



House of Commons  
Treasury Committee

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# Lessons from Greensill Capital

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**Sixth Report of Session 2021–22**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 14 July 2021*

## The Treasury Committee

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## Summary

This report reflects the terms of reference for the inquiry, in which we determined that we would examine the lessons which could be drawn for the financial system and its regulation from the failure of Greensill Capital, and the lessons for the Treasury and its associated public bodies arising from their interactions with Greensill Capital during the Covid crisis. (Paragraph 7)

We welcome the ongoing work on how supply chain finance is shown in accounts, which may, at times, encourage firms to use supply chain finance to obscure the firm's indebtedness. We look forward to further analysis in this area. (Paragraph 15)

The FCA and the Treasury should give serious consideration to revising the definition of "securitisation" within the Securitisation Regulation, given that it appears to have been too narrow. (Paragraph 22)

"Prospective receivables", as described by Sanjeev Gupta, would appear to result in a significantly riskier form of lending than traditional supply chain finance and is more akin to straightforward unsecured lending. The appropriateness of such lending will depend to a significant extent on whether, as Mr Greensill claimed, investors had the information required to appropriately understand what they were investing in. (Paragraph 29)

We await with interest the outcome of the investigation by the Serious Fraud Office. (Paragraph 33)

The total extent of the losses from the failure of Greensill is not yet clear. While there do not appear to have been direct losses to British consumers, any losses suffered by institutional investors may be passed on to consumers. (Paragraph 37)

It appears that the appointed representatives regime may be being used for purposes which are well beyond those for which it was originally designed. We welcome the FCA's investigation into the oversight of Greensill's regulatory permissions by Mirabella and we await its conclusions with interest. (Paragraph 50)

The FCA and HM Treasury should consider reforms to the appointed representatives regime, with a view to limiting its scope and reducing opportunities for abuse of the system. (Paragraph 51)

The failure of Greensill does not appear to have led to a threat to financial stability. We therefore consider that Andrew Bailey was right to conclude there was no case for regulation on the basis of financial stability in this case. The Bank provided an explanation of the channels through which a firm could become systemic, which includes if a firm plays a significant role in the provision of credit to the real economy, and we would expect it to be vigilant to those risks. (Paragraph 55)

We do not think the failure of Greensill leads to any particularly strong evidence about procyclicality in the regulation of insurance markets. (Paragraph 61)

We do not believe that the failure of Greensill Capital has demonstrated a need to bring supply chain finance within the regulatory perimeter for financial services. (Paragraph 67)

The failure of Greensill Capital has highlighted risks around the growth of the non-bank sector and the expansion of non-banks into areas of financial intermediation traditionally dominated by banks. The Bank of England has recently published its paper on market-based finance, and we will scrutinise its conclusions in our ongoing work. We welcome the Bank's focus on the importance of enhancing data on the non-bank financial sector. (Paragraph 75)

In addition to international work to intensify global co-operation and data-sharing on non-bank finance, the Treasury should work with the Bank of England and the FCA to consider which domestic data gaps could be addressed. Filling these gaps may require legislative or regulatory fixes. Where there is additional information which could be collected to assist the Bank of England in achieving its objective for financial stability, the Prudential Regulation Authority and Financial Conduct Authority should collect this information, and, if needed, the Government should put forward legislation to enable this. Any information required should be collected on a measured, proportionate basis, taking care not to impose a disproportionate burden either on firms to submit the data or on regulators to review it. (Paragraph 76)

As a matter of urgency, there should be reform of the Change in Control process which regulates who can acquire the ownership of an already existing bank. This should ensure that the PRA has the powers necessary to ensure that existing banks do not fall into the hands of owners who would not be granted a banking licence in their own right. (Paragraph 82)

It is evident that the Greensill case lends urgency to the consideration of a number of areas where there may be a case for fresh regulation. We have not examined these areas in detail, but we draw the Treasury's attention to the areas listed by the FCA as set out in paragraph 83. We intend to monitor closely developments in this area. (Paragraph 84)

Supply chain finance appears to be a useful product in some contexts. However, instead of pursuing supply chain finance solutions, it would be preferable for the Government to address the underlying cause of the problem by paying suppliers sooner, particularly small suppliers. Given the low cost of Government borrowing, the value of this type of private sector financing to the public sector is less than would otherwise be the case. (Paragraph 92)

Because Earnd was provided free of charge, no public money was spent and this may be one reason the Treasury was not consulted on what might otherwise have been deemed a "novel" proposal for the purposes of the Treasury's guidance on Managing Public Money. When the Government is given a service for free, this may have implications for the management (including in the future) of public money or procurement. It may also bring commercial benefits to the firm which provides the service, for example cross-selling opportunities as Greensill's administrators cite, as well as the reputational benefit of being a supplier to the Government and potentially access to data. The Treasury should be more involved in determining whether such 'novel' schemes, when provided for free, are appropriate in the provision of public services. If they deem that there is a case for supporting such solutions, the Government should consider whether any additional controls may be needed around procurement where the Government or public bodies are given significant and novel financial services without charge. (Paragraph 101)

Mr Cameron was acting as a representative of Greensill, with a very significant personal economic interest in the firm. As soon as that had been identified by the Treasury, the fact that he was an ex-Prime Minister should have been irrelevant to the Treasury's treatment of his approach. That is what the Treasury has told us happened. We consider that view later in this report. (Paragraph 136)

Mr Cameron's use of less formal means to lobby Government showed a significant lack of judgement, especially given that his ability to use an informal approach was aided by his previous position of Prime Minister. Mr Cameron appears to accept that, at least to some degree, his judgement was lacking. (Paragraph 142)

Though they have been downplayed in evidence to the Committee, there were obvious personal links between Mr Cameron and those he lobbied in Government on Greensill's behalf. Yet we have not seen evidence of a time or process when and by which the potential risks of those connections were considered by the Treasury, and potential mitigations put in place. The Treasury should have encouraged Mr Cameron at the initial stage of his lobbying into more formal methods of communication, and there should have been a discussion as to whether Mr Cameron's ongoing contact posed any reputational risks to the Treasury, and whether, as a consequence, mitigation was required. In the light of these events we expect the Treasury to put in place more formal processes to deal with any such lobbying attempts by ex-Prime Ministers or Ministers in the future and to publish the process which they will follow should similar circumstances recur. We would expect any such processes to be consistent with any reforms which might be introduced as a result of the lobbying undertaken on behalf of Greensill. (Paragraph 143)

We accept that Mr Cameron did not break the rules governing lobbying by former Ministers, but that reflects on the insufficient strength of the rules, and there is a strong case for strengthening them. Oversight of policy in this area does not fall within our remit or the terms of reference of this inquiry. We note the ongoing inquiry into the propriety of governance in light of Greensill by the Public Administration and Constitutional Affairs Committee. (Paragraph 147)

The central argument of Greensill's attempt to gain access to the CCFF was that it would substantially benefit a very significant number of UK SMEs. Neither the Treasury nor the Bank of England believed there was merit in the claim that supporting Greensill would substantially benefit the SME sector in the UK. It seems that this was more of a sales pitch than a reality. (Paragraph 155)

The description of Greensill as a fintech firm has been questioned in the course of our inquiry. But in the lobbying by Mr Cameron this description was used with obvious intent, given the Government's desire to promote fintech. In our view, the claim that Greensill Capital was a fintech appears doubtful. Witnesses have acknowledged that the Government has to be careful when balancing the risks around regulation and innovation. Despite the fact that the Treasury does not appear to have been influenced by the claim that Greensill was a fintech business, care does need to be taken with so called fintech businesses as to whether they are what they claim to be and whether claims about the 'tech' are not hiding a 'fin' problem. (Paragraph 164)

In retrospect, the Bank, by not informing the Treasury sooner about its knowledge of Greensill's control problems, no matter how relatively unimportant they appeared, may have missed an opportunity. The Bank should review its approach to the disclosure of information on Greensill to the Treasury, to check that it is content with how its systems operated. (Paragraph 168)

The guarantees offered by the Government under the Coronavirus Large Business Interruption Loan Scheme, which are currently suspended, were not direct exposures to Greensill itself but were contingent liabilities relating to the companies to which it lent. But Greensill's symbiotic relationship with the GFG Alliance meant that there was always a risk that Greensill would funnel money towards the GFG Alliance. The Bank had shared with the Treasury information concerning the GFG Alliance through the regulation of Wyelands Bank. While information does appear to have been passed through to BEIS, it appears that the information was not passed on by BEIS to the British Business Bank. There remains an open question as to whether the Treasury, BEIS and the British Business Bank missed an opportunity to prevent these guarantees being extended. We welcome the examination by the BEIS Committee of this issue. We also note the finding by the National Audit Office that a more sceptical process might have prevented the acceptance of Greensill as an accredited lender. (Paragraph 199)

The Treasury should use the events concerning Wyelands Bank, the GFG Alliance and Greensill to review the information gateways under the Financial Services and Markets Act 2000, and specifically whether there is scope to provide better information, in a more timely fashion. (Paragraph 200)

We question Mr Cameron's judgement in relation to his lobbying on behalf of Greensill. Mr Cameron appears to have relied heavily on the Board of Greensill as a guarantee of its propriety and financial health, when arguably he should have taken a broader and more enquiring assessment of the business. There were signals available to Mr Cameron at the time when he was lobbying the Treasury and others which might have led him to a more restrained approach. (Paragraph 202)

We accept that at the start of the engagement with Mr Cameron, and therefore Greensill, it was right, given the considerable need to provide support to businesses at the start of the pandemic, for the Treasury and others to consider seriously the proposals presented by Greensill for its inclusion in the CCFF. (Paragraph 203)

We note the firm conviction of the Treasury that the fact that Mr Cameron had previously been Prime Minister and was personally well connected to those he was lobbying had no meaningful effect on how Greensill's application for access to the Covid Corporate Financing Facility was dealt with, including the time spent on it by those at a senior level. Or, put another way, that if the approach had come from someone else less prominent or connected to the Treasury, then overall it would have been given a similar quality and level of attention and engagement. We are very surprised about this, given that Mr Cameron was an ex-Prime Minister, who had worked with those he was lobbying, had access to their mobile phone numbers, and appears to have been able to negotiate who should attend meetings. The Treasury's unwillingness to accept that it could have made any better choices at all in how it engaged in this case is a missed opportunity for reflection. That said, we accept that Treasury officials and Ministers behaved with

complete and absolute integrity in their handling of Mr Cameron's lobbying. The Treasury also took the right decision in preventing Greensill from accessing the CCF. (Paragraph 204)

At present, the Treasury appears confident that the direct costs of Greensill's failure to the public purse will be limited. The indirect costs will relate to the guarantees provided under the CLBILS scheme, which are currently suspended. However, we note that the rationale for the suspension of those guarantees is contested by Greensill. It is also too early to assess what additional costs to the public purse might crystallise. (Paragraph 211)

It is not surprising that the Government was urgently searching for different ways to support the UK economy, including investigating avenues when they were unsure as to whether or not they would be useful. (Paragraph 213)

The impact of the pandemic exposed some gaps in the Government's knowledge about how some financial products and entities interact with the real economy. Some of those gaps may be filled by improved data collection, as we have recommended in Chapter 2. However, the Treasury has a different remit to the regulators, and its information requirements may also therefore differ. (Paragraph 215)

While the nature of the next civil emergency is unknown, the Treasury should consider what information it needs, in the planning for, and provision of, public support for potential future emergencies. In doing so, it should liaise with the Cabinet Office to ensure that major emergency planning exercises involve consideration of the potential economic impacts and policy response. (Paragraph 216)

We are concerned that it appears that Government records, held on the phone of the Treasury's Permanent Secretary, are subject to deletion based on lapses of his memory. The Permanent Secretary acted correctly in transferring messages of any substance to the official record. We recommend, however, that the Government reviews its policies and use of information technology to prevent the complete deletion of Government records by the misremembering of a password to a phone, given that this may be a wider problem. Though we have absolutely no reason to believe it in this case, the wiping of information under these kind of circumstances could have the unfortunate consequence of leading some to the suspect it to be deliberate. To be very clear, the Committee does not believe this to be the case in respect of the Permanent Secretary. (Paragraph 220)

Though we welcome the release of the redacted texts lost from Sir Tom Scholar's phone, we find his arguments as to why only the Treasury should have released the records held by Mr Cameron unconvincing. First, these records were no longer Government records, since they had been deleted. Secondly, a Committee's powers to call for persons, papers and records are exercised independently of the Freedom of Information Act. (Paragraph 224)

In his evidence, the Chancellor suggested that firms may feel less able to engage with Ministers for fear of the public scrutiny brought to bear in this case. That may be a risk, and there may need to be a balancing act to ensure the free flow of information where necessary. But those approaching Government for support from public finances for policies in their personal or corporate favour should expect public scrutiny and

transparency. Any other approach runs the risk of appearing to be in conflict with good governance. (Paragraph 227)

# 1 Introduction

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## Background to our inquiry

### *Greensill Capital*

1. Greensill Capital was a financial firm whose stated business was the provision of supply chain finance (SCF).<sup>1</sup> After Alexander “Lex” Greensill started his business in 2011,<sup>2</sup> Greensill grew quickly and since its inception had funded, according to Mr Greensill, “over 8 million suppliers in 175 countries.”<sup>3</sup>

2. During the first few months of the Covid pandemic, Greensill’s representatives lobbied for various changes to the Covid Corporate Financing Facility (CCFF) which would allow Greensill to sell its notes into the facility.<sup>4</sup> One of those representatives was the former Prime Minister, the Rt Hon. David Cameron,<sup>5</sup> who worked for Greensill as a paid adviser.<sup>6</sup> Ultimately Greensill did not secure access to the CCFF, but it did benefit from the use of loan guarantees provided through the Coronavirus Large Business Interruption Loan Scheme (CLBILS).<sup>7,8</sup>

3. In March 2021, Greensill was placed into administration.<sup>9</sup> Subsequent revelations about Greensill’s lobbying activities and its use of CLBILS raised questions around its regulation and what lessons there might be in this respect. Questions were also raised around the Treasury’s response to Greensill’s lobbying. Our inquiry therefore contained two strands:

- i) Lessons for the financial system and its regulation from the failure of Greensill Capital, and
- ii) Lessons for HM Treasury (and its associated public bodies) from its interactions with Greensill Capital during the Covid crisis.

### *Our inquiry*

4. We did not issue a call for evidence for this inquiry. But, at the outset, our Chair wrote to Mr Cameron, the Bank of England, the Financial Conduct Authority (FCA), HM Treasury, and UK Government Investments (UKGI), seeking information in writing.<sup>10</sup>

1 SCF is a form of short-term business finance a finance provider pays a supplier up front, and the future payment obligations of the buyer (typically a large corporate) are transferred to the finance provider. See Chapter 2 for a fuller explanation.

2 [Q180](#)

3 Bank of England, [Communications between David Cameron and senior Bank Officials about Greensill Capital and the Covid Corporate Financing Facility \(CCFF\)](#), 22 April 2021

4 The CCFF was a Covid support scheme administered by the Bank of England, which purchased short-term debt of up to one-year maturity, issued by investment grade non-financial firms making a material contribution to the UK economy. See Chapter 3 for a fuller explanation.

5 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

6 The Office of David Cameron, ‘[Greensill Capital](#),’ accessed 22 June 2021

7 [Response from HM Treasury to the Committee, dated 7 May](#)

8 CLBILS was a Covid support scheme administered by the British Business Bank, aimed at providing financial support to UK mid-cap and larger enterprises by providing guarantees to loans through a range of lenders. See Chapter 3 for a fuller explanation.

9 Companies House, ‘[Notice of Administrators’ Proposals](#),’ (April 2021), p 1

10 Treasury Committee, ‘[Treasury Committee writes to Cameron, Chancellor and Governor about Greensill](#),’ (20 April 2021)

The information supplied in response included extensive details of communications and meetings, and it assisted the Committee in forming a clear understanding of the chronology of events. Following oral evidence sessions, the Chair wrote a second round of letters, to Mr Greensill, to the Bond and Credit Corporation (BCC), and to Mr Cameron, seeking further information.<sup>11</sup> We are grateful to those who spent considerable time compiling the details which we had requested.

5. We held oral evidence sessions with the following witnesses:

- **28 April 2021:** Lord Myners CBE; Lord Macpherson of Earl’s Court GCB; Dr Richard Bruce, Management Accounting & Supply Chain Academic and Practitioner at The University of Sheffield; and Professor David Aikman, Director at Qatar Centre for Global Banking and Finance, and Professor of Finance (Practice) at King’s College London.
- **11 May 2021:** Alexander “Lex” Greensill CBE
- **13 May 2021:** Rt Hon. David Cameron
- **27 May 2021:** Sir Tom Scholar, Permanent Secretary at HM Treasury; and Charles Roxburgh, Second Permanent Secretary at HM Treasury.
- **27 May 2021:** Rt Hon. Rishi Sunak MP, Chancellor of the Exchequer at HM Treasury; and Charles Roxburgh, Second Permanent Secretary at HM Treasury.

We also questioned relevant witnesses during other Committee meetings:

- **12 May 2021:** During a meeting on ‘Work of the Financial Conduct Authority’, we took evidence from Nikhil Rathi, Chief Executive of the FCA, and Charles Randell CBE, Chair of the FCA.
- **24 May 2021:** During a meeting on ‘Bank of England Monetary Policy Reports’, we took evidence from Andrew Bailey, Governor of the Bank of England, and Sir Jon Cunliffe, Deputy Governor for Financial Stability at the Bank of England.
- **23 June 2021:** During a meeting on ‘Work of the Prudential Regulation Authority’, we took evidence from Sam Woods, Deputy Governor with responsibility for prudential regulation at the Bank of England and Chief Executive Officer at the Prudential Regulation Authority.

6. We would like to thank all those who provided oral and written evidence during this inquiry.

7. This report reflects the terms of reference for the inquiry, in which we determined that we would examine the lessons which could be drawn for the financial system and its regulation from the failure of Greensill Capital, and the lessons for the Treasury and its associated public bodies arising from their interactions with Greensill Capital during the Covid crisis. The report is structured as follows

- Chapter 2: Lessons for the financial system. This chapter discusses the circumstances of Greensill’s failure, and the regulatory lessons arising from that

11 Treasury Committee, [‘Committee publishes correspondence from David Cameron and Lex Greensill,’](#) (29 June 2021)

failure, as well as the use of supply chain finance in Government.

- Chapter 3: Lobbying. This chapter examines the lobbying by Greensill's representatives of the Treasury and its associated public bodies.
- Chapter 4: Other matters raised by our inquiry. This chapter looks at other matters, including the cost to government, and questions raised about Government record-keeping.

To aid understanding we are publishing separately a chronology of the key events that we cover in this report<sup>12</sup>.

### **Other inquiries and investigations**

8. Other investigations are under way into the events relating to the operations of Greensill, its representatives and matters relating to its failure, and broader questions around the use of supply chain finance. These include:

- An inquiry by the Business, Energy, and Industrial Strategy (BEIS) Committee into 'Liberty Steel and the Future of the UK Steel Industry';<sup>13</sup>
- An inquiry by the Public Administration and Constitutional Affairs Committee (PACAC) into 'Propriety of governance in light of Greensill';<sup>14</sup>
- An inquiry by the Public Accounts Committee (PAC) into 'Lessons from Greensill Capital';<sup>15</sup>
- An investigation by the Serious Fraud Office into suspected fraud, fraudulent trading and money laundering in relation to the financing and conduct of the business of companies within the Gupta Family Group Alliance (GFG),<sup>16</sup> including its financing arrangements with Greensill Capital UK;<sup>17</sup>
- An investigation by the FCA into matters relating to Greensill Capital UK (GCUK) and Greensill Capital Securities (GCSL) and the oversight of GCSL by its principal,<sup>18</sup> Mirabella Advisers LLP (Mirabella);<sup>19</sup>
- An investigation by the National Audit Office (NAO) into Greensill Capital's involvement in the Government's Covid-19 support schemes, published on 7 July 2021;<sup>20</sup>

12 [Chronology of key events](#)

13 Business, Energy and Industrial Strategy Committee, '[Liberty Steel and the Future of the UK Steel Industry](#),' accessed 02 July 2021

14 Public Administration and Constitutional Affairs Committee, '[Propriety of governance in light of Greensill](#),' accessed 02 July 2021

15 Public Accounts Committee, '[Lessons from Greensill Capital](#),' accessed 02 July 2021

16 The GFG Alliance is a collection of global businesses and investments, owned by Sanjeev Gupta and his family. GFG Alliance, '[About us](#),' accessed 21 June 2021

17 Serious Fraud Office, '[SFO confirms investigation into Gupta Family Group Alliance](#),' accessed 21 June 2021

18 The principal is the firm through which another firm (the appointed representative) receives regulatory permissions, and is responsible for ensuring that, on an ongoing basis, its appointed representative complies with the requirements, rules and regulations of the FCA. See Chapter 2 for a fuller explanation.

