involvement in wider business support schemes.

Document review

5 We reviewed a range of key documents, including email communications, from the Bank in relation to:

- the scheme terms and criteria for CBILS and CLBILS, and the Bank's accreditation process for scheme lenders;
- Greensill's application for accreditation to CBILS and CLBILS;
- the Bank's assessment of Greensill's accreditation applications, including the minutes from the decision-making forums that accredited Greensill as a lender under CBILS and CLBILS;
- the Bank's post-accreditation monitoring of lenders under the schemes;
- the Bank's provisional findings related to its investigation into Greensill's compliance with the rules of CLBILS;
- the Bank's provisional report into whether third parties unduly influenced it during the Greensill accreditation process. The Bank's report was finalised as we went to print, and therefore we were not able in the time available to review the final report; and
- other papers, where relevant, for example Board papers and submissions to ministers.

6 We reviewed key documents relating to the process of accreditation to CLBILS for two other non-bank delivery partners, ThinCats and Mercedes Benz Financial Services. This enabled us to determine whether Greensill's process to become an accredited lender under CLBILS was consistent with other non-bank accredited lenders.

7 While we have seen copies of e-mail communications, we have relied on descriptive accounts of other forms of communication, such as phone calls and text messages.

Data analysis

8 We analysed the financial information Greensill submitted as part of its application. This involved reconciling key financial figures stated in Greensill's application form with the 2018 and draft 2019 financial statements of Greensill Capital UK Limited provided as part of the application process. In addition, we obtained the 2019 financial statements of Greensill Capital Pty Limited from the Australian Securities and Investments Commission.[35]

35 The Bank did not have access to these accounts at the date of accreditation.

9 We conducted a press search on any news stories related to Greensill between March and June 2020. The purpose of this was to understand whether there had been any reported concerns about Greensill during the period of its application and accreditation to CLBILS.

10 We analysed data on lending activity for CBILS and CLBILS provided by the Bank. The Bank gathers data lenders input into its collection system (the portal) from mid-June 2020. For both schemes, we analysed portal summary data, which included the total number and value of loans issued by each lender. We reviewed an extract of the portal data showing the individual loans Greensill issued under the two schemes. For CLBILS, we analysed anonymised loan-by-loan data, which was used in Figure 6 to calculate the number and value of loans issued by size. Data presented in this report are correct as at 21 June 2021.

11 We have not audited the underlying loan-level data owing to confidentiality issues. The data contain sensitive personal and commercial details. We relied on the summary data the Bank provided, which, in turn, relies on the information lenders provide.

Other matters

12 We conducted fieldwork between April 2021 and June 2021.

13 The study director wrote to the Greensill administrators, Chris Laverty, Trevor O'Sullivan and Will Stagg of Grant Thornton UK LLP, on 17 May 2021, notifying it of our work and offering it the opportunity to input. A follow-up email was sent on 3 June 2021, and on the same day, the administrators responded, stating that they did not comment.

14 In planning our approach to this investigation, we noted a heightened risk of fraud owing to the circumstances surrounding Greensill's financial difficulties and public allegations from various parties. For example, on 23 April 2021, the auditor of Greensill Bank AG (a part of the Greensill group) informed the administrators that it planned to withdraw its certification of the lender's 2019 annual accounts, after allegations of irregularities. The identified risk of fraud informed our audit approach and the methods selected.

Appendix Two

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

1 See **Figure 9** on pages 45 to 50.

Figure 9

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

A summary of key events relating to Greensill's involvement in the British Business Bank's (the Bank's) COVID-19 business support schemes, its application to UK Export Finance's Export Development Guarantee, and reported issues surrounding Greensill's activities between February 2020 and June 2021

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
February 2020			11 February – Standard Chartered, as one of Greensill's lenders, approaches UKEF seeking an Export Development Guarantee (not a COVID-19 business support scheme) for a £500 million loan to Greensill repayable over five years. UKEF would guarantee 80% of the loan (£400 million).	26 February – A Financial Times article highlights the close relationship between Greensill and the Gupta Family Group (GFG) Alliance.
March 2020		12 March – The Chancellor announces CBILS as a part of the 2020 Budget. 23 March – The Bank formally launches CBILS.	Late March – UKEF begins direct discussions with Greensill.	
April 2020	3 April – The Chancellor announces CLBILS. 17 April – The Bank opens the accreditation process for CLBILS. Greensill first approaches the Bank about being accredited to CLBILS. 19 April – Greensill submits an Expression of Interest for CLBILS. 20 April – The Bank formally launches CLBILS. 23 April – Greensill submits a Formal Proposal for CLBILS (invoice financing variant) before being invited to by the Bank. 25 April – A managing director within the Bank approves Greensill's Expression of Interest.			28 April – Lex Greensill loses $60 million court case with Australian tax authorities.

