

## Open Letter to BCR

### **Respond to Coronavirus by building the right long-term support for SMEs**

Millions of SMEs only have weeks before they run out of cash. After this time, irreparable damage will have occurred, both to the UK economy, and to the millions of whose livelihoods depend on these businesses. However, the relief funding, being channelled using legacy bank infrastructure, is not getting there fast enough and, sadly, the Banking Competition Remedies (BCR) fund is not being used to help. We implore you to act now; to support new infrastructure that can cope with allocation this emergency needs, at the speed and on the scale required.

### **CBILS is not working fast enough**

The situation is grave. A recent report found that, of the 5.8 million SMEs expected to apply for CBILS loans, around 2.9 million would deplete their reserves within two months - even if they maintained half of their current income.

But the response is not fast enough. In the last week, only £90,000,000 of credit under the Coronavirus Business Interruption Loan Scheme (CBILS) scheme has been extended to UK businesses. This is a small fraction of the levels being demanded. And it's evident that banks are not able to deploy the funds faster: one major bank in the UK has already seen 150,000 applications for business credit and has no workable plan to deal with such exceptional and unprecedented demand.

The consequences of not acting will be profound. 23 million people are employed by SMEs in the United Kingdom.

### **The Coronavirus Fintech Taskforce**

Trade Ledger has come together with other interested parties to create the [Coronavirus Fintech Taskforce](#) focused on addressing this issue.

Our aim is to make available a new business credit origination and underwriting infrastructure to lenders that is capable of deploying the CBIL scheme at the scale and speed required to have the desired impact.

To put the enormity of the challenge facing lenders into context, the £330bn scheme is bigger than the entire annual SME lending market. Banks in normal times take on average 90 days to deploy capital to SMEs. Furthermore 57% of all SME credit applications are either abandoned because they are just too hard, or ultimately rejected.

### **Supporting the BCR fund**

How does this relate to the BCR fund?

Given the core purpose of the BCR fund is to develop and improve the financial products and services which are available to SMEs in the UK, we urge you to consider alternate and faster distribution options directly to the fintechs with capabilities to assist the SME economy with liquidity. Many fintech firms, including ourselves, are available immediately to support this cause.

Our taskforce has already proactively demonstrated what we believe to be a strategically important component of the solution to support SMEs. However, it is difficult for the members, all start-ups,

to commit the resources needed to put this into production across the sector. Our conversations with major banks demonstrate a strong desire, and the markets need, to adopt this solution in time.

Furthermore, the investments we make now in the SME financing infrastructure will reap benefits beyond the immediate requirements of the pandemic. As a body charged with improving the financial market, the creation of a better long-term lending infrastructure for SMEs must surely be of interest and conform with your objectives.

### **BCR fund deployment**

We are delighted that BCR has now agreed with HMTreasury (HMT) and RBS to bring their application process forward to enable the funds to be deployed, in support the UK SME market, as soon as is feasible. As an alternative, or indeed complement, to the proposed relaunch of the £100M application process and redistribution of funds, we would like to put forward the Coronavirus Fintech Taskforce (CFT) as a more immediate and high impact proposition to accelerate the deployment of funds to technology vendors who can immediately support banks and alternative lenders.

Given that BCR has absolute discretion to change any of the application process and requirements at any point, we believe that this is feasible. However, under the rules of the original Capabilities and Remedies Fund (C&I), Pool A & Pool B applicants need to be an authorised deposit taking entity. Our proposal is, thus, that part of the funds are not used for direct lending but to fund the implementation of tech to facilitate this lending.

### **The opportunity for banks to repay the community**

As the Secretary of State for Business, Energy and Industrial Strategy, Alok Sharma, said last week, ***"Just as the taxpayer stepped in to help the banks back in 2008, we will work with the banks to do everything they can to repay that favour and support the businesses and people of the United Kingdom in their time of need,"***

To enable this to be achieved, we would like to suggest an immediate scheme to distribute awards of up to £1,000,000 spread widely across the fintech community. This would have a double impact.

- 1) Initially this would enable each firm to hire the many skilled technology workers currently redundant due to Covid-19, thereby protecting the fintech industry through this crisis.
- 2) Secondly, and more importantly, it would enable the provision of infrastructure that our nation's business lenders need, with new capabilities being made available within a matter of days.

We await a response to our request and a further discussion on how we can work with BCR to effectively support the SME community and the economy as a whole.



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