19 [Response from the FCA to the Committee, dated 4 May 2021](#)

20 National Audit Office, '[Investigation into Greensill Capital](#),' accessed 30 June 2021. Comptroller and Auditor General's Report, '[Investigation into the British Business Bank's accreditation of Greensill Capital](#),' Session 2021–22, HC 301, 7 July 2021

- An investigation by the British Business Bank into Greensill Capital’s compliance with the terms of the CLBILs scheme; pending which the guarantees extended to Greensill through the CLBILs programme are suspended;<sup>21</sup>
  - A review conducted by Nigel Boardman, at the request of the Prime Minister, examining decisions taken around the development and use of supply chain finance (and associated schemes) in government, especially the role of Mr Greensill and Greensill Capital;<sup>22</sup>
  - An enforcement investigation by the Prudential Regulation Authority (“PRA”) into Wyelands Bank and individuals;<sup>23</sup>
  - Two investigations by the Financial Reporting Council: one into PwC LLP in relation to its audit of Wyelands Bank plc, and another investigation into Saffery Champness for its audit of Greensill Capital (UK) Ltd;
  - The International Accounting Standards Board (IASB) has added a standard-setting project to its work plan on supplier finance arrangements.<sup>24</sup>
9. The Committee notes the large number of inquiries into the events surrounding the collapse of Greensill Capital. It would be an opportunity lost if the fragmented and siloed nature of these inquiries were to miss the big picture and fail to draw together appropriate conclusions.

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21 [Q446](#)

22 Cabinet Office, ‘[Review into the Development and Use of Supply Chain Finance in Government](#),’ published 12 April 2021, accessed 30 June 2021

23 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q7

24 IFRS Foundation, ‘[Supplier Finance Arrangements](#),’ accessed 06 July 2021

## 2 Lessons for the financial system

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### Greensill Capital and Supply Chain Finance

#### *Supply chain finance*

10. Greensill Capital's stated business was the provision of supply chain finance. The Bank of England provided us with an explanation of supply chain finance (SCF), as follows:

SCF is a form of short-term business finance where the future payment obligations of a buyer (typically a large corporate) are transferred to a finance provider in return for that finance provider paying the supplier up front (typically less a haircut<sup>25</sup>). The finance provider receives the payment from the buyer at a future date. The finance provider is therefore taking a primary credit exposure to the buyer, which frequently is investment grade. SCF is one of a range of financing options that SMEs can use to meet their short-term liquidity needs, with the majority of the funding coming from banks.<sup>26</sup>

11. We also heard that the value of supply chain finance is driven in part by the fact that bills are paid late. Dr Richard Bruce told us:

[...] in an ideal world we would not have any of this, everyone would pay their bills on time and it would be fine, but we have created a situation that relies on this low-cost finance [...]<sup>27</sup>

#### *Accounting for supply chain finance*

12. As we note in Chapter 1, the International Accounting Standards Board, in June 2021, "decided to add a narrow-scope standard-setting project to its work plan on supplier finance arrangements."<sup>28</sup> The Board, at that June meeting, "tentatively decided that the project would develop disclosure requirements for supplier finance arrangements, but not go beyond such arrangements (that is, the project would not develop requirements for arrangements an entity enters into to fund either receivables from customers or inventories)."<sup>29</sup>

13. This question about how supply chain finance transactions appear on a firm's accounts has concerned Parliament before. As the joint Report from the BEIS and Work and Pensions Committees noted on Carillion, a major UK multinational construction and facilities management company which entered compulsory liquidation in January 2018:

Two major credit ratings agencies, Moody's and Standard & Poor's, claimed that Carillion's accounting for their early payment facility (EPF) concealed its true level of borrowing from financial creditors. They argue the EPF structure meant Carillion had a financial liability to the banks that should

25 In financial markets, a haircut refers to a reduction applied to the value of an asset. See European Central Bank, 'What are haircuts?' accessed 30 June 2021

26 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

27 [Q66](#)

28 [Supplier Finance Arrangements](#), IFRS Foundation, accessed 13 July 2021

29 ["Supplier Finance Arrangements"](#), IFRS Foundation, accessed 13 July 2021

have been presented in the annual account as “borrowing”. Instead Carillion choose to present these as liabilities to “other creditors”. Moody’s claim that as much as £498 million was misclassified as a result, though Carillion’s audit committee papers show the actual figure drawn was slightly lower at £472 million.<sup>30</sup>

14. In its written evidence, the Bank of England told us that when it was considering a late proposal from Greensill for its inclusion in the CCFF (see Chapter 3), “The accounting treatment of SCF by the buyers” was one of the issues identified with that proposal.<sup>31</sup> When we asked the Treasury whether the accounting treatment for supply chain finance needed to change, given the problems at Carillion, Sir Tom Scholar, Permanent Secretary to the Treasury, told us:

It is a very fair question. Obviously, accounting standards are set by independent accounting standard setters. It is a very fair question, which I am sure they will look at, about a practice that, as Charles [Roxburgh] says, has a long history and in some circumstances makes good sense for a company. You can think of cases, and you have given an example, where it is pushed to an extreme and then the interaction of that with the accounting standards can cause a problem. It is a very fair question.<sup>32</sup>

**15. We welcome the ongoing work on how supply chain finance is shown in accounts, which may, at times, encourage firms to use supply chain finance to obscure the firm’s indebtedness. We look forward to further analysis in this area.**

### *Greensill’s funding model*

16. Sir Jon Cunliffe, Deputy Governor for Financial Stability at the Bank of England, told us that “[...] the majority of this sort of finance [SCF] is still done by banks, not players that securitise the assets in the market.”<sup>33</sup> In a paper shared with the Bank of England, Greensill said that it “[...] was first to take a traditionally bank-only product and open it up to the capital markets.”<sup>34</sup> Unlike most other providers operating in the UK, Greensill primarily funded its operations from outside investors.<sup>35</sup> The Bank of England has described Greensill’s funding model as “complex” and as having “non-standard features”.<sup>36</sup>

17. Greensill issued secured commercial paper<sup>37</sup> via a Special Purpose Vehicle (SPV) registered in Luxembourg.<sup>38</sup> The FCA provides a definition of an SPV as a legal entity explicitly established for the purpose of securitising assets.<sup>39</sup> Greensill packaged up individual invoices into notes that were purchased by Greensill’s investor base.<sup>40</sup> Some of these assets were purchased by outside investors, for example a fund managed by Credit

30 <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf>, para 91

31 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

32 [Q521](#)

33 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC (2021–22) 142, Q131

34 Bank of England, [Communications between David Cameron and senior Bank Officials about Greensill Capital and the Covid Corporate Financing Facility \(CCFF\)](#), 22 April 2021, p 17

35 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

36 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

37 Generally, commercial paper is defined as an unsecured, short-term debt instrument issued by a company. See Bank of England, [‘Covid Corporate Financing Facility’](#), accessed 30 June 2021

38 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

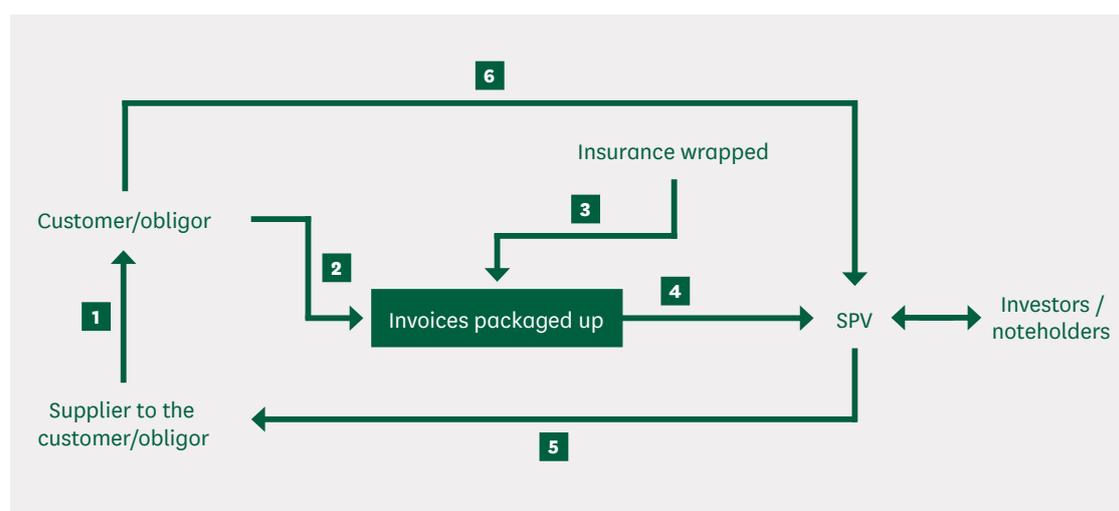
39 Financial Conduct Authority, [‘Special purpose vehicle’](#), accessed 30 June 2021

40 Bank of England, [Communications between David Cameron and senior Bank Officials about Greensill Capital and the Covid Corporate Financing Facility \(CCFF\)](#), 22 April 2021, p 19

Suisse. Others were bought by Greensill Bank,<sup>41</sup> a bank owned by the Greensill Group which was domiciled in Germany.<sup>42</sup> Greensill's reliance on investor funding made it vulnerable to a contraction in the supply of such funding.<sup>43</sup>

18. The diagram below, based on a similar diagram in the Notice of Administrator's Proposals,<sup>44</sup> sets out the Greensill funding model:

### Simplified diagram of Greensill's supply chain finance business



- In the normal course of business, the supplier issues an invoice to their customer (1). Greensill then agrees to pay the supplier at a discounted rate to the face value of the receivable (2). Sub-investment grade receivables (i.e. receivables where the *buyer* is not investment grade) benefit from insurance and are sold with the benefit of that insurance (3). Assets are sold to the investors, either by the direct assignment of receivables themselves or by the indirect sale of notes backed by the receivables (4).
- Greensill makes a payment to the supplier (5) on receipt of funds from the sale of the receivables or the related notes (i.e. it is not the investor who pays the customer directly). At this stage, Greensill has received funds from investors and used those funds to pay the supplier; but the buyer hasn't yet made a payment.
- On the maturity date of the notes (which is linked to the payment date of the underlying invoice), the buyer repays Greensill at face value and Greensill, in turn, repays the investors (with the difference between the discounted amount paid by Greensill and the face value of the invoice repaid by the customer constituting profit to be shared between Greensill and the investor) (6).<sup>45</sup>

41 [Response from Lex Greensill to the Committee, dated 22 June 2021](#)

42 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

43 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

44 The Notice of Administrators Proposals is a document submitted by the Administrators, in this case Grant Thornton, to Companies House. This document meets the administrators' statutory duty to report to creditors of the insolvent company, setting out their proposals for achieving the purpose of the administration, and information relating to the insolvent firms such as assets and liabilities. Companies House, '[Notice of Administrators' Proposals](#),' (April 2021), p 3

45 Companies House, '[Notice of Administrators' Proposals](#),' (April 2021), p 3

19. Securitisation is a process by which assets are sold to a special purpose vehicle (SPV) in return for immediate cash payment; and that vehicle raises its funds to make that payment through the issue of debt securities.<sup>46</sup> Such SPVs are designed to be “bankruptcy-remote”, which is to say that if the originator (in this case Greensill) were to be liquidated, that would not impact on the assets and their income stream in the SPV.<sup>47</sup>

20. Securitisation in the UK is subject to the Securitisation Regulation,<sup>48</sup> which “outlines the general requirements for all securitisations, as well as the criteria and process for designating certain securitisations as simple, transparent and standardised.”<sup>49</sup>

21. We heard from Nikhil Rathi, Chief Executive Officer of the FCA, that Greensill’s business was not reported under the Securitisation Regulation:

In this specific case, there were no securitisations reported under the securitisation regulation; they were framed as commercial earnings, to the best of our understanding at this point.<sup>50</sup>

Sam Woods, Deputy Governor of the Bank of England, said:

As I understand it, the securities issued by Greensill to these funds were not considered—this is a rather extraordinary thing to say, in a way—securitisations under the securitisation regulation because there was no tranching of risk. That meant that the various protections that would apply under that regulation did not apply under the law. I am not very close to that because it is more on the FCA’s side of the fence, but, to be honest, that does seem a bit bizarre. That is one thing worth looking at.<sup>51</sup>

22. *The FCA and the Treasury should give serious consideration to revising the definition of “securitisation” within the Securitisation Regulation, given that it appears to have been too narrow.*

### **“Prospective receivables” or future receivables**

23. Another reported feature of Greensill’s business model which differed from the standard model of supply chain financing was the lending against “prospective receivables”. This has been described as a form of financing where funds are extended, but instead of being based on an invoice for a specific purchase, they are based on an expectation that some future invoice could potentially be issued. Sanjeev Gupta, of the GFG Alliance,<sup>52</sup> which Mr Cameron described as “a significant customer of Greensill”,<sup>53</sup> described this financing in a letter to the Financial Times:

As has already been reported in the press, many of Greensill’s financing

46 FCA, ‘[Securitisation](#),’ accessed 30 June 2021

47 HMRC, ‘[Corporate Finance Manual](#),’ accessed 30 June 2021

48 The [EU Securitisation Legislation](#) came into effect in the UK on 1 January 2019, and was converted into UK law on 31 December 2020 by the EU (Withdrawal) Act 2018. Financial Conduct Authority, ‘[Securitisation](#),’ accessed 02 July 2021

49 Financial Conduct Authority, ‘[Securitisation](#),’ accessed 02 July 2021

50 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q117

51 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q29

52 The GFG Alliance is a collection of global businesses and investments, owned by Sanjeev Gupta and his family. GFG Alliance, ‘[About us](#),’ accessed 21 June 2021

53 [Q417](#)

arrangements with its clients, including with some of the companies in the GFG Alliance, were “prospective receivables” programmes, sometimes described as future receivables. As part of those programmes, Greensill selected and approved companies with whom its counterparties could potentially do business in the future. Greensill then determined, at its discretion, the amount of each prospective receivables purchase and its maturity.<sup>54</sup>

24. In oral evidence, Mr Greensill told us that he had “never heard of the concept” of prospective receivables, and that it would not appear in any of the documentation relating to Greensill facilities.<sup>55</sup> He said that Greensill provided “facilities with respect to future receivables”,<sup>56</sup> and emphasised that all future receivables financing provided by Greensill Capital was “secured on real assets” except financing provided to the Government.<sup>57</sup>

25. However, when we wrote to Mr Greensill seeking further information, he declined to explain to us precisely what “future receivables” are, and if or how they differ from Mr Gupta’s description of “prospective receivables” in his letter to the Financial Times. Mr Greensill said:

The term “prospective receivables” is unknown to Greensill Capital and does not appear in any client or investor documentation ever issued by the company. Greensill Capital offered “future receivables” programmes to clients and the nature of these “future receivables” was fully disclosed to investors.<sup>58</sup>

26. We are therefore left in some doubt as to how these “future receivables” operated.

27. Peter Mulroy, Secretary General of the factoring and receivables finance association FCI, was reported in the press to have said that if Greensill was financing “future receivables that don’t exist yet”, that would be “well outside of the mainstream”. Other views ascribed in the trade media to “senior industry figures” included statements that “This is certainly not the industry norm,” and “If you try and dress up a future receivables deal as a supply chain finance transaction then basic questions will be asked and that simply won’t get past a bank’s risk committees, if it gets there at all.”<sup>59</sup>

28. Mr Greensill has shared with us a table outlining some headline figures relating to future receivables. We note that the percentage of Greensill’s total asset flow composed of future receivables grew significantly between 2018 and 2019, and as it grew Greensill switched from selling future receivables assets primarily to other investors, to instead selling them primarily to Greensill Bank, its German-domiciled bank.<sup>60</sup>

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54 [Letter: Put a focus on Greensill’s ‘prospective receivables’](#), Financial Times, 7 April 2021

55 [Q149](#)

56 [Q150](#)

57 [Q159](#)

58 [Response from Lex Greensill to the Committee, dated 22 June 2021](#)

59 [‘Greensill’s future receivables product a “rogue outlier”, industry says](#), Global Trade Review, 17 March 2021

60 [Response from Lex Greensill to the Committee, dated 22 June 2021](#)

Asset Flow \$m	2018	2019	2020
<b>Total Asset Flow</b>	<b>27,263</b>	<b>143,039</b>	<b>142,937</b>
Future Receivables	470	10,615	15,401
<b>Future Receivables % of Total Asset Flow</b>	<b>2%</b>	<b>7%</b>	<b>11%</b>

Asset Distribution \$m	2018	2019	2020
<b>Total Asset Flow</b>	<b>27,263</b>	<b>143,039</b>	<b>142,937</b>
% sold to Greensill Bank	6%	7%	11%
% sold to Other Investors	94%	93%	89%
<b>Future Receivables</b>	<b>470</b>	<b>10,615</b>	<b>15,401</b>
% sold to Greensill Bank	0%	73%	73%
% sold to Other Investors	100%	27%	27%

29. “Prospective receivables”, as described by Sanjeev Gupta, would appear to result in a significantly riskier form of lending than traditional supply chain finance and is more akin to straightforward unsecured lending. The appropriateness of such lending will depend to a significant extent on whether, as Mr Greensill claimed, investors had the information required to appropriately understand what they were investing in.

