

Evaluation of Recovery Loan Scheme 1.0

RLS 1.0 Evaluation

2024

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# List of terms

BBB – British Business Bank

BBLS – Bounce Back Loan Scheme

BICS – Business Insights and Conditions Survey

CBILS – Coronavirus Business Interruption Loan Scheme

CJRS – Coronavirus Job Retention Scheme

CLBILS – Coronavirus Large Business Interruption Loan Scheme

Covid-19 Loan Guarantee Schemes – Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme and Coronavirus Large Business Interruption Loan Scheme

DBT – Department for Business and Trade (formerly BEIS)

EFG – Enterprise Finance Guarantee

PSM – Propensity Score Matching

RLS – Recovery Loan Scheme

R&D – Research and Development

SME – Small and Medium-Sized Enterprises

UK – United Kingdom

VAT – Value-Added Tax

# Note to readers

After supporting over 1.6m businesses to access finance during a period of significant disruption, the original three Covid-19 Loan Guarantee Schemes – Coronavirus Business Interruption Loan Scheme (CBILS), Coronavirus Large Business Interruption Loan Scheme (CLBILS), and Bounce Back Loan Scheme (BBLS) – closed for new applications in March 2021.

Economic uncertainty and disruption, however, continued to affect UK businesses and the British Business Bank (BBB) launched the Recovery Loan Scheme (RLS) on 6 April 2021, with an initial end date set to 31st December 2021.

The core objective of RLS was to continue to support otherwise viable businesses with both working capital and productive finance to invest and grow through Government-guaranteed debt facilities. The scheme was based on similar principles to, and structured like, the first Covid-19 Loan Guarantee Scheme – CBILS – with Government guaranteeing 80% of credit losses incurred by lenders.

Since this first scheme was launched two further iterations of RLS have been launched, with the current version running until 30th June 2024. A new 21-month extension (until March 2026) alongside a name change to the ‘Growth Guarantee Scheme’ was recently announced in the 2024 Spring Budget. Importantly, each iteration has modified scheme parameters, such as the guarantee rate and maximum loan size, meaning the schemes are not directly comparable.

To avoid confusion, this evaluation focuses on the first iteration of the Recovery Loan Scheme between April and December 2021, known hereafter as “RLS 1.0”. Evaluations of more recent iterations of RLS, as well as a longer-term evaluation of RLS 1.0, will take place in future years.

Finally, RLS 1.0 was launched by BBB and the then Department for Business, Energy and Industrial Strategy (BEIS). After the Machinery of Government change in February 2023, responsibility for business finance and BBB moved to the newly created Department for Business and Trade (DBT). This evaluation report refers to DBT, rather than BEIS, throughout.

# Executive summary

## Context

In the early stages of the coronavirus pandemic the government moved quickly to support access to finance for businesses through the three Covid-19 Loan Guarantee Schemes (BBLS, CBILS and CLBILS). These schemes closed for new applications in March 2021, however, the economy had not fully escaped pandemic induced disruption and certain sectors were impacted particularly hard by pandemic restrictions. Furthermore, even long-term viable Small and Medium-Sized Enterprises (SMEs) faced potential barriers to obtaining external finance.

As a result, the first iteration of the Recovery Loan Scheme (RLS 1.0) was launched on April 6th 2021 with an initial end date of 31st December 2021. The scheme aimed to provide further financial support to businesses to recover and grow following the pandemic.

In February 2023, the British Business Bank (BBB) commissioned London Economics and Ipsos to undertake a process evaluation and early impact evaluation of RLS 1.0. The evaluation aims to assess whether the objectives of the Recovery Loan Scheme were satisfied. It should be noted that a further evaluation of RLS 1.0, relying more on secondary data as it becomes available, will be commissioned in future years.

## Approach

The evaluation uses a mixed methods approach combining a quantitative survey, qualitative interviews as well as primary and secondary sources. It consists of two distinct strands, an impact evaluation and a process evaluation.

The impact evaluation relies mostly on a primary data collection exercise, as well as BBB management information and interviews with lenders. Survey fieldwork undertaken by Ipsos resulted in 478 interviews. This consists of 242 RLS 1.0 borrowers and 236 non-borrowers – the latter set of businesses are referred to as the ‘control’ group. Non-borrowers were selected to be similar to borrowing businesses in that they have all faced challenges or opportunities because of the Covid-19 pandemic. This increases the likelihood that both groups of businesses have faced similar financial and operational issues during the reference period of the evaluation.[[1]](#footnote-2) The impact evaluation covers the economic additionality of the scheme, product market displacement, the impact of lending on businesses and the lender response to scheme parameters.

