

TIM FARRON MP

Liberal Democrat Member of Parliament for Westmorland & Lonsdale



HOUSE OF COMMONS

LONDON SW1A 0AA

Mr. Adrian Faulkner
2 Thwaites Howe 116 Craig Walk
Bowness on
WINDERMERE
LA23 3AX

Our Ref: Faul003/10/ag
Your Ref:

6 April 2009

Dear Adrian

Please find enclosed a copy of the disgracefully delayed response from the Minister for Small Business to the letter that I wrote on 29 October 2008 with regard to the shortage of available capital for lending to small businesses.

I dread to think how many viable organizations will have folded during the five months that it has taken the Government to put all of these measures in place. I do hope that your members will have been able to secure the funding that they needed or that some of this information might still be valid to help them. However I still have serious reservations as to whether the availability of lending at grass roots level matches the claims of the Minister on account of the huge sums of money that SHOULD be available.

With best wishes

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tim Farron', written over a horizontal line.

TIM FARRON MP

Please reply to Constituency Office

Acland House, Yard 2, Stricklandgate, Kendal, Cumbria LA9 4ND

Tel: 01539 723403 Email: tim@timfarron.co.uk

While Tim Farron MP will treat as confidential any personal information that you pass on, he will normally allow staff and authorised volunteers to see it if this is needed to help and advise you. He may pass on all or some of the information to external agencies if this is necessary to help with your case. Tim Farron MP may wish to write to you from time to time to keep you informed on issues which you may find of interest. Please let him know if you do not wish to be contacted for this purpose.

Shriti VaderaEconomic Competitiveness
and Small Business

Tim Farron MP
Acland House
Yard 2
Sticklandgate
Kendal
Cumbria
LA9 4ND

Our ref: AE/103324
Your ref: Stot012/1/ag

30 March 2009

Dear Mr Farron

Thank you for your letter of 29 October 2008 to Gordon Brown, on behalf of your constituent, about what the Government are doing to help small businesses in the current economic climate. I am replying as this matter falls within my portfolio and apologise for the lengthy delay.

I was sorry to hear of the difficulties faced by you constituent. The Government recognises that the current economic climate is causing significant difficulties for established businesses and start-up firms alike, with particular impact on small and medium sized enterprise (SME) borrowing as a result of the effects of the financial crisis and the credit crunch. It is critical that at this time the Government acts to help small businesses survive the current economic down-turn.

The recapitalisation of the banks and subsequent measures to support bank lending, including the Working Capital Scheme and Asset Protection Scheme, are essential to secure and sustain a competitive UK lending market. This is essential for businesses given that the vast majority looking for finance will continue to seek support from mainstream lenders, and not from Government supported schemes. British Bankers' Association data for January 2009 shows that the stock of lending to businesses with a turnover below £1million stands at over £54billion, up £235million on December 2007. The lending commitments we have secured from the banks will now also make a real difference at branch level.

Whilst supporting lenders to continue lending, we have also introduced targeted support for viable businesses who continue to struggle to raise finance from commercial sources. The Enterprise Finance Guarantee supports lending to viable businesses who sit on the margins of commercial lending decisions. By providing lenders with a Government backed guarantee for 75% of the loan value, we are facilitating lending that would otherwise not be available. Twenty-six lenders are already participating in the scheme, including all the main high street lenders. We discuss the experiences of both lenders and borrowers at our monthly Small Business Finance Forum and this is proving to be a very useful real-time feedback mechanism.

1 Victoria Street, London SW1H 0ET

www.berr.gov.uk

Since the Guarantee became operational on 14 January 2009 we have seen the value of eligible cases rise ten-fold. These have now reached the stage where:

- the value of eligible cases has increased from £3million in week one to over £31million in week eight;
- the network of approved lenders has expanded from eight to twenty-six, providing access across the whole of the UK; and
- as of week ending 11 March lenders have logged over 1,100 eligible cases with a value of over £110million.

Our current weekly rate of eligible cases puts us on track to support £1.3billion of lending to small businesses by end March 2010.

The Capital for Enterprise Fund is a £75m fund (£50m in Government funds and agreement to an additional £25m from Lloyds, Barclays, HSBC and RBS) targeted at small and medium businesses that have exhausted their normal borrowing capacity. The fund will be delivered by commercial fund managers and they are undertaking diligence on the business they will invest in. 231 businesses have registered their interest in the Capital for Enterprise Fund, of which 42 businesses, with a funding requirement of over £35million, have met the eligibility criteria and supplied all the required information.

The UK is the first country in the world to have negotiated legally binding lending commitments with banks receiving state support. RBS have committed to £25billion of additional net lending over the next 12 months. £9billion will be available for mortgage lending and £16billion for lending to businesses of all sizes. Lloyds have committed to £14billion of additional lending over the next 12 months. £3billion will be available for mortgage lending and £11bn for lending to businesses of all sizes. Both agreements are in effect already.

The Working Capital Scheme was announced on 14 January 2009 and formally launched on 2 March 2009. Government will provide banks with guarantees on portfolios of new and existing lending, thereby freeing up lender capital to support further lending. We have received declarations of interest by Barclays, Lloyds banking group and RBS. The lending commitments referred to above will be enabled in part by the capital released by the Working Capital facility which means new lending is already on-stream and isn't being delayed.

Government is also working with UK banks and the European Investment Bank (EIB) to maintain existing lending and make more credit available to SMEs. With the EIB, Government has helped UK banks to negotiate credit lines of more than £1 billion to provide loans to small and medium businesses.

Businesses that have been unable to secure funding from the bank under the EFG Scheme may be eligible for a loan or other support from their local Regional Development Agency. Business Link can advise on what additional finance help is available in the region via 0845 600 9 006.

Regional Development Agencies (RDAs) are providing a wide range of advice and support to business at the local level. We strongly advise all businesses contact their RDAs to get the latest information about what is available in their area. A full list of the RDAs with links to their websites is available at: www.englandsrdas.com

Short guides on managing cash flow, developed by Institute of Credit Management (ICM) and funded by Government, are available at: www.businesslink.gov.uk/realhelp Government is encouraging all businesses to pay their suppliers on time. A list of businesses who have signed up to this is available at www.promptpaymentcode.org.uk/ Central Government has also already committed to pay its own bills within 10 days. Free, confidential and independent help to deal with business debt problems is available from Business Debtline on 0800 197 6026.

Business concerned about paying their tax, National Insurance, VAT or other payments owed or due to HM Revenue & Customs (HMRC) can now contact the Business Payment Support Service. HMRC staff will review temporary options tailored to individual business needs, for example arranging for payments to be made over a longer period.


Businesses will not be charged additional late payment surcharges or penalties on payments included in the arrangement. However, interest will still be payable on those taxes where it applies. This is one more way in which Government is providing real help for businesses to manage their cashflow and free up the working capital they need.

Over 25,000 businesses have been helped to spread payments in this way, amounting to more than £429 million of tax. Further information is available from the Business Payment Support Service on 0845 302 1435 or online at:
<http://www.hmrc.gov.uk/pbr2008/bus-payment-addinfo.htm>

All these measures offering real help for small business can be accessed via the Business Link portal:

- The www.businesslink.gov.uk/realhelp portal
- Their local Business Link adviser on 0845 600 9 006
- Information on finance schemes and an initial assessment of eligibility is available at www.businesslink.gov.uk/realhelp/finance

Yours sincerely



SHRITI VADERA