### **Concentration risks and the GFG Alliance**

30. Greensill Bank, which was domiciled and regulated in Germany,<sup>61</sup> was asked by the German regulator, BaFin, to take action to reduce the amount of exposure that the bank held to one of its customers. BaFin proposed a concentration reduction plan in December 2020 which Mr Greensill said “was going to be impossible for Greensill to comply with”, although BaFin later agreed to an alternative proposal from Greensill to address its concentration risk.<sup>62</sup>

31. Mr Greensill told us that he was aware of his firm’s concentration risks, for both insurers and clients:

“It is the case that in a small company when you start, the first customer you do business with is, by definition, a big concentration risk. The first partner you have who provides you with services is a big concentration risk. When Greensill Capital failed we were a little over nine years old, so as we grew it is absolutely the case that we had concentrations that were unacceptably high, and we worked hard to bring those down. As I said in my opening remarks, it is the case that concentrations we had, both on insurance and clients, were too high and were the principal contributing factor to the failure of my company, which is to my very significant regret.”<sup>63</sup>

32. There was one particular concentration of risk: the relationship with the GFG Alliance. GFG Alliance is a collection of global businesses and investments, owned by

61 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

62 [Q97](#)

63 [Q164](#)

Sanjeev Gupta and his family, and includes the LIBERTY Steel Group.<sup>64</sup> Mr Cameron described the relationship between Greensill and GFG alliance as “symbiotic”.<sup>65</sup> Mr Cameron also told us that:

I was aware throughout my time at Greensill that the concentration of loans to GFG was an issue for the business. It was, for instance, discussed at Board meetings. Such discussions started before 2020 and this topic regularly came up at meetings. My understanding was that it was being actively managed and dealt with by the company appropriately and there were plans in place to reduce the concentration over time.<sup>66</sup>

33. The Serious Fraud Office is conducting an investigation into suspected fraud, fraudulent trading and money laundering in relation to the financing and conduct of the business of companies within the GFG Alliance, including its financing arrangements with Greensill Capital UK.<sup>67</sup> We have been told by the Bank of England that it informed the National Crime Agency and the Serious Fraud Office of concerns around Wyelands Bank, a member of the GFG Alliance, in October 2019 and February 2020 respectively.<sup>68</sup> **We await with interest the outcome of the investigation by the Serious Fraud Office.**

### *The failure of Greensill Capital*

34. Mr Greensill explained to us the circumstances which led to the failure of his firm:

The reason that Greensill ultimately failed is that a material portion of our funding is provided by investors who require insurance, together with the asset that they purchase, to protect them against the default of the underlying receivables. Our principal insurance provider decided not to renew their insurance, despite being in discussions around renewing their insurance up to the hours before, ultimately, Credit Suisse determined that they would no longer fund our business, which was roughly a week before we went into administration. It was that withdrawal of insurance capacity that resulted in our failure.<sup>69</sup>

35. On 1 March 2021, Greensill’s main UK entity, Greensill Capital UK (GCUK) lost the benefit of approximately \$4.6 billion insurance cover under an insurance policy intended to cover newly originated assets. On 2 March, GCUK ceased to originate new assets. On 4 March, Credit Suisse accelerated a \$140 million loan<sup>70</sup> to Greensill’s holding company, and demanded immediate payment from GCUK, as guarantor. GCUK was unable to make this payment, and therefore this left GCUK unable to pay its debts as they fell due. On 8 March, the administrators were appointed.<sup>71</sup>

36. The FCA told us that the Credit Suisse asset management funds were “[...] qualified-investor funds (‘alternative investment funds’) and therefore not accessible to retail investors”.<sup>72</sup> The FCA also said that the GAM funds were “[...] alternative investment

64 GFG Alliance, ‘[About us](#),’ accessed 21 June 2021

65 [Q398](#)

66 [Response from David Cameron to the Committee, dated 18 June 2021](#)

67 Serious Fraud Office, ‘[SFO confirms investigation into Gupta Family Group Alliance](#),’ accessed 21 June 2021

68 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q153

69 [Q92](#)

70 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q14

71 Companies House, ‘[Notice of Administrators’ Proposals](#),’ (April 2021), p 1, p 5

72 [Response from the FCA to the Committee, dated 4 May 2021](#)

funds.”<sup>73</sup> When we asked Mr Rathi whether any packaged notes had made their way to retail investors, his answer was “not in the UK”.<sup>74</sup>

37. There was, however, greater exposure for individual depositors in Germany, where the failure of Greensill Bank AG led to calls on the German depositor protection schemes.<sup>75</sup> There have been reports of losses to local authorities in Germany.<sup>76</sup> **The total extent of the losses from the failure of Greensill is not yet clear. While there do not appear to have been direct losses to British consumers, any losses suffered by institutional investors may be passed on to consumers.**

## Regulatory failure?

38. On Greensill’s regulation, Lord Myners told us that this was a case of regulatory ‘underlap’:

This was a case of underlap. We have overlap in some cases where people are subject to multiple regulators, which can be contradictory and difficult to manage. In this particular case, in this non-banking lending segment, which has emerged after the crisis of 2008–09, we have financial institutions that are not regulated by anybody. Then you ask the question of whether it is systemically important, and the answer is that we do not need to regulate them if they are not systemically important.<sup>77</sup>

39. Sir Jon Cunliffe, Deputy Governor for Financial Stability at the Bank of England, set out some of the possible rationales for regulation:

There are many reasons to regulate, not just financial stability: There is consumer protection; there is investor protection. Greensill is regulated for money laundering and AML. Financial stability is not the only game in town, if people are worried about risk.<sup>78</sup>

40. Greensill’s activities were not regulated by either of the two main regulators, the PRA or the FCA, apart from a specific registration with the FCA in relation to compliance with anti-money laundering rules.<sup>79</sup> As a prudential regulator, the PRA has a general objective to promote the safety and soundness of the firms it regulates.<sup>80</sup> Prudential regulation is regulation that seeks to ensure that firms act safely and reduce the chance of getting into financial difficulty.<sup>81</sup> This differs from the FCA’s objectives for conduct regulation, which is about ensuring that markets work well—for individuals, for businesses, and for the economy as a whole.<sup>82</sup>

41. In the UK, the Prudential Regulation Authority regulates around 1,500 banks,

73 [Response from the FCA to the Committee, dated 4 May 2021](#)

74 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q100

75 [Greensill Bank customers get \\$3n in deposit protection scheme](#), Reuters, 5 April 2021

76 [Mayor of German town hit by Greensill losses won’t seek re-election](#), euronews, 26 May 2021

77 Q17

78 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC (2021–22) 142, Q170

79 [Response from the FCA to the Committee, dated 4 May 2021](#), Response from the Bank of England to the Committee, dated 6 May 2021

80 Bank of England, ‘[Prudential regulation](#)’, accessed 28 June 2021

81 Bank of England, ‘[What is the Prudential Regulation Authority \(PRA\)?](#)’, accessed 28 June 2021

82 Financial Conduct Authority, ‘[About the FCA](#)’, accessed 28 June 2021

building societies, credit unions, insurers and major investment firms.<sup>83</sup> PRA rules require financial firms to maintain sufficient capital and have adequate risk controls in place.<sup>84</sup> The FCA is the prudential supervisor for 49,000 firms in the UK,<sup>85</sup> including asset managers, investment firms, platforms and a range of infrastructure providers.<sup>86</sup>

42. Andrew Bailey explained to us in his letter:

The Greensill group sat outside the Bank’s regulatory perimeter and as such was not subject to prudential regulation by the PRA. The holding company, Greensill Capital Pty Limited, was registered in Australia, although its main operating entity, Greensill Capital (UK) Limited was incorporated in England and Wales. This operating entity did not carry out any activities regulated by the Bank under the Financial Services and Markets Act 2000 (FSMA). The group also owned a bank, Greensill Bank AG, which was domiciled and regulated in Germany and was not authorised to perform any regulated activities in the UK.<sup>87</sup>

43. The German bank was regulated by BaFin,<sup>88</sup> and the concentration risk was identified and regulators took action to push Greensill Bank to address that risk.<sup>89</sup> But because the UK entity wasn’t a bank, and wasn’t subject to prudential regulation, UK authorities were not monitoring the financial position of Greensill and the risks it was running.<sup>90</sup>

44. GCUK is registered by the FCA under the Money Laundering Regulations. However, Nikhil Rathi, Chief Executive of the FCA, explained in his letter to the Chair the limitations of that registration:

GCUK has been a registered entity, a so-called ‘Annex 1’ firm, under the Money Laundering Regulations (MLRs) since 6 May 2014. This means that the FCA was responsible for supervising it only in relation to its compliance with anti-money laundering rules. This regime is based on registration and is different from the authorisation regime under FSMA. For example, our wider conduct rules do not apply to these firms, nor are customers able to access the Financial Ombudsman Service or the Financial Services Compensation Scheme.

The wider activities that GCUK undertook were not regulated by the FCA. As you know, most commercial lending falls outside the FCA’s remit and the origination of a supply-chain finance instrument is not a regulated activity.<sup>91</sup>

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83 Bank of England, [‘Which firms does the PRA regulate?’](#), accessed 28 June 2021

84 Bank of England, [‘Prudential regulation’](#), accessed 28 June 2021

85 Financial Conduct Authority, [‘About the FCA’](#), accessed 28 June 2021

86 Financial Conduct Authority, [‘Overview of the FCA prudential approach,’](#) 21 May 2015

87 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

88 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

89 [Q97](#)

90 [Response from the FCA to the Committee, dated 4 May 2021](#), [Response from the Bank of England to the Committee, dated 6 May 2021](#)

91 [Response from the FCA to the Committee, dated 4 May 2021](#)

### **Appointed representatives regime**

45. Where Greensill did need to undertake regulated activities, Mr Greensill told us that his firm made use of the appointed representatives (AR) regime in order to have their own regulatory capability.<sup>92</sup>

46. An ‘appointed representative’ is a firm or person who runs regulated activities and acts as an agent for a firm authorised by the FCA, and the authorised firm is known as the ARs ‘principal’.<sup>93</sup> Greensill Capital Securities Limited (GCSL) had a permission to deal with investments through its relationship as an appointed representative of Mirabella Advisers LLP (Mirabella).<sup>94</sup> The FCA told us that:

A principal firm (in this case, Mirabella) is responsible for ensuring that, on an ongoing basis, its AR complies with the requirements, rules and regulations of the FCA. Mirabella is also subject to the Senior Managers and Certification Regime.<sup>95</sup>

47. Mr Greensill told us that:

[...] we fully planned and expected to move towards doing away with the appointed representative and bringing that completely in-house. Indeed, we have had discussions at board level around that over the six months at the back end of last year, but I think if you were looking to make changes, and you were asking me that question, I would say that there may well be a volume threshold limit where the appointed representative scheme should not be used. Obviously, although we started out being incredibly small in the appointed representative programme, that grew over time as our business grew. It may well be that there ought to be a threshold at which that is no longer acceptable.<sup>96</sup>

48. Nikhil Rathi, Chief Executive Officer of the FCA, told us that, in general, the AR regime had been used for more complicated areas than the regime was designed for:

[...] I certainly do not think that it would be proportionate for the FCA to supervise a sole trader that is selling insurance in its local market, or a self-employed mortgage broker working as part of a network. That is what the regime was designed for, if we look back in history to the 1980s. Where it has moved into much more complex areas—it is quite liberal, the range of activities that an appointed representative can undertake; FSMA permits a very wide range of activities, basically everything other than deposit taking and managing investments—that feels to me like we need to look much more closely at the systems of control that the principal has in place, potentially placing some restrictions on the scale of business that can be undertaken through this mechanism.<sup>97</sup>

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92 [Q225](#)

93 Financial Conduct Authority, ‘[About the FCA](#)’, accessed 07 July 2021

94 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q86

95 [Response from the FCA to the Committee, dated 4 May 2021](#)

96 [Q225](#)

97 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q93

49. Sam Woods, Deputy Governor for Prudential Regulation at the Bank of England and Chief Executive Officer of the PRA, said:

[...] my understanding is that it was set up in 1986 for selfemployed salespeople. It is now being used for regulatory hosting of companies like Greensill. That seems to me, again, to be quite a strange state of affairs. I would have thought that was worth a good look as well.<sup>98</sup>

50. **It appears that the appointed representatives regime may be being used for purposes which are well beyond those for which it was originally designed. We welcome the FCA's investigation into the oversight of Greensill's regulatory permissions by Mirabella and we await its conclusions with interest.**

51. *The FCA and HM Treasury should consider reforms to the appointed representatives regime, with a view to limiting its scope and reducing opportunities for abuse of the system.*

### **Financial stability implications**

52. The Bank of England's financial stability objective is to protect and enhance the stability of the financial system of the UK.<sup>99</sup> The Bank of England told us that “[...] the implications of the failure of Greensill have not posed a threat to the stability of the UK financial system or to the safety and soundness of PRA regulated firms, and its failure has been orderly.”<sup>100</sup>

53. The Bank explained to us that there are two channels through which a firm or sector outside the Bank's regulatory remit could become of significance for financial stability:

- If a firm or sector plays such a significant role in the provision of credit to the real economy that disruption to that firm or sector could result in a disruption to the supply of credit to the real economy as a whole; or
- The firm or sector having a high degree of interconnection with other parts of the financial system, so that problems with the firm or sector would lead to amplification dynamics that worsen a shock.<sup>101</sup>

Regarding Greensill specifically, the Bank told us it had identified three possible channels through which Greensill could pose a risk to financial stability: losses for banks, investors and insurers; a reduction in the supply of credit to Greensill's clients or their suppliers; or contagion in the SCF industry.<sup>102</sup> The Bank's analysis concluded that, “while there were likely to be implications for particular clients, these were manageable by the relevant PRA regulated firms”, and they did not find evidence of a broader disruption to corporate clients of Greensill. The Bank told us that “the effect on the real economy could be increased if there were knock-on effects on confidence or contagion”, but that “these risks have not crystallised to date.”<sup>103</sup>

98 [Oral evidence taken before the Treasury Committee on 23 June 2021, HC\(2021–22\) 415, Q29](#)

99 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

100 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

101 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

102 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

103 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

54. Andrew Bailey, Governor of the Bank of England, told us in oral evidence:

I have to say to you—I said this in the letter that I wrote—that I have not yet seen evidence that there is a case for regulation on the basis of financial stability in this situation. As you know, commercial lending is not regulated. While there may well be, when the evidence is all laid out, some very difficult and regrettable practices, the fallout from the failure of Greensill is not systemic. It is not suggesting a failure of financial stability either in terms of the supply of credit to the economy or in terms of the interconnections within the financial system.<sup>104</sup>

**55. The failure of Greensill does not appear to have led to a threat to financial stability. We therefore consider that Andrew Bailey was right to conclude there was no case for regulation on the basis of financial stability in this case. The Bank provided an explanation of the channels through which a firm could become systemic, which includes if a firm plays a significant role in the provision of credit to the real economy, and we would expect it to be vigilant to those risks.**

### *Trade credit insurance*

56. As outlined earlier in this chapter, Mr Greensill told us that the loss of insurance cover was the ultimate cause for the failure of his firm.<sup>105</sup> For sub-investment grade clients, trade credit insurance policies were critical to Greensill’s ability to provide financing as investors required credit insurance to protect them from default.<sup>106</sup> Mr Greensill told us that his firm had “an over-reliance on insurance generally.”<sup>107</sup>

57. Mr Greensill indicated to the Committee that “for the credit insurance market, Covid was an extraordinarily frightening time”, and told us that:

[...] when the market turns down and the probability of defaults of businesses increases, in order for the solvency requirements of the insurer to be met, they must provide more capital, because the probability of default of the businesses they have insured goes up in a crisis. And that is what happened during Covid. So what happened was that many insurers either needed more capital to provide the same amount of cover or needed to cut cover in order to fit within the limited amount of capital that they had.<sup>108</sup>

58. We wrote to Bond & Credit Co (BCC), the insurance broker owned by Tokio Marine and which in March 2021 withdrew the insurance cover which it had been providing to Greensill, to ask for their views. BCC told us that general market conditions were not a significant factor in taking the decision regarding coverage for Greensill. It said:

[...] BCC and TMNF [Tokio Marine & Nichido Fire Insurance Co. Ltd (TMNF) i.e. Tokio Marine] did by July 2020 and continuing through the remainder of 2020 start to develop particular concerns about Greensill which made them very reluctant to provide any cover.<sup>109</sup>

104 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q151

105 [Qq92–93](#)

106 Companies House, ‘[Notice of Administrators’ Proposals](#),’ (April 2021), p 3

107 [Q161](#)

108 [Q104](#)

109 [Response from The Bond & Credit Co to the Committee, dated 18 June 2021](#)

59. Mr Greensill also told us that a “long list” of non-financial companies had been put out of businesses by credit insurers responding to economic conditions:

[...] one of the real lessons from the failure of my firm and the impact it has had on the 1,200 employees that we had, is that a heavy reliance on trade credit insurance is dangerous. I urge you and the Committee to consider the manner in which that is regulated, because it is fundamentally [procyclical]<sup>110</sup> in its behaviour. There is a long list of companies—not financial institutions like mine—here in the UK that have been put out of business by credit insurers making changes that are driven by the turn of the economy, which of course is what happened when Covid broke out last year, and obviously had an unprecedented impact on our economy.<sup>111</sup>

60. However Sam Woods, Deputy Governor for Prudential Regulation at the Bank of England and CEO of the PRA, told the Committee:

It is of course true that capital requirements for insurance companies in the UK, the rest of the EU and Australia tend to react to the risk environment around them. When risks go up, they can go up. The reason that insurance is withdrawn is very rarely that; indeed, it never is, in my experience. It is the fear of loss.

I think that was the case here. My understanding is that Tokio Marine had a look at what was going on in the Bond and Credit Company in Australia, decided it did not like the look of it—it has been reported that one of the underwriters exceeded its limits; I have no way of verifying that—and pulled the plug. It is pretty obvious that that is what happened.<sup>112</sup>

**61. We do not think the failure of Greensill leads to any particularly strong evidence about procyclicality in the regulation of insurance markets.**

### *Regulatory perimeter*

62. Financial firms offering credit to businesses generally do not need to be authorised by the FCA, unless their customers are sole traders, partnerships with fewer than four partners, or unincorporated associations.<sup>113</sup> Given this status quo, witnesses were generally cautious regarding the prospect of bringing supply chain finance, a form of commercial lending, into the regulatory perimeter.<sup>114</sup> Lord Macpherson told us:

We need to be careful, though. I have one word of warning. In the end,

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110 Mr Greensill said “counter-cyclical” in evidence, but from context it is clear that he intended to say “procyclical”. The term “procyclicality” is generally used to refer to the mutually reinforcing (“positive feedback”) mechanisms through which the financial system can amplify business fluctuations and possibly cause or exacerbate financial instability. These feedback mechanisms are particularly disruptive and apparent during an economic downturn or when the financial system is facing strains.[...] As a result, the system acts as a shock amplifier rather than playing its usual shock absorber role. Bank for International Settlements, [‘Addressing financial system procyclicality: a possible framework’](#), (1 September 2008), p 1

111 [Q170](#)

112 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q30

113 Gov.uk, [‘Offering credit to consumers: the law,’](#) accessed 02 July 2021

114 A previous Treasury Committee had concerns around corporate lending in the context of lending to SMEs. In October 2018, this Committee published a report on SME Finance which concluded that the Treasury and the FCA should bring some commercial lending within the regulatory perimeter in order to protect Small and Medium Enterprises (SMEs). Treasury Committee, Twenty-Fourth Report of Session 2017–19, [SME Finance](#), HC 805, para 85

Credit Suisse has been taken to the cleaners. I recognise that there are people whose businesses depended on this finance, and that is important, but commercial lending generally has not been regulated in the same way as the retail sector. Fundamental for that is caveat emptor [buyer beware]. If investors lose a whole lot of money, well, more fool Credit Suisse.<sup>115</sup>

63. Nikhil Rathi, Chief Executive Officer of the FCA, said:

Broadly speaking, commercial lending between large wholesale counterparties has been outside the regulatory perimeter. The broad thinking has been that the commercial counterparties are able to make decisions for themselves.

[...] I wouldn't jump to regulating all supply chain finance. I mean, bank credit insurance is in very large sectors of the global economy, touching a whole range of businesses and bringing them into financial regulation, when actually they are often just straightforward commercial transactions between counterparties in different parts of the world. I think that would be a very big step.<sup>116</sup>

64. The Chancellor of the Exchequer told us:

In our approach to financial services regulation, what are the things that we really want to regulate? Primarily, it is banks, because they take deposits and make loans to consumers. They are an important part of the financial system. Then you want to regulate things that involve customers at a retail level. Those are the things that are of particular importance. Typically, business-to-business lending is not a regulated activity. Again, that is a longstanding feature of the system when you are balancing consumer protection with costs on businesses and the cost of the product. We regulate very small business lending—it comes under the Consumer Credit Act—which is why we had to make some tweaks to bounce back loans in order to make them possible, because we normally regulate lending below £25,000.

