

David Beckett
Office for National Statistics
Government Buildings
Cardiff Road
Newport
NP10 8XG

Room: 1.264
Tel: 01633 456980
Email: David.Beckett@ons.gov.uk
Our Ref: Case 2020-25

Date: 29 May 2020

Mr Andrew Evans
Public Expenditure Classification Branch
HM Treasury
2/N1 1 Horse Guards Road
London
SW1A 2HQ

Dear Mr Evans,

Notification of classification of Coronavirus Business Interruption Loan Scheme and Coronavirus Large Business Interruption Loan Scheme

ONS has undertaken a classification assessment of the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS). CBILS and CLBILS are loan guarantee schemes created by the government to support UK businesses that are losing revenue and seeing their cashflow disrupted as a result of coronavirus.

ONS assessed CBILS and CLBILS in the context of the internationally-agreed rules laid out in the European System of Accounts (ESA) 2010 and the accompanying Manual on Government Deficit and Debt (MGDD) 2019.

The assessment noted that the guarantees possessed characteristics of both one-off and standardised guarantees, but concluded that it is key that,

- The guarantees were issued in large numbers along identical lines
- There is some risk pooling between guarantees
- When the guarantees were extended initially, it was difficult for the government to make a reliable estimate of the average future loss. However, guarantees extended at a later date benefited from projections of future losses

Therefore, the assessment concluded that the guarantees should be recorded as standardised in nature.

The assessment also concluded that there was no evidence that the guarantee fees paid from banks to government are set to cover expected losses (see MGDD 2019 7.4.3.1.1, 47), and that there is no market for such guarantees beyond the provision offered by the government. As a consequence, the fees have been classified as non-market output (P.131).

Finally, the business interruption payment, which covers the first twelve months of interest payments from

the borrower to the lender, should be classified as a subsidy on production (see ESA 2010 4.37c).

The above conclusions have been approved by the Deputy National Statistician (Jonathan Athow) to whom the National Statistician has delegated decision-making on classifications.

I trust this provides sufficient explanation of the assessment. Please do get in touch if you have any questions or comments.

Yours sincerely,

David Beckett
Head of Economic Statistics Classifications