



The Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London
SW1A 2AA

30th March 2020

Update from COVID-19 SME Advisory Board

Dear Prime Minister,

In our letter of 24th March we expressed our appreciation of the actions that your government was taking to counter the impact of the current health crisis on business in the UK. We fundamentally believe that the measures announced are right for business and we anticipate that the gaps in assistance will be quickly closed in future announcements. However, we predicted that implementing the support plan would be at risk from several potential weaknesses in the financial establishment in the UK. We believe these are already visible to government and need to be resolved very quickly before companies just run out of road and fail.

The key concerns from our SME network include:

- The negative and tone-deaf culture in the banking sector, and the likelihood that banks will see the government support mechanism as a way of boosting profits and strengthening balance sheets instead of supporting business.
- The question of whether the mainstream banking establishment can change fast enough to deliver what the government and society needs, and whether the creation of an SME Mutual Bank wouldn't be a better way to deliver support to the sector.
- An SME Mutual Bank would be driven by member needs and not profit. Nationwide Building Society last year announced it is investing in tech to focus on the millions of smaller businesses, many of which have been underserved by the five big banks dominating 85 per cent of the market.
- Nationwide alone has 15 million members, up to a million of whom are business owners.
- Bureaucracy and risk-avoidance on the part of banks is making the process for acquiring funding too complex, too onerous, too late or just too unattractive for SMEs concerned about losing control of their business to banks or related parties.
- The danger that banks and "vulture funds" will use this crisis to acquire, asset-strip and neutralise good companies that should be the key to growth when the crisis ends as seen in the HBOS scandal.
- The lack of support for those SMEs that have to continue to operate because they deliver services that are essential for their communities, or want to diversify their business but where their costs continue but revenue has sharply dropped or even ceased. Not permitting furloughed employees to work is the main obstacle to diversifying.
- The risk that the different needs of the key SME sector might be overlooked because there is no genuinely representative group to feed into policy; there are bodies that claim to represent business, but in practice most of these have "the usual suspects" as voices and most SMEs don't regard them as genuinely representing their needs.

The reaction to the first of these points is now public, and we appreciate the pressure that government is applying to reduce the frankly treasonous behavior of some of the UK banks. Events are moving quickly and some sectors are

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getting close to collapse as revenue evaporates. We see even greater need now to set up a consultative body to represent the critical SME sector that is resident in and committed to the UK, and not transient like many multi-nationals.

We are willing and able to assist your government by setting up a virtual Consultative Group for SMEs should we be empowered to do so and given a route to report our findings and recommendations. We have international connections in the key economies in Europe, North America and Asia Pacific, and believe we can broaden this Group to pool data, knowledge and experience to accelerate the recovery of the SME sector.

We would welcome the opportunity to discuss our proposal with whomever you select to consider the sector.

Yours sincerely,

Jurga Zilinskiene MBE

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