That is the general thing. On supply chain finance in particular, it is not a regulated activity in the US, in Australia, in Canada or in most large EU states. We are not out of line in treating it that way. I will wait to see what comes back from the NAO, various committee hearings and the FCA's work, and then we will decide what we need to do. If there are lessons to learn and things that we need to take forward, I am very happy to look at that.<sup>117</sup>

65. Dr Richard Bruce, Management Accounting & Supply Chain Academic and Practitioner at The University of Sheffield, told us that “There are some very strong benefits of honourably managed supply chain finance [...]”,<sup>118</sup> and Lord Macpherson pointed out

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115 [Q79](#)

116 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q86, Q91

117 [Q592](#)

118 [Q66](#)

that “A lot of really small businesses rely on it [...]”<sup>119</sup> Sir Jon Cunliffe told us that he “did not see the model itself [supply chain finance] as being the problem.”<sup>120</sup> Dr Richard Bruce told us:

The point that we must not lose sight of is that the ability of AAA-rated, or better, highly credit-scored companies to enable their suppliers to be paid earlier at very low rates of interest does not just affect those companies; it affects their suppliers. The tier 2, tier 3 or tier 4 suppliers can get paid earlier, not through using supply chain finance again, but simply because the tier 1 supplier gets paid earlier.<sup>121</sup>

66. Sir Tom Scholar, Permanent Secretary at the Treasury, told us:

It can be a completely appropriate and efficient way for small businesses to get financed more efficiently than they would have if they borrowed on their own overdrafts and their own credit ratings. It can have a useful role in a world where not all bills are paid on time. It is really important in this debate about Greensill, which was doing supply chain finance in a particular way that has been shown not to have worked, that we do not discredit what is a long-established and, as you have heard from other witnesses, helpful way for small businesses to improve their cashflow.<sup>122</sup>

**67. We do not believe that the failure of Greensill Capital has demonstrated a need to bring supply chain finance within the regulatory perimeter for financial services.**

## Wider lessons for financial regulation

### *Non-bank finance*

68. Greensill was a non-bank lender, providing credit in an area which was traditionally served by banks.<sup>123</sup> Sir Jon Cunliffe, Deputy Governor for Financial Stability at the Bank of England, told us that non-bank finance “has grown enormously over the last 10 years”, and that it posed a different set of risks to banking.<sup>124</sup>

69. Professor David Aikman, Director at Qatar Centre for Global Banking and Finance, and Professor of Finance (Practice) at King’s College London, told us that this trend was a consequence of increasing capital requirements for banks:

We have seen a trend over the last 10 years of non-banks providing more credit in various fora. That is a natural consequence of some of the steps we took 10 years ago to raise capital requirements for banks; it has pushed activity into the non-bank sphere. Non-banks will have to finance this activity through some other means than deposit taking. That is their business model. That is why securitisation enters into this area.<sup>125</sup>

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119 [Q67](#)

120 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q179

121 [Q66](#)

122 [Q467](#)

123 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

124 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q180

125 [Q28](#)

70. Sam Woods, Deputy Governor for Prudential Regulation at the Bank of England and CEO of the PRA, said:

It is the worry that a single [non-bank failure] can deliver a hit of that size [\$10 billion hit to the banking system from the failure of Archegos]. If that happened several times over, you might have a much more serious problem.<sup>126</sup>

71. Sam Woods went on to describe the Bank of England's priorities for non-bank lending:

On the banking regulator end, within the next month we will have completed our investigation of this hedge fund blowup [Archegos]. From that will flow various bits of supervisory action and there may be policy as well. If there is policy, that takes longer because it has to be agreed in Basel, but we will be straight on to the supervisory aspect. Judging from the interest from colleagues around the world—it is of course not particularly a London issue, but London is involved—others will want to do the same.

The more difficult end, where I slightly share your frustration, if I am honest, is the oversight of the nonbank institutions themselves. It is hard work to get the global regulatory community to agree that more action needs to be taken on some of these entities. We have been pushing it from the UK end. We are making some progress, but it is not as fast as one would like. The Archegos case illustrates it perfectly. This was a New York fund, and some of the hit came into London.<sup>127</sup>

72. The Bank of England Financial Policy Committee (FPC) has done work to assess the resilience of market-based finance and the impact of market-based finance and non-banks on financial stability.<sup>128</sup> In the Chancellor's 2020 remit letter to the FPC, he recommended that the FPC publish a more detailed assessment of the risk oversight and mitigation systems for the non-bank financial sector by the end of 2020.<sup>129</sup> In the 2021 remit letter, this was expected to be published in the first half of 2021.<sup>130</sup>

73. On 13 July 2021, the Bank of England published a report entitled "Assessing the resilience of market-based finance". This included the conclusions of the joint Bank of England and Financial Conduct Authority review into vulnerabilities associated with liquidity mismatch in open-ended funds. The Bank has identified three areas of focus: reducing the demand from the non-bank financial system for liquidity in stress; ensuring the resilience of the supply of liquidity in stress; and potential additional central bank liquidity backstops for market functioning. The Bank also noted the importance of enhancing data on the non-bank financial sector, internationally and domestically, so that regulators are better able to assess the resilience of the sector and risks to it."<sup>131</sup>

74. Nikhil Rathi, CEO of the FCA, also told us that regulators needed greater powers to collect information from firms, such as standardised reporting requirements for firms regulated under the money laundering requirements:

126 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q15

127 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q18

128 Bank of England, '[Financial Stability Report August 2020](#),' (August 2020)

129 HM Treasury, '[Remit and recommendations for the Financial Policy Committee: Budget 2020](#)', (11 March 2021)

130 HM Treasury, '[Remit and recommendations for the Financial Policy Committee: Budget 2021](#)', (3 March 2021)

131 Bank of England, '[Assessing the resilience of market-based finance](#)', 13 July 2021

However, as a general point around non-bank finance, I would say that we need to have a mindset and a regulatory and legislative regime that at least allows us to get information, and get some more information. We can then take a decision, with the Government and with Parliament, as to whether more things need to come into regulation or be supervised, but I think we sometimes have a paucity of information and notification requirements.

For example, under the money laundering regulations, these annex 1 firms [such as Greensill] do not have a reporting requirement to us. We can go out and proactively ask for information, but there isn't a standardised reporting requirement to the money laundering supervisor.<sup>132</sup>

**75. The failure of Greensill Capital has highlighted risks around the growth of the non-bank sector and the expansion of non-banks into areas of financial intermediation traditionally dominated by banks. The Bank of England has recently published its paper on market-based finance, and we will scrutinise its conclusions in our ongoing work. We welcome the Bank's focus on the importance of enhancing data on the non-bank financial sector.**

*76. In addition to international work to intensify global co-operation and data-sharing on non-bank finance, the Treasury should work with the Bank of England and the FCA to consider which domestic data gaps could be addressed. Filling these gaps may require legislative or regulatory fixes. Where there is additional information which could be collected to assist the Bank of England in achieving its objective for financial stability, the Prudential Regulation Authority and Financial Conduct Authority should collect this information, and, if needed, the Government should put forward legislation to enable this. Any information required should be collected on a measured, proportionate basis, taking care not to impose a disproportionate burden either on firms to submit the data or on regulators to review it.*

### **Wyelands Bank and Change of Control**

77. During the course of our inquiry, we also took evidence from the Bank of England on the circumstances surrounding the wind-down of Wyelands Bank. Wyelands Bank was a PRA-regulated bank which was owned by Sanjeev Gupta.<sup>133</sup> According to its own website, Wyelands Bank is a part of the GFG Alliance, and it is managed and operated independently of Mr Gupta.<sup>134</sup>

78. The 2020 Annual Report for Wyelands Bank, published in April 2021, explained that delays in the repayments associated to the GFG Alliance were one factor in the decision to undertake a solvent wind-down:

[...] some facilities provided to customers introduced to the Bank by members of the GFG Alliance were not operating as intended, and that this was placing the Bank at risk by creating direct exposures to GFG Alliance entities. After attempting to remediate these problems, in October 2019 the Bank delivered notice to the operators of these facilities, requiring

132 [Oral evidence taken before the Treasury Committee on 12 May 2021](#), HC(2021–22) 146, Q89

133 [Q153](#)

134 Wyelands Bank, '[Our history](#),' accessed 24 June 2021

repayment by the end of the year. In the first quarter of 2020, continued delays in these repayments and ongoing concerns about the bank's other exposures led the Bank to take steps to protect the interests of its depositors through the solvent winddown of its balance sheet, with a view to releasing sufficient funds to allow all deposits to be repaid."<sup>135</sup>

79. Sam Woods, Deputy Governor for Prudential Regulation at the Bank of England and CEO of the PRA, set out for us the PRA's supervisory engagement with Wyelands Bank over time. He made it clear to us that the issues identified at Wyelands Bank were directly connected to its lending to other entities in the GFG Alliance:

In late 2018, we became aware that the bank had adopted a large exposures structure that seemed to us to be intended to circumvent the large exposure rules and, in effect, give it the ability to do too much lending, more than is safe, to connected members related to or part of the GFG Alliance. Having discovered that, we of course required it to be unwound and made some further investigations over the next few months. [...] In September 2019, we found it necessary to use our formal powers at that point in order to ringfence the bank from the GFG Alliance precisely because we were worried about what we had discovered on the balance sheet.<sup>136</sup>

80. When we asked Andrew Bailey, Governor of the Bank of England, about the circumstances around Mr Gupta acquiring a banking licence, he told us:

[Mr Gupta] acquired [Wyelands Bank] through a change of control at the end of 2016. He met the terms for authorisation. In the lessons learned from all of this, we will go back and look at it. There have been some changes in the rules around acquisitions over recent years that have some relevance to this, but it is something we will go back to, certainly.<sup>137</sup>

81. Sam Woods gave us some more detail on how the Change in Control process had changed:

This goes back to a change that was made in 2009. When the EU Acquisitions Directive came in, pursuant to that a change was made to the way the change in control conditions in FSMA are framed. The actual conditions were left more or less the same. The conditions themselves are quite sensible. They are reputation and things of that kind.<sup>138</sup> But the burden of proof, colloquially, I would say was reversed. Up until that point, the regulator could refuse the change in control unless it was satisfied on those various criteria. There were six of them that were listed. After that point, the regulator is only allowed to object if it has reasonable grounds based on those various criteria.

135 Wyelands Bank Plc, [Annual Report 2020](#), (26 May 2020), p 3

136 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q1

137 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q177

138 Any objection to an acquisition must be based on six criteria relating to: the acquirer's reputation and financial soundness; the reputation, knowledge, skills and experience of the firm's directors; the firm's ongoing ability to meet prudential requirements and threshold conditions; the impact of any change of the firm's group on supervision; and the risk of money laundering or terrorist financing. [Letter from Sam Woods to the Committee, dated 02 July 2021](#)

You can see that this shifts the burden back on to the regulator. That was done in an EU context because there were concerns about national regulators frustrating crossborder activity for nonprudential reasons. As we are out of the EU, I would say that we do not need to worry about that point anymore.<sup>139</sup>

Mr Woods told us that the Bank of England was raising this matter with the Treasury.<sup>140</sup> He wrote to us and told us that

We are raising with HM Treasury the possibility of reverting the burden to the original approach, to allow the regulator to object unless it is satisfied it is appropriate for an acquisition to take place in the light of the relevant criteria. Doing so would strengthen the hand of the regulator where the position is unclear and be conducive in practice to an even more robust approach to the review of acquisitions.<sup>141</sup>

**82. *As a matter of urgency, there should be reform of the Change in Control process which regulates who can acquire the ownership of an already existing bank. This should ensure that the PRA has the powers necessary to ensure that existing banks do not fall into the hands of owners who would not be granted a banking licence in their own right.***

### **Other regulatory lessons**

83. The FCA has written to us setting out a series of further areas under consideration for regulatory or perimeter change and to which the failure of Greensill has drawn attention:

- i) The appointed representatives regime [see above]
- ii) Investigation and penalty powers in the event of firm failure or deregistration
- iii) Criteria for fitness and propriety under the MLRs (Money Laundering Regulations)
- iv) Access to UK investors through listing securities on overseas markets that are not Recognised Overseas Investment Exchanges (ROIEs) or regulated markets (e.g. in the European Union)
- v) Employer Salary Advance Scheme<sup>142</sup>

**84. It is evident that the Greensill case lends urgency to the consideration of a number of areas where there may be a case for fresh regulation. We have not examined these areas in detail, but we draw the Treasury's attention to the areas listed by the FCA as set out in paragraph 83. We intend to monitor closely developments in this area.**

139 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q5

140 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q6

141 [Letter from Sam Woods to the Committee, dated 02 July 2021](#)

142 [Response from the FCA to the Committee, dated 4 May 2021](#)

## Use of supply chain finance

### *Use of supply chain finance in Government*

85. We heard mixed evidence on the benefits of supply chain finance for government. Mr Greensill told us that supply chain finance could benefit the government, and gave three reasons: firstly, the capacity to approve invoices more promptly as “the Government do not have the capacity to approve invoices very promptly”; secondly, the capacity to save taxpayer money by having the private sector suppliers bearing the cost of paying suppliers faster, rather than the Exchequer borrowing to achieve that; and thirdly, the costs of capital faced by Government Departments being higher than the private sector provision of capital.<sup>143</sup>

86. Mr Cameron expanded on these arguments in his own evidence:

First, there is a lot of bureaucracy in government and, even with the best will in the world, sometimes early payment simply does not happen. Secondly, as I think Nick Macpherson was very clear about in his evidence to you, although the Treasury is in favour of it in theory, in practice early payment means the Treasury borrowing more money and paying more interest on it, so there is a cost. What is useful about using supply chain finance, even in the public sector, is that if you are paying big suppliers early, they pay for the benefit of that, rather than the taxpayer. I think it would be sad to rule out supply chain finance in the public sector because I think it can be very helpful for small businesses such as pharmacies, and it can actually save money for the Government at the same time.<sup>144</sup>

87. On the argument about cost of capital, Mr Greensill told us:

[...] even if you did devolve to Government Departments the authority to pay using private sector technology and just use their own cash, the reality is that that capital is charged out at a much higher cost by Departments than the private sector provides. The reason for that, as I am sure you are very aware, is that although the Treasury can borrow money very cheaply, it provides to Departments—I am not going to use the right word, I am sorry—a weighted average cost of capital, where overall the Government borrows money.<sup>145</sup>

88. Sir Tom Scholar, Permanent Secretary at the Treasury, told us he did not recognise Mr Greensill’s third argument based on the cost of capital faced by Government Departments:

I do not quite know what he meant when he said that. All I will say is that, as we now know, he spent several years in the Cabinet Office trying to encourage Departments to adopt supply chain finance as a way of funding part of what they were doing. Most Departments looked at that and could not see the logic or the sense in it. The Treasury certainly could not, so he has not been very successful in persuading people of his point of view.<sup>146</sup>

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143 [Q242](#)

144 [Q406](#)

145 [Q242](#)

146 [Q468](#)

89. Sir Tom Scholar also told us that the Treasury had a sceptical approach to supply chain finance proposals in Government:

A couple of years ago, the Treasury wrote to all accounting officers, drawing particular attention to supply chain finance and similar proposals, and saying that, in many or probably most cases, they would be unlikely to meet the standards of Managing Public Money. The Treasury has had, institutionally, a sceptical approach to them.<sup>147</sup>

90. The Chancellor, while noting he had not been around for the original proposal's sign off, agreed with the views given by Sir Tom Scholar:

I share Tom's view that, instinctively, this should not be something that is massively necessary in the public sector, for the reasons that Tom gave. Our cost of borrowing is low and is going to be cheaper than the private sector, and we are a prompt payer. That is where the Treasury's scepticism towards these things would have come from, and that is based on a sound rationale.<sup>148</sup>

91. Nigel Boardman's review is looking at the use of supply chain finance in Government and was due to have reported to the Prime Minister by 30 June 2021.<sup>149</sup> We look forward to the publication of his review.

**92. Supply chain finance appears to be a useful product in some contexts. However, instead of pursuing supply chain finance solutions, it would be preferable for the Government to address the underlying cause of the problem by paying suppliers sooner, particularly small suppliers. Given the low cost of Government borrowing, the value of this type of private sector financing to the public sector is less than would otherwise be the case.**

### **Pharmacy Early Payment Scheme (PEPS)**

93. Greensill had two major public sector schemes. Firstly, Greensill provided the financing for the Pharmacy Early Payment Scheme (PEPS), a scheme which allowed pharmacies to access funding earlier. The Chancellor told us:

The scheme was introduced by DHSC in 2013. It was to be delivered by Citibank, and was a voluntary scheme that would allow participating pharmacies to access funding earlier than the standard government payment schedule but after services had been delivered. HMT ministers approved the initial PEPS. In 2018, Taulia replaced Citibank as the provider of this service. Taulia contracted Greensill to provide the financing necessary for the scheme. HMT has no record of involvement in this process. NHS Business Services Authority contracted with Taulia in 2018 via a Crown Commercial Service Framework agreement for Supplier Early Payment Solutions.<sup>150</sup>

94. Lord Macpherson explained the rationale for this scheme:

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147 [Q463](#)

148 [Q613](#)

149 ['Review into the Development and Use of Supply Chain Finance in Government – Terms of Reference,' Cabinet office press release, 16 April 2021](#)

150 [Response from HM Treasury to the Committee, dated 7 May](#)

My understanding is that there is a general pressure to make the NHS pay pharmacies more quickly. The Government responded to that and brought forward the payment terms. Historically, I think most of the payments were done within 60 days, some within 90 days, and they brought all that forward.

You would think that, with accruals accounting, this would have no impact, but, as far as the national debt is concerned, debt is accumulated in cash and the debt interest is in cash. If you bring forward payments, the Government have to borrow more and, therefore, pay interest on that debt. That is why, it is fair to say, the Treasury was a bit cautious back in 2012 about bringing forward payment terms too quickly.

At this point, Citibank turns up in the Cabinet Office. [...] What was attractive to the Cabinet Office and the Department of Health is that this was effectively a private sector intervention. Citibank would provide even earlier payments, voluntarily, to pharmacists, in exchange for the pharmacists giving up, say, 1% of the income, which actually was in a lot of their interest, because they were being paid so late that the cost of capital of that delay was something like 12%.<sup>151</sup>

## Earnd

95. Secondly, Greensill owned a firm called Earnd, which provided a service that allowed employees of customers of Earnd UK to draw accrued salary (advanced by Earnd UK) prior to the regular payroll date. The amount advanced by Earnd UK was then deducted from the relevant employee's salary and repaid from the employer to Earnd UK within a contracted period.<sup>152</sup> Employee Salary Advance Schemes (ESAS) are not regulated by the FCA.<sup>153</sup>

96. Greensill provided Earnd to some NHS trusts for free.<sup>154</sup> Mr Greensill told the FCA they were able to do this "as they already [were] making a lot from NHS contracts."<sup>155</sup> The Administrator's Proposals<sup>156</sup> set out the rationale for Earnd providing these services for free:

Earnd UK was a start-up company incorporated in May 2018 and, at the time the Companies<sup>157</sup> were placed into administration, did not generate revenue as the service was provided at nil cost to the employee and employer. The commercial rationale for providing these services without profit was to create critical mass to enable Earnd UK to sell to corporate entities to generate revenues and to provide cross-selling opportunities to the wider Group. The customers of Earnd UK included certain NHS Trusts.<sup>158</sup>

151 [Q82](#)

152 Companies House, 'Notice of Administrators' Proposals,' (April 2021), p 4

153 [Response from the FCA to the Committee, dated 4 May 2021](#)

154 Companies House, 'Notice of Administrators' Proposals,' (April 2021), p 4

155 [Response from the FCA to the Committee \(Annex\), dated 4 May 2021](#)

156 The Notice of Administrators Proposals is a document submitted by the Administrators, in this case Grant Thornton, to Companies House. Companies House, 'Notice of Administrators' Proposals,' (April 2021)

157 Greensill Capital UK (GCUK) and Greensill Capital Management Company (GCMC)

158 Companies House, 'Notice of Administrators' Proposals,' (April 2021), p 4

When asked about the data collected by the Earnd app, the Treasury pointed us towards the NHS.<sup>159</sup>

97. Mr Cameron told us:

[...] I remember answering questions [...] about the evils of payday lending, and the idea that staff in the NHS can draw down their salary as they earn it, rather than having to wait till the end of the month, I think could go some way to ending the use of payday lending.<sup>160</sup>

98. The Chancellor provided us with more detail as to what the Treasury had been told about Earnd:

Regarding Earnd, the decisions to offer this product to NHS workers were made at an individual foundation trust employer level. We have no record of HMT approval being sought as part of that process, and we have no record of HMT undertaking any advice or analysis relating to the Earnd product.<sup>161</sup>

99. Sir Tom Scholar, Permanent Secretary at the Treasury, told us that the lack of discussion with the Treasury by these NHS Trusts or the Department of Health was something he was now following up on:

It was a handful of NHS trusts that took part in this scheme, in a fairly small-scale way. They did not come to the Treasury for approval. I do not quite know the extent of the discussion within the NHS, and between the NHS and the Department of Health, but they did not come to us about it. As you would imagine, we are now following that up with the Department.<sup>162</sup>

100. Sir Tom Scholar told us that:

Managing Public Money<sup>163</sup> requires Treasury consent for proposals for spending money that are novel, contentious or potentially repercussive. We wrote round to all accounting officers a couple of years ago, drawing attention to those requirements, particularly in the context of supply chain finance.<sup>164</sup>

**101. Because Earnd was provided free of charge, no public money was spent and this may be one reason the Treasury was not consulted on what might otherwise have been deemed a “novel” proposal for the purposes of the Treasury’s guidance on Managing Public Money. When the Government is given a service for free, this may have implications for the management (including in the future) of public money or procurement. It may also bring commercial benefits to the firm which provides the service, for example cross-selling opportunities as Greensill’s administrators cite, as well as the reputational benefit of being a supplier to the Government and potentially access to data. *The Treasury should be more involved in determining whether such ‘novel’ schemes, when provided for free, are appropriate in the provision of public***

159 [Qq464, 618](#)

160 [Q340](#)

161 [Response from HM Treasury to the Committee, dated 7 May](#)

162 [Q462](#)

163 Managing Public Money is a Treasury document which provides guidance to UK public sector organisations on how to handle public funds. HM Treasury, '[Managing public money](#),' (14 May 2012)

164 [Q519](#)

*services. If they deem that there is a case for supporting such solutions, the Government should consider whether any additional controls may be needed around procurement where the Government or public bodies are given significant and novel financial services without charge.*

## 3 Lobbying

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### Outline of events

102. In early 2020, the UK was beginning to face the potential consequences of the coronavirus pandemic. In response to the health emergency, on 3 March 2020, the Department of Health and Social Care released the Coronavirus (COVID-19) Action Plan.<sup>165</sup> In his appointment hearing with us the following day (4 March 2020), Andrew Bailey, then CEO of the Financial Conduct Authority, and now Governor of the Bank of England, told us that:

I think it is quite reasonable to expect that we will have to provide collectively some form of supply chain finance in the not-very-distant future, to ensure that the effects of this shock from the virus are not damaging to many forms of activity, particularly to small and medium-sized firms. We will have to move very quickly to do that. It stands to reason that to do that, you must move very quickly.<sup>166</sup>

This reference by Mr Bailey to the potential role for supply chain finance appears to have prompted representatives of Greensill Capital to begin making the approaches to the Government which led to the events underlying this Report.