Figure 9 *continued*

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
May 2020	4 May – Bank officials submit a paper to the Bank's Investment Committee recommending that Greensill be accredited with a lending allocation of £1 billion. First Investment Committee at which Greensill is discussed. 12 May – Second Investment Committee at which Greensill is discussed.			4 May – The Financial Times reports a string of Greensill client defaults, resulting from high-profile corporate collapses and accounting scandals. 27 May – Greensill drops a libel suit against Reuters over a story that said the financing group had provided a false statement to market participants in 2018.
June 2020	3 June – The Bank's Chief Commercial Officer approves a £400 million CLBILS lending allocation for Greensill. 4 June – Greensill formally accredited under CLBILS (invoice finance variant) and CLBILS documentation signed. 10 June – Greensill is open to receive borrower applications. 12 June – Greensill applies for accreditation for the term loan and revolving credit facility variants of CLBILS, as well as requesting approval for the Larger Scheme Facility.		11 June – UKEF rejects the application for an Export Development Guarantee. 16 June – Greensill suggests some amendments to its proposal, lowering the value of the loan to £100 million – £200 million (with the Export Development Guarantee covering 80%, or £80 million – £160 million) and reducing the term to one year.	14 June – A Financial Times investigation highlights a "circular flow of funds" from Softbank, an investor in Greensill, to companies it owns through funds in Credit Suisse.

Figure 9 *continued*

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
July 2020	2 July – Paper submitted to the Bank's Managing Director Forum recommending that Greensill be accredited within its current CLBILS lending allocation of £400 million. It also recommends Greensill be denied access to the Larger Scheme Facility. 3 July – Managing Director Forum agrees recommendation. Greensill informed of the outcome, including that its application to the Larger Scheme Facility has been rejected. 8 July – Greensill formally accredited for CLBILS term loan and revolving credit facility variants. 31 July – Greensill issues its first loan worth £50 million under CLBILS.	16 July – Greensill applies for accreditation to lend under CBILS.		20 July – Credit Suisse announces plans to update the investment guidelines for its supply chain finance funds after questions over its relationship with Greensill and Softbank. Softbank reportedly exits its investment in these funds.
August 2020	27 August – Greensill issues its second loan worth £50 million under CLBILS.			20 August – A Financial Times investigation again raises questions about the commercial relationships between Greensill, GFG and Credit Suisse.
September 2020	30 September – Greensill makes six loans to six companies associated with the GFG Alliance, totalling £300 million.	7 September – The Bank submits a paper to its Managing Director Forum recommending Greensill be accredited with an allocation of £50 million. 21 September – Greensill formally accredited to lend under CBILS.	25 September – UKEF rejects the revised application.	17 September – A German ratings agency downgrades the issuer rating of Greensill Bank AG from A- to BBB+, citing "the sharp decline in global growth triggered by the Covid-19 induced recession".

Figure 9 *continued*

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
October 2020	2 October – Bank officials become aware of the loans and immediately contact Greensill asking if it was aware of the scheme rules about group lending limits. 6 October – Bank officials escalate concerns to the Bank's Chief Commercial Officer. 12 October – The Bank's Investment Committee agrees to launch an investigation into Greensill's compliance with the CLBILS rules. 13 October – Bank officials meet with Greensill representatives to outline its concerns and inform Greensill that it had reduced its annual allocation (the amount it could lend) to zero for both CBILS and CLBILS. 16 October – KPMG starts a planned post-accreditation audit of Greensill. October – The Bank instructs the professional services firm Ernst and Young (EY) to provide it with debt advice on seven CLBILS loans Greensill made.			
November 2020				
December 2020				31 December – Greensill engage Grant Thornton to provide support in relation to restructuring proposals and contingency planning.

Figure 9 *continued*

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
January 2021				
February 2021				
March 2021	2 March 2021 – The Bank writes a Letter of Concern to Greensill that sets out the working group's provisional findings and provides notice of the suspension of performance of the Secretary of State's obligations under the guarantee agreement. March – EY's scope of work extended to provide debt advice on an eighth CLBILS loan made by Greensill. 26 March – The Bank writes an additional Letter of Concern to Greensill that sets out the working group's provisional findings in relation to the eighth loan and provides notice of the suspension of the Secretary of State's guarantee obligations.			1 March – Credit Suisse suspends supply chain finance funds. 3 March – German financial regulator, BaFin, suspends Greensill Bank and files a criminal complaint. 8 March – Greensill files for administration. Chris Laverty, Trevor O'Sullivan and Will Stagg of Grant Thornton UK LLP appointed as joint administrators.
April 2021	9 April – The joint administrators write to the Bank with Greensill's response, indicating that Greensill denies the allegations made against it in the Letter of Concern.			15 April – A Financial Times article reports that the GFG Alliance undertook restructuring to maximise the amount it was able to lend under CLBILS. 23 April – The auditor of Greensill Bank AG (a part of the Greensill group) informs its administrators that it withdraws its certification of the lenders 2019 annual accounts, with immediate effect.

Figure 9 *continued*

Timeline of key events related to Greensill's involvement in COVID-19 business support schemes

Date	Coronavirus Large Business Interruption Loan Scheme (CLBILS) accreditation and activity	Coronavirus Business Interruption Loan Scheme (CBILS) accreditation and activity	Application to Export Development Guarantee (UK Export Finance (UKEF))	Reported Greensill issues
May 2021	27 May – The Bank writes a Supplemental Letter of Concern to Greensill that sets out the further provisional findings of the working group in relation to the initial seven loans.			14 May – The Serious Fraud Office confirms it has launched an investigation into the GFG Alliance, including its financing arrangements with Greensill Capital (UK) Ltd.
June 2021				28 June – The Financial Reporting Council (FRC) announces an investigation into the auditor of Greensill Capital (UK) Limited in relation to its 2019 accounts.

Source: National Audit Office analysis of British Business Bank documents, evidence from UK Export Finance and press reports

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