



John Glen MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Thursday 14th January 2021

Dear Minister,

We are writing to you on behalf of British social enterprises, co-operatives and community businesses to ask if we can work with you to improve access to government-backed loan schemes at this critical time.

These businesses put communities first and have been going above and beyond to help people through the current crisis. The vital services they provide are needed more than ever, not only now, but also into the future to ensure that society recovers from the medium and long-term effects of Covid-19. Currently, these services are in serious danger of being lost, unless access to government-backed loan schemes improves swiftly.

Social enterprises, co-operatives and community businesses are a significant and rapidly growing part of the UK economy. There are over 100,000 social enterprises, co-operatives and community businesses, contributing £60 billion to the UK economy and employing 5% of the UK workforce. They are also located in our most deprived areas and provide integral support to those local areas, with one in five social enterprises working in the poorest communities as measured by the Index of Multiple Deprivation. These are the places which have been hardest hit by COVID and are likely to take the longest to recover.

To get through the continued pandemic and to help the country to build back better, these businesses need access to emergency finance. Thanks to the government, Comic Relief and others, 120 social enterprises have received grant support via the Inclusive Recovery Fund, but this represents less than 1% of the sector. The vast majority are still seeking finance.

Unfortunately, we are receiving consistent reports from social enterprises, co-operatives and community businesses that they are facing two key obstacles that block access to government-backed loans. We hope you agree that, by working together, these two obstacles can be swiftly overcome.

Firstly, due to the current high pressure on banking services, social enterprises are reporting that they are not able to open bank accounts at all. This is a serious situation for start-up businesses. The waiting times to open accounts are being quoted as months rather than weeks and some business are being turned away. The pressure on the system leads to a long wait to process new bank accounts once they eventually reach the front of the queue, especially since social enterprises are not seen as a priority, as they are often perceived as businesses outside the banking norm that are not as profitable, despite delivering and leading the government's levelling up and crisis response agenda. This is a failure which we are confident can be corrected.

Secondly, many ethical and social banks that social enterprises bank with do not provide Bounce Back Loans. This means that businesses are being required to set up new bank accounts to access these products and encountering the delays outlined above. This delay is being further exacerbated by the lack of infrastructure for social enterprises, as they often have complex bank mandates and 'out of the ordinary' legal structures, requiring special channels to process loans which are also regrettably slow. Businesses that have to wait twelve weeks for a Bounce Back Loan are in danger of failing. If the government-backed loan schemes are to work in practice, it is vital that these two obstacles are overcome.

We have explored solutions with banks and UK Finance, and have also made direct approaches to the British Business Bank, but the obstacles are not being addressed at the speed required to save these businesses and ensure that the communities they work in are not disproportionately impacted by Covid-19. We feel your involvement in addressing the obstacles would make the rapid difference required. We are also happy to supply evidence of cases to your officials.

Without your involvement, we anticipate that this situation will get much worse, as the new lockdown takes its toll and the deadline for loan applications nears. Given the gravity of the situation for Britain's social businesses, we would be very grateful for a meeting with you and/or your team at the earliest opportunity this month so we can agree a way to jointly overcome these damaging obstacles to the much-needed government-backed loan schemes.

We look forward to your response.

Yours sincerely,

Tony Armstrong, Chief Executive, Locality
James Alcock, Chief Executive, Plunkett Foundation
Kirsty Cumming, Community Leisure UK
Lucy Findlay MBE, Managing Director, Social Enterprise Mark CIC
Colin Jess, Director, Social Enterprise Northern Ireland
Peter Holbrook CBE, Chief Executive, Social Enterprise UK
Catherine Manning, Interim Chief Executive, Social Value UK
Rose Marley, Chief Executive, Co-operatives UK
Chris Martin, Chief Executive, Social Enterprise Scotland
Mark Norbury, Chief Executive, UnLtd
Derek Walker, Chief Executive, Wales Co-operative Centre