103. On 5 March 2020, the Rt Hon David Cameron asked Sir Tom Scholar, Permanent Secretary at the Treasury, for the contact details for Sir Jon Cunliffe, Deputy Governor of the Bank of England.<sup>167</sup> Mr Cameron then emailed Sir Jon as follows: “a quick question for you, concerning what the Governor meant in his remarks about Supply Chain Finance”.<sup>168</sup>

104. The initial aim of the lobbying by representatives of Greensill was the reactivation of the Bank of England’s 2009 Secured Commercial Paper Facility (SCP) (part of the Asset Purchase Facility (APF)).<sup>169</sup> The SCP was a facility announced in July 2009 that would “offer to buy securities backed by assets such as trade receivables consistent with the APF’s aim to purchase high-quality assets of broadly investment grade”.<sup>170</sup> At the time, the Bank explained that “The purpose of the Facility [SCP] is to help improve the function of the private market by standing ready to make primary market purchases and by acting as a backstop for secondary market investors”.<sup>171</sup>

105. On 17 March 2020, in a letter to the Chancellor, Mr Greensill explained that reactivating the SCP with £10–20 billion would “give confidence to the capital market investors who underpin this market. As you would expect, that confidence is currently in question.” He argued that “This action would not only allow the continuing flow of capital into supply chains which would benefit the UK economy at a critical time, but would also assist HMG specifically in ensuring that funding flows quickly and cost effectively to its suppliers”.<sup>172</sup>

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165 DHSC, [Coronavirus: action plan: A guide to what you can expect across the UK](#), 3 March 2020

166 Oral evidence taken on [4 March 2020](#), HC (2020–21) 122, Q2

167 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

168 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

169 [Response from HM Treasury to the Committee, dated 7 May](#)

170 “Asset Purchase Facility: Secured Commercial Paper”, Bank of England News Release, [30 July 2009](#)

171 “Asset Purchase Facility: Secured Commercial Paper”, Bank of England News Release, [30 July 2009](#)

172 HM Treasury, [Information in Scope of FOI request](#), 26 May 2021

106. However, the lobbying from Greensill was to change focus, as the Government announced a new support mechanism: the Covid Corporate Financing Facility (CCFF). The CCFF was announced on 17 March 2020.<sup>173</sup> The Bank described the CCFF as follows:

The CCFF was designed to support liquidity among larger businesses, helping them to bridge disruption to their cash flows as a result of the Covid shock, through the purchase of short-term debt in the form of CP [Commercial paper]. The CCFF purchased CP of up to one-year maturity, issued by non-financial firms making a material contribution to the UK economy. This helped businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cash flows. By lending to large companies directly, the CCFF protected the space for banks to lend to the wider population of households and businesses, complementing other Bank and Government schemes such as the Term Funding Scheme with additional incentives for SMEs (TFSME), the Coronavirus Large Business Interruption Loan Scheme (CLBILS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Bounce Back Loan Scheme (BBLs).<sup>174</sup>

107. The Bank provided the following description of how responsibility for the operation of the CCFF was apportioned:

The Bank operated the CCFF as agent for HM Treasury. HM Treasury set the parameters of the scheme, including the terms and eligibility criteria for participation, which were detailed in the Market Notice published by the Bank and the CCFF legal documentation on 18 March 2020. HM Treasury was the risk-owner of the scheme and fully indemnified the Bank from any losses that might arise under the CCFF.<sup>175</sup>

108. Following the release of the market notice, Greensill made an application to join the CCFF. From the outset, Greensill knew that it did not meet the criteria for acceptance to the CCFF. It therefore proposed changes to the CCFF to allow them to gain access.<sup>176</sup> These included, according to the Bank, “allowing assets from securitisation vehicles in the EEA to be accepted; accepting the credit rating of insurers in place of the rating of the individual borrower; and to accept assets in other G7 currencies”.<sup>177</sup> On 22 March 2020, the Bank referred Greensill’s application and its suggested criteria changes to the CCFF to the Treasury. The Treasury responded to the Bank on 30 March 2020, to say that the Chancellor did not intend to change the criteria. That same day, the Bank informed Greensill that its application did not meet the eligibility criteria, and that the Treasury were not going to change the criteria.<sup>178</sup>

109. The Bank told us that Greensill then approached the Treasury again, with further proposals for changes to the terms of the CCFF and their application. The Bank added that Mr Cameron approached it on 3 April 2020 “asking for clarity on why HM Treasury had considered that the amended Greensill proposals did not qualify”.<sup>179</sup> He was told that

173 Bank of England, [Covid Corporate Financing Facility \(CCFF\)](#), accessed 29 June 2021

174 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

175 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

176 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

177 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

178 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

179 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

that was a matter for the Treasury and was pointed to the fact that the CCFF was aimed at non-financial corporates.<sup>180</sup>

### 3–4 April 2020

110. The continued denial of access to the CCFF for Greensill led to an increase in activity from Mr Cameron. On 3 April 2020, he sent the following text to Sir Tom Scholar:

Again Greensill have got a “no”. Am genuinely baffled. Letter says CCFF is there to provide liquidity for “non financial corporates”. That is what we do. The fact the notes are issued by a financial entity is irrelevant. The recipients of the money are all non financials and mostly SMEs! Can I have 5 minutes for a call? This seems bonkers. Am now calling CX, Gove, everyone. Best wishes. Dc.<sup>181</sup>

111. From 3 to 7 April 2020, Mr Cameron then contacted:

- Rt Hon Rishi Sunak, Chancellor of the Exchequer
- Sir Tom Scholar, Permanent Secretary to the Treasury
- Sheridan Westlake OBE, Senior Special Adviser to the Prime Minister
- Rt Hon Michael Gove MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office
- Rt Hon Jesse Norman MP, Financial Secretary to the Treasury
- John Glen MP, Economic Secretary to the Treasury
- Sir Jon Cunliffe, Deputy Governor of the Bank of England<sup>182</sup>

112. This flurry of activity was to culminate in a call between Charles Roxburgh (Second Permanent Secretary at the Treasury), Sir Tom Scholar and David Cameron on 7 April 2020.<sup>183</sup> In the lead-up to that call, Mr Cameron sent the following text to the Chancellor:

Really grateful for your engagement on this. As agreed, I think one more conversation—Tom S, Charles R and Lex Greensill—is what’s required. Let’s try and do it today or tomorrow. As I said if there is anything else I can help with, just let me know. [Redacted] Best wishes. Dc.<sup>184</sup>

113. Mr Cameron appeared particularly keen for Sir Tom to be part of the 7 April 2020 call. He texted Sir Tom on 7 April 2020 as follows:

V much hoping—as agreed with CX [The Chancellor]—that you will be on the call. There is a very specific, contained and restricted proposal that would fulfil the desire to get something done in this space, but it may require your real world, practical and can-do approach. Best, dc<sup>185</sup>

180 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

181 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

182 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

183 [Response from the Rt Hon David Cameron \(Timeline\), received 6 May 2021](#)

184 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

185 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

114. Following the 7 April 2020 call, Mr Cameron texted the Chancellor: “Excellent call with Tom S and Charles R. Many thanks. Dc”.<sup>186</sup>

115. On 7 April, the Treasury proposed an option to Greensill that was compatible with the terms of the CCFF.<sup>187</sup> The Bank told us that “Greensill, however, indicated that it did not wish to pursue this option”.<sup>188</sup>

### **Pushed?**

116. On 14 April, the Treasury sent the Bank a revised proposal from Greensill for access to the CCFF. The Bank’s analysis was that Greensill’s revised proposal did not meet the CCFF’s existing eligibility criteria.<sup>189</sup>

117. On 20 April, the Treasury contacted the Bank “regarding options to extend the CCFF to support SCF to SMEs, suggesting HM Treasury and the Bank should discuss further.”<sup>190</sup> Within a fortnight, the Treasury would issue a confidential Call for Evidence.<sup>191</sup>

118. On 23 April 2020, the Chancellor of the Exchequer sent the following text to Mr Cameron:

Hi David, apologies for the delay. I think the proposals in the end did require a change to the Market Notice but I have pushed the team to explore an alternative with the Bank that might work. No guarantees, but the Bank are currently looking at it and Charles should be in touch. Best, Rishi<sup>192</sup>

119. Lord Macpherson, a former Permanent Secretary to the Treasury, told us that “There are two interpretations to that text. The classic one is that you are trying to get someone off your back, so you say that you are pushing it when actually you are doing nothing. Since further meetings followed, it suggests that something else happened”.<sup>193</sup>

120. However, Sir Tom Scholar, the current Treasury Permanent Secretary, rejected the notion that he had been “pushed”. He told us that “I have to say that I was not aware of any push at all at the time”.<sup>194</sup> The Chancellor argued that:

I really would not personally read too much into that word. It is just a turn of phrase synonymous with “asked”. It is a reasonably common phrase that I would use on an almost daily or weekly basis when talking about work that is being worked on in the Department. It is nothing more than a turn of phrase. The substance of that message was, almost verbatim, the same message that Charles and the team were delivering to Greensill at exactly the same time. In that sense, there is no new information of substance contained in it. As I said, the word is just a turn of phrase.<sup>195</sup>

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186 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

187 [Response from HM Treasury to the Committee, dated 7 May](#)

188 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

189 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

190 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

191 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

192 HM Treasury, [Freedom of Information Act 2000, Ref: FOI2021/10837](#), April 2021

193 [Q15](#)

194 [Q479](#)

195 [Q569](#)

### *The call for evidence and a final effort*

121. On 1 May 2020, the Treasury issued a confidential call for evidence. The Treasury told us that this contained “potential targeted changes to the terms of the CCFF which, if implemented, would promote quicker payments of invoices by CCFF-eligible corporates to their UK SME suppliers”. It described its proposals as follows:

- CCFF-eligible corporates would be able to assign their CCFF allowance to an SCF provider who would then issue commercial paper on their behalf, with strict conditions on the use of funds benefiting UK SMEs. Eligible corporates would transfer payment obligations owed to UK SMEs into a SPV [Special Purpose Vehicle] established by the provider. The CCFF would buy the commercial paper issued by the SPV secured by these payment obligations (so its credit risk would ultimately closely mirror that of the underlying investment-grade corporate).
- The proceeds from the sale of the commercial paper to the CCFF would be used solely for the purpose of paying corporates’ UK SME suppliers early. Additional conditions proposed included that UK SME supplier invoices that were outstanding at the time of the corporate’s initial drawing under the new scheme must be paid within 14 days and that corporate participants must sign up to the Government’s Prompt Payment Code.<sup>196</sup>

122. On 5 and 11 May, the Treasury led two phone calls with Greensill regarding “Greensill’s views on the call for evidence, Greensill’s business model and the SCF market.”<sup>197</sup> The Treasury held further calls with Greensill on 13, 14, and 15 May to discuss how to ensure that the scheme extension should benefit, in the main, UK SMEs.<sup>198</sup>

123. The Treasury explained to us that “while respondents [to the Call for Evidence] supported the objectives of the proposal to support UK SMEs via SCF providers drawing on CCFF, on balance, they did not think the proposed changes would make for an effective intervention”.<sup>199</sup> The Treasury described Greensill as the “the most enthusiastic respondent to the consultation”.<sup>200</sup> On 18 May, the Treasury told the Bank that the Chancellor had decided not to proceed with an extension to the CCFF.<sup>201</sup>

124. Sir Jon Cunliffe, following the call for evidence, noted that the Bank had identified that “the majority of this sort of finance is still done by banks, not players that securitise the assets in the market. It turned out that Greensill was very much in favour, but there was not really general support for it”.<sup>202</sup> He also told us that “By the time we came to the response to the call for evidence, I do not know whether “surprise” is the right word, but it reconfirmed that there was not a general problem here.”<sup>203</sup>

125. Also on 18 May, a revised proposal from Greensill was sent to the Bank by the Treasury. On 27 and 28 May 2020, Treasury officials held calls with Greensill representatives about

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196 [Response from HM Treasury to the Committee, dated 7 May](#)

197 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

198 [Response from HM Treasury to the Committee, dated 7 May](#)

199 [Response from HM Treasury to the Committee, dated 7 May](#)

200 [Response from HM Treasury to the Committee, dated 7 May](#)

201 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

202 [Q131](#)

203 [Q131](#)

Greensill's new proposals. The call on the 28 May was also joined by Bank of England officials. On 4 June 2020, the Bank shared a note with the Treasury on Greensill's proposals.<sup>204</sup>

126. On 26 June 2020, the Treasury told Greensill for the final time that it would not be eligible for the CCFF. To impart this news, Charles Roxburgh, alongside junior officials, held a conference call with Mr Greensill and Bill Crothers. A letter was also sent by John Glen MP, Economic Secretary to the Treasury, to Mr Greensill reiterating the points made by Charles Roxburgh. Finally, John Glen MP texted David Cameron to tell him the news.<sup>205</sup>

127. Despite the efforts of its representatives, Greensill never gained access to the CCFF. The lobbying of the Bank of England and the Treasury was therefore unsuccessful.

## Rt Hon David Cameron's lobbying

### *Introduction*

128. The majority of the lobbying on behalf of Greensill was undertaken by the following three Greensill representatives:

- Lex Greensill, then CEO of Greensill Capital (UK)
- Bill Crothers, a director of Greensill Capital (UK)
- Rt Hon David Cameron, former Prime Minister and an adviser to Greensill Capital.

We focus on the role Mr Cameron played in that lobbying, given that he was an ex-Prime Minister and, as seen in the outline of events above, it was often his messages, in whatever form, that would precede meetings with the Treasury. In the period being considered in this Report, he (or his office) engaged in 56 different contacts with the Government on behalf of Greensill.<sup>206</sup>

### *His role at Greensill*

129. Mr Cameron was employed as an adviser at Greensill, but Mr Cameron told us that lobbying was not intended to be part of the role:

[...] I was not employed at Greensill as a lobbyist, and lobbying the UK Government was never intended to be part of my role. However, in the economic turmoil caused by Covid, the Government quite rightly introduced several schemes to help ensure that credit would continue to be expanded to business. The Greensill proposal was to make this even more effective, and I believed that it should be considered by Government.<sup>207</sup>

130. Mr Cameron, by his own admission, had a strong economic interest in the performance of Greensill. Although Mr Cameron told us that the exact amount of his remuneration at

204 [Response from HM Treasury to the Committee, dated 7 May](#)

205 [Response from HM Treasury to the Committee, dated 7 May](#)

206 [Response from the Rt Hon David Cameron \(Timeline\), received 6 May 2021](#)

207 [Q295](#)

Greensill was a “private matter”, he did tell the Committee that:

I was paid a generous annual amount—far more than what I earned as Prime Minister. I had shares—not share options—in the business, which vested over the period of time of my contract. It is important for the Committee to know that I absolutely had a big economic investment in the future of Greensill. I wanted the business to succeed. I wanted it to grow.<sup>208</sup>

131. The economic benefits from Mr Cameron’s relationship with Greensill were clearly very significant. They were also represented by his use of Greensill’s private jets, both for business purposes and a handful of times on “other visits”, which Mr Cameron later confirmed to the Committee were “all for short haul flights, and tax was paid appropriately for any benefit received”.<sup>209</sup>

132. In his oral evidence to us, Mr Cameron further highlighted the level of engagement he had at Greensill, explaining that he had attended Board meetings:

I would take part in the board meetings and listen to the arguments and make contributions, sometimes particularly on geopolitical matters and suchlike. So, yes, I was a regular attender and would contribute, but of course there are a lot of board issues that are director-only. I did not sit on the credit committee. I did not sit on the risk committee. I did not sit on the audit committee or any of those sorts of functions, so I wasn’t involved, as it were, in the day-to-day running of the business or credit decisions, but, yes, of course I would listen to the discussions and make contributions.<sup>210</sup>

133. However, in a follow-up letter to us, Mr Cameron emphasised the limits to his role at the Board:

[...] while I was invited to attend most routine Greensill Board meetings as an Adviser, I was not a Director of Greensill Capital and did not sit on any of the Board committees. I had no executive responsibility whatsoever, no voting rights, and no ability to direct the Board, Greensill executives or employees. When there were key Board meetings in the run up to Greensill filing for administration, for example, I was not invited and did not attend. The last Board meeting I attended was on 10 November 2020.<sup>211</sup>

134. Lord Macpherson set this lobbying by Mr Cameron in the context of his experience as a Permanent Secretary of the Treasury:

I suppose you can question his judgment in working for Lex Greensill, but let us put that to one side. There is nothing wrong with people getting in touch with the Treasury, and generally, if a former Prime Minister rings you up, as Tom Scholar pointed out, you tend to take the call. Normally when a former Prime Minister rings you up, they are talking about some broader issue of policy and it is worth listening to that. In this case, it seems clear that Mr Cameron was focusing on something that directly related to his interest in Greensill. He was clear about that. I do not see anything

208 [Q308](#)

209 [Q388, Response from David Cameron to the Committee, dated 18 June 2021](#)

210 [Q302](#)

211 [Response from David Cameron to the Committee, dated 18 June 2021](#)

wrong with engaging on that basis, provided that you write it down and record what the individual said, and provided that, once they have made their point, you do not give them special treatment.<sup>212</sup>

135. Sir Tom told us that “I did not know that he was working for Greensill until that point [when Mr Cameron approached Sir Tom], so that was news to me. Obviously he is a former Prime Minister, but it was equally clear to me that the issue he was raising related to the company he was working for.”<sup>213</sup> Sir Tom denied that Greensill got more attention because it had an ex-Prime Minister lobbying for it.<sup>214</sup> The Chancellor was also adamant that Mr Cameron’s involvement, despite him being an ex-Prime Minister, had had no effect on the Treasury’s work. He told us

We look at the issue and I looked at the issue on the merits of it, and so the identity of the person talking about it was not relevant to the amount of attention and proper diligence that the issue got and required. That was driven by the circumstances we were facing at the time with acute financing needs for small and medium-sized companies. Therefore, it was entirely right that we diligenced ideas.

