Cripps

All things 'BILS', Directors Disqualification, recent cases and recommendations

In the space of 15 months, from March 2020, the three main Covid loan schemes – Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and a scheme for larger loans, CLBILS – handed out nearly £80bn to businesses.

BBL was the biggest scheme, distributing £47bn to 1.6 million recipients, who were able to borrow up to £50,000 each. Meanwhile, fraud losses were estimated at £4.9bn at the end of March – although PwC, the accountancy firm hired by the government, has since reduced its estimate to £3.5bn.

Banks, intent on protecting their finances, usually apply stringent credit checks to help avoid fraud and ensure customers can repay their loans, but what was eventually agreed for bounce back, amid pressure from the Treasury to speed up loan distribution, was that checks would be dispensed with altogether.

The British Business Bank was clear with the lenders that they were prohibited from carrying out credit checks.

Borrowers, left to self-certify, had to confirm they met certain criteria, namely that they were based in the UK and affected by Covid; that they were in business as of 1 March 2020 and not insolvent as of 1 December 2019.

It has since come to light that certain lenders paid bounce back loans to already dissolved companies, while loans were granted to companies incorporated after the pandemic hit.

Insolvency Service records show some took loans to fund gambling or currency trading – money the government is unlikely to ever recover – while others spent it on things such as home improvements, car raffles

or luxury personal items.

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