

Janice Hales
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22nd February 2021

Dear Janice,

Ref: Covid-19 Response- Support for Businesses re Business Disruption Loan Scheme (BDGLS)

Thank you for your email regarding the above review on support for businesses following the Covid-19 pandemic on behalf of the Economic and International Affairs Scrutiny Panel.

As the primary Arms Length Organisation (ALO) responsible for business support in Jersey, clearly we have played a major role in supporting i) individual businesses, ii) industry groups and iii) Government of Jersey in how to respond, plan and operate in these challenging times.

Specifically, with regard to the business support schemes listed by you, whilst Jersey Business (JB) has given input to Government and assisted with the relevant communications, all scheme structural decisions including relevant terms and conditions were made by Council of Ministers following the recommendations of government officers.

You have asked us to respond in detail on the BDGLS and the involvement of JB. You reference in your letter however that this was an insurance scheme, which is incorrect. This was a loan scheme from the banks with a 80% guarantee from States of Jersey.

When this scheme was originally set up it was important to note that there was a real risk that access to funding could well be restricted due to the banking sector tightening their lending criteria as they perceived the risks to be increasing as the pandemic unfolded.

In previous economic recessions this has been the case ie traditional sources of credit started to 'dry up' and so the initial thinking behind the need for such a scheme as the BDGLS was to fill this potential gap at a critical time for businesses when their future revenue streams were very uncertain.

As the crisis progressed however it is fair to say that the banks in general continued to lend directly in most instances without the additional need of any Government guarantee scheme. ie the private sector banking market responded positively to the crisis and worked with their clients through both deferrals and also new lending when required.

Responding to your specific questions we can confirm the following:

1. The volume of small businesses that approached you for advice in obtaining the BDGLS?

266 enquiries were referred to JBL (most of these via the Gov application portal)

2. The advice you offered to the small business owners?

We offered various different levels of advice as follows -

- a. Details of the scheme,
- b. Qualifying criteria
- c. Financial reviews to include gathering of clients historic accounts and production of cashflow forecasts
- d. Reviewing and appealing declined applications (where appropriate)

3. Any after support you offered to small business owners?

- a. We have maintained ongoing support with a number of clients – very often these would be businesses which were unable to secure funding and therefore required ongoing financial analysis and business planning. Often leading on to applying for other government support schemes
- b. We also assisted businesses in preparing for bank lending support where the lender was happy to lend without the need for any Government guarantee

4. The “theme” that seemed to be causing exclusion from claiming?

- a. Initially there were several sectors excluded from the scheme which caused some discontent for applicants from these sectors but also impacted on the number of early applications
- b. Some clients may have had a negative opinion of banks willingness to lend and as such this might have resulted in clients not proceeding with the loan scheme
- c. The scheme was too similar to BAU, meaning the banks did most of their lending under BAU and therefore excluding clients from applying via the BDLGS. This was the banking markets working as they should do.

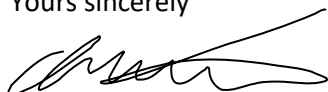
5. If there was an appeal process and if so, the success rate?

- a. No formal appeals process was in place. However appeals were made to the banks via our team and generally dealt with by our Head of Advisory dealing with the Bank Head’s of Corporate. Most appeals were successfully overturned

6. If you could make improvements to the scheme(s) what would they be?

- a. A soft loan product with greater flexibility for delayed repayment terms and no interest payable in year one
- b. Government servicing BDLGS loan interest (for a limited period). This would have been more attractive to businesses needing funding but reluctant to take on debt given uncertain nature of future revenue during pandemic

Yours sincerely



Graeme Smith
Chief Executive Officer