This was one of many strands of work, and in fact probably the one we spent the least time on, over this period. Nevertheless, it was an avenue that was worth exploring, given the context. It was worth doing the work and ultimately concluding that it was not one that we should take forward, whereas we did take forward various other proposals.<sup>215</sup>

**136. Mr Cameron was acting as a representative of Greensill, with a very significant personal economic interest in the firm. As soon as that had been identified by the Treasury, the fact that he was an ex-Prime Minister should have been irrelevant to the Treasury’s treatment of his approach. That is what the Treasury has told us happened. We consider that view later in this report.**

### **Familiarity**

137. Some of those who Mr Cameron lobbied on behalf of Greensill were known to Mr Cameron from his time as Prime Minister. Sir Jon Cunliffe, for whom Mr Cameron specifically requested contact details at the Bank, was from July 2007 to December 2011 the Prime Minister’s Advisor on Europe and Global Issues, a period which in part had coincided with Mr Cameron’s tenure.<sup>216</sup> Sir Tom Scholar was also the Prime Minister’s adviser on European and Global Issues, sherpa for the EU, G7 and G20, and Head of the European and Global Issues Secretariat during Mr Cameron’s period in office.<sup>217</sup> Sheridan Westlake had been a Special Adviser to the Prime Minister, when Mr Cameron was in office.<sup>218</sup>

138. The texts from Mr Cameron at times express a familiarity with those he was lobbying. For example, he exchanged the following texts with Sir Tom Scholar, beginning on 5

212 [Q2](#)

213 [Q455](#)

214 [Q456](#)

215 [Q541](#)

216 Gov.uk, ‘[Sir Jon Cunliffe](#),’ accessed 07 July 2021

217 Gov.uk, ‘[New Permanent Secretary to the Treasury announced](#),’ accessed 07 July 2021

218 [Cabinet Office, “Special advisers in post, 17 December 2015”, 17 December 2015](#)

March 2020:

[9.35] Hope you are still alive and well. [REDACTED] Three questions: is Sir Jon C still at the bank? Do you have a number? Can I give you lunch once the budget is done? Love Dc.<sup>219</sup>

Sir Tom responded:

[10:36] Great to hear from you. Here's the Cunliffe number. +44 203 461 [REDACTED] Can also supply emails, mobile numbers, you name it.

[10.37] Lunch would be great. Quite a lot to talk about! I'll also see you [at the leaving event for Mark Carney] chez Rishi in a fortnight. Unless it gets Covid cancelled, which seems quite likely, since the world's central bankers are in [REDACTED] [crisis] mode.<sup>220</sup>

Mr Cameron responded on 6 March:

Thanks. Will fix for after that. Never quite understood how rate cuts help a pandemic. [REDACTED] I am riding to the rescue with Supply Chain Finance with my friend Lex Greensill—my new job [REDACTED] See you with [sic] Rishi's for an elbow bump or foot tap. Love Dc<sup>221</sup>

139. However, when questioned on his “Love Dc” sign off, and the strength of his relationship with Sir Tom, Mr Cameron said:

I think I have seen him perhaps once or twice since leaving office. Anyone I know even at all well I tend to sign text messages with “Love Dc”. I don't know why. I just do. My children tell me that you don't need to sign off text messages at all and that it is very old-fashioned and odd to do so. Anyway, that's what I do.<sup>222</sup>

140. Sir Tom described one of his meetings with Mr Cameron as follows:

We met somewhere in Whitehall in the early evening, at the end of the day, but just for an hour or so. He was, at that time, telling me about work that he was doing on failed states, which drew on some of the work that he had done as Prime Minister and that I had supported him on in the G7 and the G20. That was what he wanted to talk about.<sup>223</sup>

141. Another expression of the familiarity of Mr Cameron with those he was contacting was some of the communication methods he used: notably texts and whatsapp. Mr Cameron appeared to express regret about that:

Lobbying itself is a necessary and healthy part of our democratic process, but I accept there is a strong argument that having a former Prime Minister engage on behalf of any commercial interest, no matter how laudable the motives and cause, can be open to misinterpretation. Perhaps that is

219 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

220 HM Treasury, [Freedom of Information Act 2000: Request for an internal review](#), 18 June 2021

221 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#)

222 [Q315](#)

223 [Q475](#)

especially so when the communication systems we all use, particularly in the heat of responding to a crisis, are text, phone and app, rather than the more formal approach of writing. I hope it is accepted that nothing I did was in breach of the rules, but on the wider test of what is appropriate, as I have said previously, it would be better only to use the most formal means of contact, via a letter.<sup>224</sup>

**142. Mr Cameron’s use of less formal means to lobby Government showed a significant lack of judgement, especially given that his ability to use an informal approach was aided by his previous position of Prime Minister. Mr Cameron appears to accept that, at least to some degree, his judgement was lacking.**

**143. Though they have been downplayed in evidence to the Committee, there were obvious personal links between Mr Cameron and those he lobbied in Government on Greensill’s behalf. Yet we have not seen evidence of a time or process when and by which the potential risks of those connections were considered by the Treasury, and potential mitigations put in place. *The Treasury should have encouraged Mr Cameron at the initial stage of his lobbying into more formal methods of communication, and there should have been a discussion as to whether Mr Cameron’s ongoing contact posed any reputational risks to the Treasury, and whether, as a consequence, mitigation was required. In the light of these events we expect the Treasury to put in place more formal processes to deal with any such lobbying attempts by ex-Prime Ministers or Ministers in the future and to publish the process which they will follow should similar circumstances recur. We would expect any such processes to be consistent with any reforms which might be introduced as a result of the lobbying undertaken on behalf of Greensill.***

## **Reform**

144. When the lobbying by Mr Cameron described in this Report became public, there was disquiet that a former Prime Minister had used such informal means and prior connections to approach people still in public life with a consequence of which being the promotion of his own economic interest. One media report noted that “He appears to have used personal contacts to seek preferential treatment for a company in which he had a financial stake”.<sup>225</sup> Another referred to it as “the biggest UK lobbying scandal in a generation”.<sup>226</sup> Hannah White, Deputy Director for the Institute of Government, however provided the following commentary on why Mr Cameron had not breached the rules at the time:

It is correct that nothing Cameron has been criticised for is against the UK’s rules on lobbying. Once he had left office, he was no longer bound by the rules on disclosure of financial interests that govern MPs, or by the Ministerial Code, which precludes ministers from conflicts between their official position and their personal financial interests. As more than two years expired between his resignation as PM and starting work for Greensill, he was not required to bring the role to the attention of the Advisory Committee on Business Appointments (ACOBA)—the body tasked with advising ministers and senior civil servants on whether appointments they

224 Q295

225 “What is the Greensill lobbying scandal and who is involved?”, The Guardian, 14 April 2021

226 “Restoring trust in lobbyists and the lobbied, Opinion: The FT View”, Financial Times, 14 June 2021

take on after leaving government might give rise to any justified public concern, criticism or misinterpretation.

Because Cameron was employed by Greensill, rather than contracted as a consultant, he was not required to register his lobbying activity with the Office of the Registrar of Consultant Lobbyists (ORCL), the body established in 2014 during his first term as prime minister.<sup>227</sup>

145. Given the concern that had been expressed about his lobbying on behalf of Greensill, Mr Cameron provided us with suggestions for potential reforms:

If lobbying registration can be extended to in-house operatives, without excessive bureaucracy or damaging the interests of charities, there is a case for making that change. The body that vets jobs for former Ministers and civil servants—ACOBA—is well established and, in my view, works, but its examination of appointments should be mandatory and comprehensive, and its decisions should be enforceable. As I said at the outset, former Prime Ministers are in a different category, and I have read the arguments for different, special arrangements. A longer period before any contact with Government over any commercial issue could be appropriate, and a new special committee, over and above ACOBA, to advise on post-office appointments might help with choices that need to be made.<sup>228</sup>

146. The Committee on Standards in Public Life reached conclusions in its recent report on the effectiveness of standards regulation in England similar to the suggestions made by Mr Cameron to us. Its recommendations included:

- The business appointment rules should be expanded to prohibit for two years business appointments where the applicant has significant and direct responsibility for policy, regulation, or the awarding of contracts relevant to the hiring company.
- The Government should amend the rules to enable government departments and ACOBA to issue a longer ban on lobbying, not exceeding five years, where deemed appropriate, and to make clear that applications to work with lobbying firms will not be accepted for a specified period of time.<sup>229</sup>

**147. We accept that Mr Cameron did not break the rules governing lobbying by former Ministers, but that reflects on the insufficient strength of the rules, and there is a strong case for strengthening them. Oversight of policy in this area does not fall within our remit or the terms of reference of this inquiry. We note the ongoing inquiry into the propriety of governance in light of Greensill by the Public Administration and Constitutional Affairs Committee.**

227 Institute for Government, [Cameron's role with Greensill Capital has called the UK's lobbying regulations into question \(1 April 2021\)](#), accessed 28 June 2021; See also the [outcome of the investigation](#) by the Office of the Registrar of Consultant Lobbyists.

228 [Q295](#)

229 Committee on Standards in Public Life, [Standards Matter 2 - Committee Findings](#), June 2021

## Intelligence on Greensill

148. In the face of the lobbying by representatives of Greensill, outlined above, we explored reasons why the Treasury, and the Bank, could have been cautious in their dealings with Greensill. These included the extent to which Greensill’s proposals would help UK SMEs, its description of itself as a fintech, and other matters relating to its financial health and reputation. We consider these matters below.

### *Greensill and SMEs*

149. One of the main reasons presented by Greensill representatives for it to be included in the CCFF was that it would support UK SMEs. In his evidence to us, Mr Cameron emphasised that supporting SMEs was his motivation for his contacts with the Treasury. He said:

[...] I can tell you that the motivation for contacting the Government was that I thought we had a really good idea for how to help extend credit to thousands of businesses, and I would quite like to explain why I thought it was such a great idea. I have sat on the other side of the fence, in Government, where you have a credit crunch and you have difficulties in the credit market, and you are desperate to get banks lending and you are desperate to get credit to businesses. I well remember standing at the Dispatch Box and being asked, “This scheme that you announced six months ago—how many companies are taking part? How many banks are taking part?” and often having to give very disappointing answers. So I was very keen for us to put forward our scheme, because I thought it was absolutely in the public interest to try and get money into small businesses.<sup>230</sup>

150. The potential for the provision of support for SMEs was also presented by the Treasury as the reason for its engagement with Greensill’s representatives. The Treasury explained that at the time of Greensill’s initial engagement “... UK SMEs were facing extraordinary challenges. HMT was receiving feedback from businesses that they needed more support”.<sup>231</sup>

151. The desire to help SMEs was also cited by the Treasury as their reason for proceeding with the call for evidence in May 2020. Charles Roxburgh, Second Permanent Secretary at the Treasury, told us that:

It was perfectly reasonable to look at whether we could find a way to use CCFF moneys, for people who already had access to it, to support their small businesses. It did not work but it was a reasonable idea to invest a very small amount of time in exploring.<sup>232</sup>

152. Yet, throughout the period, questions were asked as to whether Greensill’s proposals would actually meet the needs of UK-based SMEs. A 21 March 2020 email to Charles Roxburgh, apparently from a Treasury official, offering thoughts on a call with Greensill, noted that the Treasury ought to press on the geographical spread of suppliers, since Greensill’s “pitch” was that this was an opportunity to bail out important parts of the UK

230 [Q309](#)

231 [Response from HM Treasury to the Committee, dated 7 May](#)

232 [Q490](#)

real economy.<sup>233</sup>

153. In analysing Greensill’s request for an extension to the CCFF in April 2020, the Bank’s view was “that Greensill did not play a sufficiently large role in providing funding in scale to UK SMEs to warrant a specific extension.”<sup>234</sup> The Bank also told us that intelligence from its network of Agents around the country did not find evidence that Greensill played a major role in credit provision to SMEs.<sup>235</sup> In fact, the Bank’s view at that time was that “since investment grade larger companies had access to alternative sources of finance (including the CCFF), any lending by Greensill would probably be focussed on allowing sub investment grade larger companies to increase leverage.”<sup>236</sup>

154. This concern that Greensill’s proposals would not meet the needs of UK-based SMEs was also seen in the evidence from the Treasury. It gave as its reason for refusing Greensill’s request to alter the CCFF in April 2020 the following:

HMT concluded that Greensill’s proposal (allowing their Luxembourg-based Special Purpose Vehicle to issue notes to the CCFF and use the funds for SCF purposes) was unlikely to bring sufficient benefits for UK SMEs to justify such a significant change to the CCFF for one particular financing model, at a time when many other businesses were requesting support.<sup>237</sup>

**155. The central argument of Greensill’s attempt to gain access to the CCFF was that it would substantially benefit a very significant number of UK SMEs. Neither the Treasury nor the Bank of England believed there was merit in the claim that supporting Greensill would substantially benefit the SME sector in the UK. It seems that this was more of a sales pitch than a reality.**

### ***Greensill as a fintech***

156. Another point emphasised by Mr Cameron in his lobbying was that Greensill was a Financial Technology (fintech) firm. The Financial Stability Board<sup>238</sup> defines fintech as “technologically enabled innovation in financial services that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services”.<sup>239</sup>

157. In an email sent to the Financial Secretary to the Treasury, Rt Hon Jesse Norman MP, on 3 April 2020, Mr Cameron argued that “Greensill is a significant UK employer and its most valuable Fin Tech [firm], and we are keen to use our technology to help in this time of national crisis.” Later in the same email he suggested that “Surely HMG should be seen to be supporting UK fintechs—who are creating employment, driving innovation and already delivering billions in ultra low-cost liquidity to British SMEs—particularly when it has been proven that banks are struggling to do so.”<sup>240</sup>

233 HM Treasury, [Information in Scope of FOI request](#), 26 May 2021

234 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

235 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

236 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

237 [Response from HM Treasury to the Committee, dated 7 May 2021](#)

238 The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The FSB promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. (<https://www.fsb.org/about/>)

239 <https://www.fsb.org/work-of-the-fsb/financial-innovation-and-structural-change/fintech/>, accessed 22 June 2021

240 [Response from the Rt Hon David Cameron \(Details of contact\)](#), received 6 May 2021

158. Mr Cameron may have been hoping to tap into an ongoing interest of the Government in supporting fintech. In 2014, George Osborne, then Chancellor of the Exchequer, stated at the launch of a new trade body for fintech that “I’m here today because I want the UK the lead the world in developing Fin Tech.”<sup>241</sup> Lord Macpherson told us that “Every Government likes to be associated with success stories, such as the dotcom boom. Fintech is definitely the flavour of the month.”<sup>242</sup>

159. However, there has been scepticism about whether Greensill was a fintech firm. Lord Myners argued that “We have very few fintech companies. Even though the former Prime Minister has described it as a fintech, Greensill was simply not a fintech. It had 700 employees; it was a paper-based company. It was not in the world of technology at all.”<sup>243</sup> Lord Macpherson was also clear: “this simply was not fintechery.”<sup>244</sup>

160. When we asked Mr Cameron about this, he told us:

I certainly wouldn’t pretend to be an expert in this, but it seemed to me that what Greensill were doing with partners such as Oracle or Taulia, or Textura in the past, was using the information in a company’s ERP<sup>245</sup> to make sure you could extend credit to suppliers, and indeed to employees, faster, and I think that does qualify as fintech, because the fin is the access to the deep capital markets and the tech is using the ERP to make credit decisions better and faster. I know that all sounds very techy, but ultimately what it can be about is trying to make the cost of your mobile phone lower, making sure you can access your pay on a daily basis rather than waiting until the end of the month. I think these are quite powerful changes. So whether you want to call it tech-enabled or fintech is a matter of choice, but it is certainly using technology in capital markets to make people’s lives better.<sup>246</sup>

161. Regardless of its status, both Charles Roxburgh and the Chancellor argued that they had not been influenced by the description of Greensill as a fintech when they were lobbied. The Chancellor told us:

I would like to think that we are able to diligence things on their actual merits, rather than what the marketing spin of them or the branding might be. You have heard me talk about this for an hour and whatever. I probably have not mentioned the word “fintech”. This was about providing credit to small and medium-sized companies and supply chain finance. That is really all there is to it.<sup>247</sup>

162. The use of the term fintech by Mr Cameron highlights wider questions about the risks being run by the Government’s support for innovation in this area. Professor Aikman told us:

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241 HM Treasury, [Speech: Chancellor on developing FinTech](#), 6 August 2014

242 [Q71](#)

243 [Q18](#)

244 [Q71](#)

245 Enterprise Resource Planning. An ERP system integrates all the processes needed to run a company, such as finance, HR, manufacturing into a single system. SAP, [‘What is ERP?’](#), accessed 07 July 2021

246 [Q392](#)

247 [Q603](#)

The Chancellor writes an annual letter to the Bank, listing what [the Government’s economic] objectives are. In the most recent letter, it lists promoting fintech and its contribution to [...] productive finance and economic growth. The Bank has this delicate balance between making sure the system is resilient and sound, which is its core objective, and being asked to look at where it can take actions to promote businesses like fintech. There are questions about whether that balance is exactly right. It involves trade-offs.<sup>248</sup>

163. Charles Roxburgh, while noting that “fintech is actually a great success story in this country, and we should be very proud of the innovation, competition and better customer outcomes that this has brought”, acknowledged that there were also risks.<sup>249</sup> He argued that “We have encouraged and the regulators have taken the lead in learning how to regulate innovation in a way that maintains innovation and competition, but protects consumers and market integrity. It is a difficult balance, but to date our regulators have done a good job.”<sup>250</sup> He echoed Professor Aikman’s point about there being a balance in supporting fintech firms, telling us that:

[...] we need to maintain that balance of innovation, competition and good regulation. It would be a mistake to lurch too far to one extreme, either to have too much innovation with too much risk, or conversely to shut down the innovation and have a less competitive, less innovative, higher-cost market that delivers worse for customers. We need to get the balance right.<sup>251</sup>

**164. The description of Greensill as a fintech firm has been questioned in the course of our inquiry. But in the lobbying by Mr Cameron this description was used with obvious intent, given the Government’s desire to promote fintech. In our view, the claim that Greensill Capital was a fintech appears doubtful. Witnesses have acknowledged that the Government has to be careful when balancing the risks around regulation and innovation. Despite the fact that the Treasury does not appear to have been influenced by the claim that Greensill was a fintech business, care does need to be taken with so called fintech businesses as to whether they are what they claim to be and whether claims about the ‘tech’ are not hiding a ‘fin’ problem.**

### ***Assessing the financial health of Greensill***

165. As seen in Chapter 2, a material portion of Greensill’s funding was provided by investors in certain funds. Yet the onset of the pandemic saw those markets come under strain. On 15 March 2020, Mr Greensill emailed Sir Jon Cunliffe with the following commentary:

The disruption to supply chains and the financing of them is real. In the last week we have seen a great many fixed income investors who support the asset class step back—meaning liquidity could well become a major issue in the coming days.<sup>252</sup>

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248 [Q73](#)

249 [Q535](#)

250 [Q535](#)

251 [Q535](#)

252 [Bank of England, Communications between David Cameron and senior Bank Officials about Greensill Capital and the Covid Corporate Financing Facility \(CCFF\), 22 April 2021](#)

Alongside this risk to its funding, we have also seen in Chapter 2 that Greensill had a particular ‘concentration risk’ to the GFG Alliance.

166. Given that Greensill had been placed in administration by the time of our inquiry, we explored whether, in the period of lobbying considered by this report, the Treasury and Bank should have been more aware of any risks to Greensill at the time of the lobbying.

