The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
11 Downing Street
London
SW1A 2AA

16th June 2020

Request to Publish Names of All Companies Receiving BBLs and CBILs to Prevent Fraud

Dear Chancellor,

In order to prevent and detect fraud and to promote transparency, we are writing to you to request that the government publish the names of all companies that have received government backed loans.

We compliment you and the government on the speed and extent of the fiscal stimulus measures you have rolled-out to protect UK companies and jobs during the pandemic. It is clear that viable and honest businesses are benefitting significantly and for many of them, it will allow them to weather the storm and thrive again as the economy recovers. However, we feel we should draw your attention to serious weaknesses that enable fraudsters and corrupt insiders to exploit the BBLS and CBILS loan scheme. Not only does that see public funds diverted to criminal enterprises, but it risks painting the scheme in a bad light and reducing public support for the government's actions. Publishing data about companies that have received them would help mitigate this issue, as we explain below.

Recent figures from HM Treasury show banks have provided £34.9 billion to over 830,000 UK small businesses through the loan schemes. Details of the companies receiving these have not been published as charges on Companies House or elsewhere and are thus invisible. To date, UK Finance has published details of only 8 companies that received loans[1]. By contrast, government has published details of all 39,286 Innovate UK grants to UK companies since 2004 and the amount awarded[2]. The lack of transparency provides an opportunity to defraud the UK:

- The likelihood that fraudsters – in collusion with professionals such as rogue bank insiders and lawyers – will see the BBLS and CBILS loans as a way to obtain a loan for a company that is (a) being used to perpetrate economic crime or (b) was known to be unviable before COVID-19, and the money will be diverted to fraudsters or used to pay off debts to the bank and others.

- That the UK will see a repeat of the fraud and mis-selling bad behaviour akin to the sub-prime mortgage scandal,[3] as loans acquired are backed against commercial properties where the value has been fraudulently inflated as seen in the case of SFO vs Kallakis and Williams[4].

- That Organised Crime Groups will adopt the recent practices of the Italian Mafia to intimidate and infiltrate good UK companies currently in difficulty to abuse the loan schemes[5].

The 750,000 BBLs are especially vulnerable, as these are effectively self-certified and granted in 24 hours and the Government carries 100% liability on those that default. We understand the need for quick decisions and limited bureaucracy and fully support prompt and effective action. The counter-point is that this moves risk to the taxpayer and creates moral hazard.

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[1] https://www.ukfinance.org.uk/press/press-releases/lenders-back-businesses-through-covid-19-loan-schemes
[2] https://www.gov.uk/government/publications/innovate-uk-funded-projects
[3] https://www.fraudadvisorypanel.org/wp-content/uploads/2018/05/Businesses-Behaving-Badly-July-2017.pdf
[4] https://www.sfo.gov.uk/2013/01/16/achilleas-kallakis-alexander-williams-guilty-defrauding-banks-property-financing-deals/
[5] https://news.sky.com/story/coronavirus-mafia-members-trying-to-exploit-crisis-arrested-11987181

Publication of the information will help to deter and detect crime by enabling the public and companies to check the credit worthiness of customers and suppliers. Law enforcement and credit reference agencies will also be able to conduct research and data matching to identify crime using established techniques used by the National Fraud Initiative[6]. Companies that are granted BBLS or CBILS loans are considered to be a viable business and no stigma is attached. In fact, the companies are aware that this is a taxpayer-backed scheme and transparency is expected.

We believe this fraud issue could raise concerns for the global investor community should they see this as a weakness in the UK's financial infrastructure and controls. As such, it needs to be resolved very quickly before investment and government stimulus money, is diverted to criminals.

There is a danger that government might overlook this matter because there is no genuinely representative group to advise on bank insider fraud policy; there are bodies that represent the bank's anti-fraud activity, but in practice most of these include "the previous bank advisors from 2008" as voices. Many experienced counter-corruption professionals regard them as people who can identify bad behaviour but as with the residential mortgage backed derivatives scandal, they are not incentivised to report it to the authorities.

We have established a COVID-19 Fraud Watch Task Force with expertise in the prevention, detection, investigation and prosecution of serious economic crime and are willing and able to assist your government to develop mechanisms to implement the measures we propose. We are committed to safeguarding the interests of the UK, are independent and have international connections with respected fraud fighting professionals in the key economies in Europe, North America and Asia Pacific. Beyond crime, we possess business experience and connections to help accelerate the recovery of the UK post-pandemic.

We are willing and able to provide the Treasury and/or the Department for Business, Enterprise and Regulatory Reform with information, advice and support if that help improve control over the funding schemes made available to UK companies. We shall ask the Chairman of the Fraud Advisory Panel to contact your office to see if our recommendation above will be supported and whether we can be of any assistance in improving control over these funds.

Yours sincerely,

David M Clarke
Chairman, Fraud Advisory Panel
and former Director of NFIB

Duncan Hames
Director of Policy,
Transparency International UK

Susan Hawley
CEO, Spotlight on Corruption

Professor Mike Levi
Cardiff University

Rosalind Wright CB QC
Former Director of the Serious Fraud Office

CC:
Gareth Davies, Comptroller & Auditor General of the National Audit Office
The Rt Hon Mel Stride MP, Chair of the Treasury Committee

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[6] https://www.synectics-solutions.com/platform/data-marketplace/national-fraud-initiative/gclid/eaiaiqobchmija-u1ecf6givc-ztch2o-asmeaayasaaegk4kfd_bwe