HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

25 March 2020

COVID-19 AND BANK LENDING

It is vital that government, the regulators and industry continue to act together to mitigate the longer lasting effects of COVID-19 on jobs, growth and the UK economy. We recognise and appreciate the huge efforts that you and your teams are putting in to deliver these new programmes at a difficult time. But we cannot stop there. The next phase of our work will be critical in getting the support to where it is most needed.

Last week, we announced a set of unprecedented measures to support business and protect jobs. For large firms of investment grade or equivalent, the COVID Corporate Financing Facility (CCFF) will provide additional help to address COVID-19 related disruption to their cash flows. For small and medium-sized businesses (SMEs), the Coronavirus Business Interruption Loan Scheme (CBILS) will provide government-backed finance of up to £5 million and the new Term Funding Scheme with additional incentives for SMEs, will help banks to continue providing credit to businesses and households who need finance to bridge across this period of economic disruption. The government has also taken significant steps to support jobs and income through the Coronavirus Jobs Retention Scheme, deferral of VAT payments and the scaling up of HMRC's Time to Pay helpline.

A number of decisions taken by the regulators will ensure the financial system has the capacity to ensure the uninterrupted supply of credit to the firms and households that need it. These include the reduction of the countercyclical capital buffer to 0%, supervisory guidance reminding firms to make use of their capital and liquidity buffers as necessary, the Bank of England's statement on provisioning under relevant accounting standards, and the decision to cancel the 2020 stress test and to amend the timetable for the biennial exploratory scenario. The Bank of England and FCA have also identified a number of other prudential and conduct measures that will be adapted or delayed in order to alleviate operational burdens on firms.

We welcome the action already taken by banks, with the support of the regulators, to offer help and flexibility to businesses and consumers. This includes initial steps to deliver the CCFF and CBILS, offers for new or increased overdrafts or allowing repayment relief for loan or mortgage repayments. We also appreciate your efforts to ensure that any flexibilities extended to customers at this unprecedented time are recorded accurately so as to prevent an adverse impact on a customer's credit file.

The priority for all of us - banks, building societies, government and the financial authorities - should now be to take all action necessary to ensure that the benefits of the measures outlined above are passed through to businesses and consumers. This will require a willingness to maintain and extend lending despite the uncertain economic conditions. We must ensure that firms whose business models were viable before this crisis remain viable once it is over. This includes those firms not covered by CBILS or CCFF.

Continued communication and cooperation will be paramount over the coming weeks and months. The Bank of England and FCA will be monitoring the situation closely and will be in regular contact to discuss developments and any issues emerging.

You all have an important part to play in the UK response to COVID-19 and we know that you will rise to the challenge to support the economy and protect jobs.

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