167. The position of the Treasury was that it had no reason to undertake due diligence in respect of Greensill, since it had never intended to lend to it. Mr Roxburgh explained this point to the Public Accounts Committee as follows:

It would be completely disproportionate to conduct in-depth financial due diligence on a company simply before having a conversation with them. Had we extended credit to the company—which we did not, and would not have done—through the CCFE, that would have been the time to do due diligence.<sup>253</sup>

168. However, there was information flowing into the Bank of England that could have suggested that something might have been amiss at Greensill, or with the customer towards which Greensill had a concentration risk, the GFG Alliance:

- In March 2020, as part of a dialogue with the German regulator, BaFin, the PRA received limited information suggesting that there was a “possible weakness in controls” at Greensill.<sup>254</sup> Sam Woods, Deputy Governor of the Bank of England, explained that “[BaFin’s] concerns at that point, though, were about systems, controls and things of that kind. Again, there were some concentration issues, but they were not stating to us at that point a concern about the solvency of the bank that they regulated”.<sup>255</sup> BaFin then came back to the Bank a week or two later with some “reassurance that they had got, which they put some weight on”.<sup>256</sup> Mr Woods later informed the Committee that the Bank did not pass this information on to the Treasury at that time. He explained that this was “because it conveyed less serious concerns about Greensill than the October information. It also did not add materially to our pre-existing concerns about the position of Wyelands and its relationship with the GFG Alliance, which we were already sharing with HM Treasury”.<sup>257</sup> Further information continued to be passed from BaFin to the Bank, and “the potentially serious nature of the financial difficulties at Greensill began to become apparent to PRA supervisors in October 2020”.<sup>258</sup> Sam Woods told us that “At that point, there was a much stronger concern from BaFin about Greensill Bank, and the situation escalated from there”.<sup>259</sup> This information was passed to HM Treasury on 3 November 2020.<sup>260</sup> **In retrospect, the Bank, by not informing the Treasury sooner about its knowledge of Greensill’s control problems, no matter how relatively unimportant they appeared, may have missed an opportunity. *The Bank***

253 [Oral evidence taken before the Public Accounts Committee on 22 April 2021](#), HC (2019–21) 1368, Q24

254 [Response from the Bank of England to the Committee, dated 6 May 2021](#); Oral evidence taken before the Treasury Committee on 23 June 2021, HC (2021–22) 415, Q9

255 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q9

256 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q9

257 [Letter from Sam Woods to the Committee, dated 02 July 2021](#)

258 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

259 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q9

260 [Letter from Sam Woods to the Committee, dated 02 July 2021](#)

*should review its approach to the disclosure of information on Greensill to the Treasury, to check that it is content with how its systems operated.*

- In late 2018 and early 2019, the Prudential Regulation Authority began to identify problems at Wyelands Bank (whose shareholder is Sanjeev Gupta, owner of the GFG Alliance). These problems were related to a lack of transparency, particularly around connected lending in the context of the ultimate beneficial owner, who is Mr Gupta. As the PRA undertook more supervisory work it imposed restrictions on Wyelands. In October/November 2019, it informed the National Crime Agency of its concerns, and in February 2020, it also shared its concerns with the Serious Fraud Office.<sup>261</sup>

169. Given potential weaknesses in its business model, we queried whether Greensill's desire to access the CCFF was to support its business, potentially through lending to firms to which it had a concentration risk. Mr Greensill told us, however, that his approach to the CCFF was for the following reason:

I think a correct characterisation is that we did not know what was going to happen next. We felt that having, for want of a better expression, a liquidity insurance policy, which the CCFF provided to many businesses in the country who were making a material contribution to the country, was a prudent thing for us as a business to do, simply because nobody knew what was going to happen next.<sup>262</sup>

170. Mr Greensill told us that his first concerns about Greensill as a company were in December 2020, following interactions with the German regulator.<sup>263</sup> Mr Cameron also cited December 2020 as the time when he was first concerned about Greensill's viability. He told us:

The first time I became concerned that the company might be in serious financial difficulty was in December 2020 following a call I received from Lex Greensill, during which I was told that the company's planned capital raising was not going as well as had been hoped.

Up until that point, I firmly believed that Greensill was in good financial health. In the autumn of 2020, I understood Greensill was on track for a relatively strong year financially and it had embarked upon what looked likely to be a successful capital raising.<sup>264</sup>

171. When we pushed Mr Cameron on whether there was more to his lobbying than just supporting SMEs, he told us:

That is not what I felt at the time and it is not what motivated me. I think there is a huge difference between constrained capacity in the credit markets and the risk of a business failing. I think that when Lex Greensill was in front of you he also said that he did not believe that there was a danger of the business failing at that time. He did not think the business faced failure until—as I did—December 2020. If you look at what went on and happened

261 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q153

262 [Q99](#)

263 [Q97](#)

264 [Response from the Rt Hon David Cameron \(Letter\), dated 6 May 2021](#)

in the rest of that year, the business actually had quite a successful year, extending a similar amount of credit in 2020 to what it did in 2019.

On the issue of defaults, like any financial institution, you have clients that occasionally default, but the insurance effectively covered that, as far as I understand. Lex Greensill gave the example of NMC, which did fail, for all sorts of reasons, but Greensill was able to recover the money for its clients because of the insurance situation. I can absolutely say to you that I really believed in the solution that we had and were putting to Government. I thought it would make a difference—that was my motivation for doing so. I have spent most of my adult life in public service. I believe in it deeply. I would never put forward something that I didn't think was absolutely in the interests of the public good. That is what I thought I was doing on Greensill's behalf.<sup>265</sup>

172. Mr Cameron also provided the following factors as to what had encouraged him in his work for Greensill:

One point I would make is that when you are an adviser to a company but not a director, one of the things you ask yourself is, does this company have an effective legal function? Does it have an effective credit committee, risk committee, audit committee? Is it a strong board? And the answer to all those questions seemed to me to be pretty positive, and of course as an adviser, not a director, you take comfort from that.<sup>266</sup>

173. Mr Woods told us that from December 2019, the PRA “were sharing information pretty fully and fairly regularly with the Treasury about what we were up to with Wyelands Bank. Of course, to a limited extent, because of the opacity of the GFG Alliance, that did throw some light on the GFG Alliance as well”.<sup>267</sup> However, the Treasury did not appear to have linked this information to Greensill. Charles Roxburgh told us that:

They were separate entities. Wyelands Bank was owned by the GFG Alliance. Greensill was a provider of finance to the GFG Alliance but not part of it. We were aware, because, as the Governor told you, they [the Bank of England] had shared with us information that they had raised concerns with the NCA about the GFG banks—Commonwealth Trade Bank and Wyelands—in December [2019].

In May [2020], the Bank wrote to us formally indicating the issues and, as the Secretary of State for Business said yesterday, we shared that information with BEIS, because it was relevant to its consideration of an approach that it had had from Liberty for finance. We were aware and we passed the information on. It was about Wyelands and the Gupta Family Group Alliance. It was not information about Greensill.<sup>268</sup>

174. The Chancellor also told us that there was nothing about Greensill at the time, other than the squeeze on credit markets, that had given the Treasury cause for worry about its

265 [Q311](#)

266 [Q365](#)

267 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q8

268 [Q438](#)

future. He told us:

We were not aware of any specific concerns with Greensill at that time from the Bank and others, other than what they had told us, which was a particular financing issue in the commercial paper market that financed the supply chain side of it, but no particular issues around their own business at all.<sup>269</sup>

### **Reputational issues**

175. Prior to the period of lobbying covered by this report, there had been issues raised in press reporting that concerned both Greensill and the GFG Alliance. A Financial Times article in March 2019 reported on concerns around links between Mr Greensill, Mr Gupta and Tim Haywood, from GAM Holdings, an investment firm, one of whose funds provided finance to Greensill. It is reported that Mr Haywood was fired from GAM for “gross misconduct”.<sup>270</sup>

176. In June 2019, Lord Myners tabled a Parliamentary Question about whether the Government was “investigating, or intend to investigate, the (1) management of, (2) investment valuations used by, and (3) relationships between managers and businesses invested in, the GAM Greensill Supply Chain Finance Fund”.<sup>271</sup> A Reuters article from around the same time quoted Lord Myners as saying that “The FCA needs to be looking at the processes followed by GAM and the appropriateness of the investments for a fund that was marketed as low risk”.<sup>272</sup>

177. However, despite these “reputational issues”, Mr Roxburgh said that it was appropriate for the Treasury to hold meetings with Greensill. He told us that:

There were reputational issues around Greensill. You could read the newspapers at the time. There were issues around the reputational side of Greensill, but we have to talk to companies, even if they have bad press. The specific proposal from Greensill was the one that we considered and rejected in two weeks. From 4 April onwards, we were thinking about a broad, industry-wide scheme to see whether we could support small businesses through a broad, industry-wide supply chain finance scheme. It did not work, but, had it been open, it would have been open to any non-bank provider of supply chain finance.<sup>273</sup>

178. The National Audit Office’s recent report on its Investigation into the British Business Bank’s accreditation of Greensill Capital also notes that other agencies of the Government were paying attention to the reputational issues around Greensill. For example, the NAO reports that UK Export Finance (UKEF) refused applications for Export Development Guarantees for lending to Greensill in June and September 2020. The NAO states that “UKEF’s due diligence, which included reviewing publicly available sources and media reports, identified concerns relating to Greensill’s governance and how exposed Greensill might have been to some of its customers. UKEF considered that these potentially raised

269 [Q545](#)

270 “Asset management: inside the scandal that rocked GAM”, Financial Times, 18 March 2019

271 [PQ HL16211](#), 10 June 2019

272 “Britain’s Lord Myners urges UK to investigate GAM-Greensill fund”, Reuters, 19 June 2019

273 [Q452](#)

the risk profile of Greensill”.<sup>274</sup>

### Time spent on Greensill’s proposals

179. In its evidence, the Treasury noted that the period of lobbying by Greensill and its representatives was also a time when the Treasury was “extraordinarily busy” on other policy matters related to the pandemic.<sup>275</sup> The Chancellor noted the significant array of other support programmes that were being developed:

If you think about it, over this timeframe we introduced the CBILS loan scheme in March; in April, we essentially had CBILS 2.0, where we revised lots of conditions and the way the CBILS scheme worked in order to make it work better; we also introduced the CLBILS scheme in April. Then in May we up-sized the CLBILS scheme; we introduced the bounce back loan scheme and the future fund. In June, we introduced the trade credit insurance fund. On top of that, we did three calls for evidence regarding financing for small and medium-sized companies looking at other things, which we ultimately did not take forward.

That was just on the providing of finance to businesses, let alone the half a dozen other policies we had to support businesses, whether that was furlough, VAT cuts, business rates cuts, VAT referrals and the like. There was an enormous amount of work going on, rightly, to support businesses. In the area of providing finance to them, this was really a very small part of that. Ultimately, we decided not to take this forward, but it was absolutely right to diligence the options in this space, not least because it had been alerted to us that this particular segment of the market may be one that required attention.<sup>276</sup>

180. In their evidence to us, officials and ministers dealing with the lobbying by Greensill’s representatives were keen to highlight that this lobbying was not a significant burden on them. Sir Jon Cunliffe noted that “It was not taking up a very large part of my day.”<sup>277</sup> Charles Roxburgh argued that:

There is a disproportionate focus on the transparency return. That is not an accurate reflection of how I spent my time at this time. I just disclosed all my meetings and short phone calls. That is not an accurate reflection of how I spent my time during these months. This was a very small part of my time, when I was working on much more pressing, more important issues throughout this period.<sup>278</sup>

181. The Chancellor also argued that “This was one of many strands of work, and in fact probably the one we spent the least time on, over this period.”<sup>279</sup>

274 Comptroller and Auditor General’s Report, [Investigation into the British Business Bank’s accreditation of Greensill Capital](#), Session 2021–22, HC 301, 7 July 2021, p 11

275 [Response from HM Treasury to the Committee, dated 7 May](#)

276 [Q546](#)

277 [Oral evidence taken on 24 May 2021](#), HC(2021–22) 142, Q144

278 [Q516](#)

279 [Q541](#)

182. On more junior staff, the Bank indicated that the resource in evaluating Greensill's proposals, including the potential extensions to the CCFF, and supporting the call for evidence:

...was approximately 2.5 FTE for a period of approximately six to eight weeks. This was resourced by reprioritising the work of existing Bank staff and no external expenses were incurred. A similar level of resource was involved in performing analysis supporting evaluation and development of other lending schemes at the time.<sup>280</sup>

Charles Roxburgh indicated to the Committee that the Treasury used a similar amount of resource as the Bank in its work on Greensill in the period from 20 March to 26 June.<sup>281</sup>

183. When we pressed the Chancellor of the Exchequer on whether there had been too much time spent by the Treasury on this matter, he noted:

I did not know, and nor did Charles [Roxburgh] or anyone else, at the beginning of that process where the policymaking process would end up. It is right that we do the work on these things and that we get to the right answer. In this particular case, the right answer was not to take this proposal forward. The other interventions that we put in place did work, but, again, we did not know that at the beginning.<sup>282</sup>

184. When we asked the Chancellor why he wouldn't accept the proposition that the proposals as pressed by Mr Cameron would have received at least some degree of special attention given that Mr Cameron was a former Prime Minister, he replied "Because I do not believe it is right."<sup>283</sup>

## Coronavirus Large Business Interruption Loan Scheme (CLBILS)

185. Greensill, in the end, never accessed the CCFF. However, it did become an accredited lender in the Coronavirus Large Business Interruption Loan Scheme (CLBILS) in June 2020.<sup>284</sup> CLBILS was administered by the British Business Bank, which is a government-owned business development bank whose shareholder is BEIS.<sup>285286</sup>

186. In a letter to the Shadow Chancellor of the Exchequer on 20 April 2021, the British Business Bank (BBB) emphasised that the CCFF and CLBILS were two very different schemes:

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280 [Response from the Bank of England to the Committee, dated 6 May 2021](#)

281 [Submission from HM Treasury to the Committee, dated 23 June 2021](#)

282 [Q547](#)

283 [Q576](#)

284 British Business Bank, [Letter from the Chief Executive of the British Business Bank to Anneliese Dodds MP, 20 April 2021](#)

285 British Business Bank, [Letter from the Chief Executive of the British Business Bank to Anneliese Dodds MP, 20 April 2021](#), National Audit Office, 'British Business Bank', 5 February 2020

286 There was some interest in the Greensill application from the Department for Business, Energy and Industrial Strategy. Patrick Magee, Chief Commercial Officer of the British Business Bank, told the Business, Energy and Industrial Strategy Committee that "I think we counted up eight requests for progress, and we were informing them against that progress. We had eight inquiries from officials within the BEIS steel team." He also told that Committee that "There was also one question from a BEIS Minister in passing, before the CLBILS scheme, but it was not an urge; it was a question about whether Greensill would be eligible to apply." See [Oral evidence taken before the Business, Energy and Industrial Strategy Committee on 29 June 2021, HC \(2021–22\) 118, Qq416](#)

The two schemes, and their eligibility criteria, are very different. The Bank of England administers the Covid Corporate Financing Facility (CCFF) whereas the BBB administers CLBILS. CCFF is aimed at providing COVID-19 financial support to investment grade rated businesses whereas CLBILS aimed at providing COVID-19 financial support to UK mid-cap and larger enterprises with a turnover of over £45 million. The CCFF supported companies directly (and excluded financial services firms) whereas CLBILS was a delegated guarantee scheme which operated through a wide variety of lenders. Given the separate nature and purpose of these schemes and the entirely different eligibility criteria, it is not possible to compare accreditation decisions. Applicants that were suitable for one scheme may not be suitable for the other.<sup>287</sup>

187. Mr Greensill told us that Greensill had lent £400 million (the National Audit Office has reported that this was through eight loans, seven of which were to firms connected to the GFG Alliance<sup>288</sup>) under CLBILS, and £18.5 million under CBILS.<sup>289</sup> Given that the guarantees from the British Business Bank cover 80% of the amount lent, Mr Greensill therefore placed the exposure under the schemes at £334,800,000.<sup>290</sup>

188. The CLBILS limit for guarantees on lending by an accredited lender to an individual firm could be raised above £50 million. However, the British Business Bank was required to consult with the Treasury for such approval.<sup>291</sup> Some of the final contacts by Mr Cameron in the period under review in this Report were related to seeing whether that limit could be lifted. In mid-June, Mr Cameron sent messages to Nadhim Zahawi MP, who was at the time Parliamentary Under-Secretary of State for Business and Industry, and to Richard Sharp (who is reported to have been an adviser to the Chancellor on the pandemic).<sup>292</sup>

189. In the end, no such approval for enhanced accreditation was provided. The Treasury told us that:

HMT's only role in the CLBILS process for large loans is, if the BBB are prepared to accredit lenders at this level, they would consult with HMT on providing that lender with enhanced accreditation. The BBB did not approach HMT with a proposal to approve enhanced lending accreditation for Greensill, and as a matter of public record Greensill's individual loan limit remained at £50m for the scheme.<sup>293</sup>

287 British Business Bank, [Letter from the Chief Executive of the British Business Bank to Anneliese Dodds MP](#), 20 April 2021

288 Comptroller and Auditor General's Report, [Investigation into the British Business Bank's accreditation of Greensill Capital](#), Session 2021–22, HC 301, 7 July 2021, p 9–10

289 [Q132](#)

290 [Q132-Q133](#)

291 [Response from HM Treasury to the Committee, dated 7 May](#)

292 [Response from the Rt Hon David Cameron \(Details of contact\), received 6 May 2021](#), "Coronavirus: Sunak's ex-Goldman boss to be adviser on crisis", Sky News, 11 April 2020

293 [Response from HM Treasury to the Committee, dated 7 May](#)

190. In April 2021, the Financial Times reported that GFG Alliance had split companies to allow greater funding to the Alliance by Greensill under the CLBILS scheme, while keeping within the £50 million cap for each transaction.<sup>294</sup> Mr Greensill was not willing to discuss individual customers,<sup>295</sup> but he told us that:

Greensill Capital was selected by the British Business Bank as being eligible to operate the scheme. The credit that we extended to our customers complied with our ordinary credit rules and procedures, which were scrutinised by the British Business Bank. Each facility that we provided was reviewed by a top-tier London law firm, and where there was any question about the interpretation of the British Business Bank rules, we actually had that leading law firm directly discuss the matter with the British Business Bank to ensure compliance with the rules. So, it is my opinion that every facility that we provided complied with the British Business Bank rules.<sup>296</sup>

191. However, the July 2021 Report by the National Audit Office states that:

The [British Business] Bank was concerned that Greensill’s activity may have contravened the scheme rules on lending to groups. Greensill was not accredited to the Larger Scheme Facility. Given that, if the GFG Alliance borrowers were to be treated as a single group, Greensill’s lending was £300 million above the lending limits applicable to it.<sup>297</sup>

192. The Treasury has said that it had no role in the accreditation decision made by the British Business Bank to allow Greensill to take part in the CLBILS scheme.<sup>298</sup> However, given the flow of information to the Treasury and the Bank of England about both Greensill, and GFG alliance, we questioned the Treasury on what information it had passed on to the BBB.

193. Charles Roxburgh provided the following information as to what the Treasury passed on to BEIS:

We were aware, because, as the Governor told you, they had shared with us information that they had raised concerns with the NCA about the GFG banks—Commonwealth Trade Bank and Wyelands—in December. In May, the Bank wrote to us formally indicating the issues and, as the Secretary of State for Business said yesterday, we shared that information with BEIS, because it was relevant to its consideration of an approach that it had had from Liberty [Steel] for finance. We were aware and we passed the information on. It was about Wyelands and the Gupta Family Group Alliance. It was not information about Greensill.<sup>299</sup>

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294 [“Gupta carved up business empire in attempt to secure UK Covid loans”, Financial Times, 15 April 2021](#)

295 [Q121](#)

296 [Q122](#)

297 Comptroller and Auditor General’s Report, [Investigation into the British Business Bank’s accreditation of Greensill Capital](#), Session 2021–22, HC 301, 7 July 2021, p 36

298 HM Treasury, [Letter from the Chancellor of the Exchequer to Anneliese Dodds MP](#), 8 April 2021

299 [Q438](#)

194. Patrick Magee, Chief Commercial Officer of the British Business Bank, speaking to the Business, Energy and Industrial Strategy Committee, noted though that “There was no information passed to the British Business Bank about Wyelands Bank, but, as I was saying earlier, we were accrediting Greensill, not GFG, and certainly not Wyelands Bank.”<sup>300</sup>

195. Charles Roxburgh also refuted any suggestion that there was more the Treasury could have done in relation to the BBB’s acceptance of Greensill as an accredited lender. He told us “We shared the relevant information at the relevant time.”<sup>301</sup>

196. For the Bank’s part, Andrew Bailey noted that “We have no gateway under statute either to the British Business Bank or to BEIS. We have no gateway to provide information. As I said earlier, we kept the Treasury fully informed, but we have no gateway to the British Business Bank or to BEIS”.<sup>302</sup> Mr Woods, Deputy Governor of the Bank of England for Prudential Regulation, also noted that:

[...] we have a gateway to the Treasury. It is quite a full gateway; we can share with it confidential information. We have no such gateway with the British Business Bank, nor indeed with the Secretary of State for Business in his role as the Minister for CLBILS. The only gateways that exist to BEIS are very narrow ones in cases where the Secretary of State has appointed individuals to undertake Companies Act investigations.<sup>303</sup>

197. However, on the potential for reform of the gateways, Mr Woods noted that:

You may well be thinking—I am not sure—that those gateways should be much broader. I am not sure about that, because, if I look at it—perhaps this is too narrow a view—from the point of view of our responsibilities, if firms felt that information passed to us would be passed in a generalised way into Government, it could quite seriously impede what we do. Parliament is being quite wise in putting quite tight constraints on this. Whether they are in exactly the right place, one can debate. Tight constraints are quite sensible for what we do.<sup>304</sup>

198. In its work on the Greensill’s CLBILS application, the NAO found that:

Our review shows that the [British Business] Bank followed a streamlined version of its established process for accrediting lenders for CLBILS when assessing Greensill’s application. That accreditation process was streamlined in response to the policy need to deliver money to businesses at pace during the pandemic. In the case of Greensill, applying a less streamlined and more sceptical accreditation process might have led the Bank to further question several of Greensill’s statements, including on: loan default rates; exposure to specific borrowers and product types; and its business model and ethical standards. Each were the subject of press reports prior to accreditation.

300 [Oral evidence taken before the Business, Energy and Industrial Strategy Committee on 29 June 2021](#), HC (2021–22) 118, Q411

301 [Q448](#)

302 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q162

303 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q10

304 [Oral evidence taken before the Treasury Committee on 23 June 2021](#), HC(2021–22) 415, Q10

It is to the Bank's credit that it quickly picked up the loans allegedly in breach of the scheme rules, and shows that the post-accreditation monitoring process was, in this case, effective. But had the Bank done more due diligence, including on the loans Greensill claimed it intended to make, it is possible that this situation could have been avoided.<sup>305</sup>

**199. The guarantees offered by the Government under the Coronavirus Large Business Interruption Loan Scheme, which are currently suspended, were not direct exposures to Greensill itself but were contingent liabilities relating to the companies to which it lent. But Greensill's symbiotic relationship with the GFG Alliance meant that there was always a risk that Greensill would funnel money towards the GFG Alliance. The Bank had shared with the Treasury information concerning the GFG Alliance through the regulation of Wyelands Bank. While information does appear to have been passed through to BEIS, it appears that the information was not passed on by BEIS to the British Business Bank. There remains an open question as to whether the Treasury, BEIS and the British Business Bank missed an opportunity to prevent these guarantees being extended. We welcome the examination by the BEIS Committee of this issue. We also note the finding by the National Audit Office that a more sceptical process might have prevented the acceptance of Greensill as an accredited lender.**

*200. The Treasury should use the events concerning Wyelands Bank, the GFG Alliance and Greensill to review the information gateways under the Financial Services and Markets Act 2000, and specifically whether there is scope to provide better information, in a more timely fashion.*

## Overall conclusions

201. Despite the lobbying of Greensill representatives, the Treasury did not amend the rules of the CCFF or allow its participation. But this appropriate decision does not necessarily mean that the Treasury handled this situation perfectly. Dealing with the lobbying of Greensill, and Mr Cameron, required Government resources and such lobbying would always run the danger that he would be perceived to be detrimental to the appearance of propriety at the Treasury.

202. **We question Mr Cameron's judgement in relation to his lobbying on behalf of Greensill. Mr Cameron appears to have relied heavily on the Board of Greensill as a guarantee of its propriety and financial health, when arguably he should have taken a broader and more enquiring assessment of the business. There were signals available to Mr Cameron at the time when he was lobbying the Treasury and others which might have led him to a more restrained approach.**

203. **We accept that at the start of the engagement with Mr Cameron, and therefore Greensill, it was right, given the considerable need to provide support to businesses at the start of the pandemic, for the Treasury and others to consider seriously the proposals presented by Greensill for its inclusion in the CCFF.**

204. **We note the firm conviction of the Treasury that the fact that Mr Cameron had previously been Prime Minister and was personally well connected to those he was**

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<sup>305</sup> Comptroller and Auditor General's Report, [Investigation into the British Business Bank's accreditation of Greensill Capital](#), Session 2021–22, HC 301, 7 July 2021, p 12

lobbying had no meaningful effect on how Greensill's application for access to the Covid Corporate Financing Facility was dealt with, including the time spent on it by those at a senior level. Or, put another way, that if the approach had come from someone else less prominent or connected to the Treasury, then overall it would have been given a similar quality and level of attention and engagement. We are very surprised about this, given that Mr Cameron was an ex-Prime Minister, who had worked with those he was lobbying, had access to their mobile phone numbers, and appears to have been able to negotiate who should attend meetings. The Treasury's unwillingness to accept that it could have made any better choices at all in how it engaged in this case is a missed opportunity for reflection. That said, we accept that Treasury officials and Ministers behaved with complete and absolute integrity in their handling of Mr Cameron's lobbying. The Treasury also took the right decision in preventing Greensill from accessing the CCFF.

## Chapter 4: Other matters raised by our inquiry

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### Cost to government

205. Lord Myners provided us with his estimate of what the cost would be to the taxpayer from the failure of Greensill. He argued that “The accumulated losses from Greensill for the taxpayer, in my judgment, are going to be north of £1 billion, of which nearly a half will come as a result of the BEIS Department’s scheme to accredit Greensill as a lender under the coronavirus loan scheme”.<sup>306</sup> He then provided an estimate of the indirect costs, as he saw them:

You have the externalities, the indirect costs, the cost of having to rescue the steel industry from its saviour, Mr Gupta, and the cost of dealing with the social implications of closure of plant, if necessary, or the net present value of up-front subsidies to keep the steel industry in its current form operating. We are going to be talking about a figure, I would have thought, somewhere in the region of £3 billion to £5 billion. The direct cash out of the door relating to Greensill is going to be in the order of £1 billion or so, I would guess, on the basis of the current knowledge we have.<sup>307</sup>

206. However, these estimates did not accord with the view of the Treasury. Charles Roxburgh told us on the direct costs that:

In any insolvency, there are typically creditors. The administrator has released the following figures, quoted in dollars. They owe \$8 million to HMRC. They owe two local authorities about \$168,000. They owe one foundation trust \$10,000. Those are the public sector creditors that we are aware of. Over \$8 million is £5.5 million to £6 million. That is the total exposure. Some of that will be recovered, so that will not be a total loss. Those are the direct costs, £5 million to £6 million, of which there will be recoveries.

There will be some losses to the public sector arising from the job losses. We do not know. It depends how quickly people get jobs and their personal circumstances, so we do not have an estimate for that. On the pharmacy programme, we did have to bring forward some drawings of cash. It is not a cost; it is just a reprofiling of the cash drawings. There is a little bit of lost interest, but a relatively small amount on that, so there is a small cost to that.<sup>308</sup>

207. In a follow-up letter, he also remarked that:

The “statement of administrator’s proposal” dated 6 May [...] indicates a preferential liability related to employee wage and related claims against GCMC. This liability is indicated to be \$2.1m and the document notes that

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306 [Q60](#)

307 [Q61](#)

308 [Q496](#)

“a significant element of these claims will be subrogated to the Secretary of State, following payment of employment-related claims by the Redundancy Payments Service”. This is a reference to a programme operated by the Insolvency Service in which, if an employer has gone formally insolvent, employees can apply for money they are owed. As with the liabilities referred to in the previous paragraphs, there may be recoveries.<sup>309</sup>

208. On the indirect costs that will be borne by the taxpayer if other businesses fail as a direct consequence of Greensill’s failure, Mr Roxburgh has told us in a follow up letter that “the Government guarantees 80% of lenders’ exposure on losses under CBILS and CLBILS. That is, should a borrower default on their obligations to the lender, then the Government provides the lender with 80% of the outstanding balance of the loan.” However, Mr Roxburgh also told us that “there is an investigation under way into Greensill’s activities and while that investigation is ongoing the CLBILS guarantees are suspended.”<sup>310</sup>

209. When pressed on the range of costs described by Lord Myners above, Mr Roxburgh told us “I do not know how Lord Myners came up with that number. We do not recognise it.”<sup>311</sup>

210. The July 2021 report by the NAO noted that “Greensill, through its administrators, has denied making loans outside of the scheme rules, and it contests the [British Business] Bank’s provisional conclusions and questions the fairness of its decision-making.”<sup>312</sup>

**211. At present, the Treasury appears confident that the direct costs of Greensill’s failure to the public purse will be limited. The indirect costs will relate to the guarantees provided under the CLBILS scheme, which are currently suspended. However, we note that the rationale for the suspension of those guarantees is contested by Greensill. It is also too early to assess what additional costs to the public purse might crystallise.**

## Treasury’s knowledge of the system

212. The Greensill episode has also drawn attention to potential gaps in the Treasury’s preparation for actions it could take at a time of economic crisis.

213. At the beginning of the Covid pandemic, the Government did not have schemes to support business already designed and ready to go; the Treasury was designing schemes as they went along. A 2016 exercise into pandemic preparedness did not involve an economic exercise or a blueprint for business grants.<sup>313</sup> **It therefore is not surprising that the Government was urgently searching for different ways to support the UK economy, including investigating avenues when they were unsure as to whether or not they would be useful.**<sup>314</sup>

214. It appears that the Treasury may not have been able to rely on the Bank of England to provide expertise on supply chain finance. Sir Jon Cunliffe, Deputy Governor for Financial

309 [Submission from HM Treasury to the Committee, dated 23 June 2021](#)

310 [Submission from HM Treasury to the Committee, dated 23 June 2021](#)

311 [Q501](#)

312 Comptroller and Auditor General’s Report, [Investigation into the British Business Bank’s accreditation of Greensill Capital](#), Session 2021–22, HC 301, 7 July 2021, p 3

313 [Oral evidence taken before the Public Accounts Committee on 15 June 2020](#), HC (2019–21) 404, Qq61–62

314 See Chapter 3 for a more detailed discussion of the schemes which the Treasury put in place as economic support.

Stability at the Bank of England, told us:

When we had the first approach, I have to say that I did not know much about Greensill and supply chain finance, but we were very keen to understand what they did, whom they did it for, whether it was a general problem and, indeed, whether we were starting to see problems with small businesses that could not access supply chain financing, invoice financing or other ways of dealing with their working capital.<sup>315</sup>

The Bank of England also did not have the data available to estimate the number of SMEs depending on supply chain finance, or such finance provided by Greensill in particular. Sir Jon Cunliffe went on to tell us:

It was right to try to investigate whether there was a general problem with supply chain finance. I will be honest: we did not know or have the information. One of the things we told the Treasury early on is that it is very difficult to get a precise estimate of the number of SMEs that depend on this or, indeed, the number of SMEs that depend or depended on Greensill.<sup>316</sup>

**215. The impact of the pandemic exposed some gaps in the Government’s knowledge about how some financial products and entities interact with the real economy. Some of those gaps may be filled by improved data collection, as we have recommended in Chapter 2. However, the Treasury has a different remit to the regulators, and its information requirements may also therefore differ.**

***216. While the nature of the next civil emergency is unknown, the Treasury should consider what information it needs, in the planning for, and provision of, public support for potential future emergencies. In doing so, it should liaise with the Cabinet Office to ensure that major emergency planning exercises involve consideration of the potential economic impacts and policy response.***

## The Permanent Secretary’s mobile phone

217. Responding to a Freedom of Information request, the Treasury noted that it could not provide the text responses from Sir Tom Scholar to Mr Cameron between 5 March and 7 April 2020.<sup>317</sup> It said that this was because “on 1 June 2020, Mr Scholar’s mobile phone had to be reset, after being automatically locked when an incorrect password was entered several times (this is a standard security feature on Treasury mobile phones)”.<sup>318</sup> Sir Tom told us that the wiping of his phone tended to happen after the password had been changed, which is required at regular intervals. He guessed that similar wipes happened around “once a year on average”.<sup>319</sup>

218. However, Sir Tom attempted to reassure the Committee by saying that:

The important thing to say is that, at the time in March and April last year, where there were messages, including incoming ones, that were of any

315 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q131

316 [Oral evidence taken before the Treasury Committee on 24 May 2021](#), HC(2021–22) 142, Q131

317 HM Treasury, [Freedom of Information Act 2000](#), Ref FOI2021/14423, May 2021

318 HM Treasury, [Freedom of Information Act 2000](#), Ref FOI2021/14423, May 2021

319 [Q487](#)

substance and relevant to Government business, in each case I copied them from my phone on to the official record, and we have released a number of these. In particular, there was one exchange about a possible leak of the Greensill approach to the Treasury. There was another where Mr Cameron told me that they had a specific proposal to put to us. In each case, I copied that into an email and shared it with Charles, as the official leading it, so I made sure that anything that needed to be recorded for the official record was recorded, and that was not lost when the phone was reset.<sup>320</sup>

219. It is reported that “in response to a Freedom of Information request from the PA news agency, the Treasury said that its IT desk reset 117 of its approximately 2,100 mobile phones in 2020.”<sup>321</sup>

**220. We are concerned that it appears that Government records, held on the phone of the Treasury’s Permanent Secretary, are subject to deletion based on lapses of his memory. The Permanent Secretary acted correctly in transferring messages of any substance to the official record. We recommend, however, that the Government reviews its policies and use of information technology to prevent the complete deletion of Government records by the misremembering of a password to a phone, given that this may be a wider problem. Though we have absolutely no reason to believe it in this case, the wiping of information under these kind of circumstances could have the unfortunate consequence of leading some to the suspect it to be deliberate. To be very clear, the committee does not believe this to be the case in respect of the Permanent Secretary.**

## Government records?

221. Since the records of Sir Tom Scholar’s messages to Mr Cameron had been lost from his own work phone, we asked Sir Tom to give his permission for Mr Cameron to release his records of those texts to us. Sir Tom told us “I am certainly happy to ask him to send me a copy of what he has, and then we will release it in accordance with the Freedom of Information Act in the usual way.”<sup>322</sup>

222. We pressed Sir Tom on why it should be handled in this way, rather than the relevant texts being given to the Committee directly. He argued that:

The information that we are talking about is Government information, and it just so happens that we do not currently hold it. If he is prepared to share the information with the Treasury, which I imagine he will be, it will be as if we had held it from the beginning and we will treat it in exactly the same way as we have treated all other information that we hold.<sup>323</sup>

223. In a response to the Committee’s request for these emails, Mr Cameron replied: “I have provided Tom Scholar with a record (and the content) of messages he sent to me, so it is now appropriate that Sir Tom handles this request.”<sup>324</sup> The texts were subsequently released by the Treasury on 18 June 2021, under the Freedom of Information Act.<sup>325</sup>

320 [Q482](#)

321 [“Treasury wiped data from 117 phones after wrong Pin entered”](#), Independent, 12 July 2021

322 [Q478](#)

323 [Q488](#)

324 [Response from David Cameron to the Committee, dated 18 June 2021](#)

325 [HM Treasury, Freedom of Information Act 2000: Request for an internal review](#), 18 June 2021

224. **Though we welcome the release of the redacted texts lost from Sir Tom Scholar’s phone, we find his arguments as to why only the Treasury should have released the records held by Mr Cameron unconvincing. First, these records were no longer Government records, since they had been deleted. Secondly, a Committee’s powers to call for persons, papers and records are exercised independently of the Freedom of Information Act.**

### The impact of transparency around lobbying

225. In the course of his evidence to us, the Chancellor expressed concern about whether the inquiries into Greensill might alter how firms engage with Government. When asked if he thought the Greensill episode might change the way firms feel about engaging with Government, he replied:

Yes, if every informal conversation is essentially the subject of a public interview. People might be more reluctant to share private or prospective thoughts with Ministers, which might help inform policy and provide broader context on what is happening, if they think it cannot be private. We will have to see. It may well serve to have that effect.<sup>326</sup>

Expanding upon this point, the Chancellor told us:

Whether it is trade unions, trade organisations or civil society, it is important for the policymaking process that people feel they can engage with Ministers and officials. Policy is better as a result of that. Often, informal conversations as part of that process or people providing a private perspective on things can help with the policymaking process.

It has certainly been my experience over the last year, making policy in very difficult circumstances, that I have in particular benefited from conversations that I have had with trade organisations or trade unions at pace to develop various scheme. If people feel they cannot or that it would come under enormous exposure, it might serve, as you said, to have a chilling effect on it, which would be disappointing and damaging to the policymaking process.<sup>327</sup>

226. However, when we pressed on this point, he told us:

I completely agree: transparency is important. That is why we have a set of guidelines and frameworks in place that manage that. The question I was asked was, “Does this, on the margin, make businesses less likely to want to engage with the Government, if they feel there is not a space for private conversations about policymaking processes that might be specific to their industry or have commercial sensitivity?” I cannot answer that question; I am not an external party. We are all used to that degree of transparency and scrutiny. Is it conceivable that businesses or other organisations may react differently, as a result of all of this? It is perfectly plausible. I could not rule that out.<sup>328</sup>

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326 [Q555](#)

327 [Q556](#)

328 [Q567](#)

**227. In his evidence, the Chancellor suggested that firms may feel less able to engage with Ministers for fear of the public scrutiny brought to bear in this case. That may be a risk, and there may need to be a balancing act to ensure the free flow of information where necessary. But those approaching Government for support from public finances for policies in their personal or corporate favour should expect public scrutiny and transparency. Any other approach runs the risk of appearing to be in conflict with good governance.**

# Formal minutes

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**Wednesday 14 July 2021**

Members present:

Mel Stride, in the Chair

Rushanara Ali      Angela Eagle  
Mr Steve Baker      Julie Marson  
Harriett Baldwin      Siobhain McDonagh  
Anthony Browne      Alison Thewliss  
Felicity Buchan

Draft Report (*Lessons from Greensill Capital*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 227 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Sixth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjourned until Monday 19 July at 3.00 pm.

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

### Wednesday 28 April 2021

**The Lord Macpherson of Earl's Court GCB; The Lord Myners CBE; Dr Richard Bruce**, Management Accounting & Supply Chain Academic and Practitioner, The University of Sheffield; **Professor David Aikman**, Director, Qatar Centre for Global Banking and Finance, Professor of Finance (Practice), King's College London [Q1–83](#)

### Tuesday 11 May 2021

**Alexander Greensill CBE** [Q84–294](#)

### Thursday 13 May 2021

**Rt Hon David Cameron** [Q295–430](#)

### Thursday 27 May 2021

**Sir Tom Scholar**, Permanent Secretary, HM Treasury; **Charles Roxburgh**, Second Permanent Secretary, HM Treasury [Q431–538](#)

### Thursday 27 May 2021

**Rt Hon Rishi Sunak MP**, Chancellor of the Exchequer, HM Treasury; **Charles Roxburgh**, Second Permanent Secretary, HM Treasury [Q539–620](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

LGC numbers are generated by the evidence processing system and so may not be complete.

1 Transparency International UK ([LGC0015](#))

Other written evidence, including correspondence with the Committee, can be viewed at [Lessons from Greensill Capital - Correspondence - Committees - UK Parliament](#).

## List of Reports from the Committee during the current Parliamentary session

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All publications from the Committee are available on the [publications page](#) of the Committee's website.

### Session 2021–22

Number	Title	Reference
1st	Tax after coronavirus: the Government's response	HC 144
2nd	The appointment of Tanya Castell to the Prudential Regulation Committee	HC 308
3rd	The appointment of Carolyn Wilkins to the Financial Policy Committee	HC 307
4th	The Financial Conduct Authority's Regulation of London Capital & Finance plc	HC 149
5th	The Future Framework for Regulation of Financial Services	HC 147