The process evaluation research included a review of: Programme documentation (for example documentation describing how the schemes had been designed, scheme guidance etc.); Management Information (data around the scheme portfolio and lenders); and secondary datasets (for example ONS datasets, BBB’s SME Finance survey, and Bank of England data presenting commercial lending interest rates). The review of information and data was supplemented with stakeholder consultations with individuals involved with the design and delivery of RLS 1.0, and accredited lenders delivering the scheme. A descriptive analysis was used for the quantitative data collected, and the qualitative data was analysed thematically.

## Key findings

This is the first evaluation of RLS 1.0, covering the impact of the scheme as well as the processes that were in place as part of the scheme. There will be a subsequent evaluation of RLS 1.0 that both explores the medium- and long-term impacts of RLS 1.0 while also making use of alternative data sources to add robustness to the findings. This section highlights some key findings of this initial evaluation.

**Process evaluation key findings**

* RLS 1.0 evolved from CBILS. The key changes were around the introduction of an additionality test, changes to the Scheme Lender Fee, the removal of the Business Interruption Payment (BIP) and changes made to the Undertaking in Difficulty test in Great Britain. However, there were also learnings taken from the delivery of CBILS around data collection and sharing which have supported the implementation of RLS 1.0, such as the clarity of data fields being asked for and a lack of duplicate requests from different Government stakeholders. These changes appear to have a positive impact on lenders’ ability to deliver the scheme alongside commercial lending.
* The accreditation process for RLS 1.0 was much quicker than was the case for CBILS. Anecdotal evidence from interviews with accredited lenders suggested the process could be completed in under a month. A total of 84 lenders were accredited for RLS 1.0, which covered a variety of types of lenders.
* RLS 1.0 provided just under £2.8bn in guaranteed lending facilities to c.10,000 businesses. The scheme, as was originally intended, has not provided facilities to a large proportion of the UK economy, with 0.2% of businesses in the UK using RLS 1.0. Some of the sectors which were more impacted by restrictions remaining in place and the aftereffects of restrictions in 2020, for example retail and accommodation and food, had slightly higher proportions of businesses being supported.

**Impact evaluation key findings**

* RLS 1.0 was found to have a positive impact on borrowers’ turnover, with econometric analysis estimating that RLS 1.0 borrowers had 17% higher turnover than they would have had without the scheme.
* RLS 1.0 borrowers reported that the scheme was important for their survival, with 12% of surviving RLS 1.0 borrowers reporting that they definitely would have ceased trading and a further 47% saying they would have been very or fairly likely to have ceased trading if not for the scheme.
* The most common use of the finance extended under RLS 1.0 was for day-to-day expenses and purchasing goods and materials, however, there is also evidence to suggest that finance under RLS 1.0 enabled borrowers to undertake innovative activities such as developing new products and processes as well as R&D and reducing carbon emissions.
* The vast majority of finance extended under RLS 1.0 would not have been provided without the scheme, as it is estimated that 83% of loans under RLS 1.0 were economically ‘additional’.

## Process evaluation

The activities used to deliver RLS 1.0 evolved from the delivery of CBILS. The broad framework for delivery was the same as for CBILS, however, the objectives and design of the scheme were altered in light of feedback from lenders, policy stakeholder reviews and key lessons learned from the delivery of CBILS. The key changes were around the introduction of an additionality test, changes to the Scheme Lender Fee, the removal of the Business Interruption Payment (BIP) and changes made to the undertaking in difficulty test.

The changes made to the scheme design appear to have had a positive impact on lenders’ ability to deliver the scheme alongside commercial lending. A majority of lenders interviewed have only offered facilities through the scheme to businesses described as being “on the cusp” of being able to access commercial finance (those that nearly met their criteria for commercial lending but would have been rejected in the absence of RLS 1.0). This suggests that the lending has been additional. Economic conditions, however, have meant that the scale of the scheme (at around £2.8bn in lending) was significantly lower than CBILS and initial estimates of the scale of the intervention.

The risks of fraud were considered to be low during the scheme design phase, especially when compared to the risks associated with BBLS. The research did not find any evidence that this assessment was inaccurate, as lenders were obliged to undertake BAU checks on borrowers, and no fraud risks that were not in the original business case were highlighted by lenders or stakeholders.

The accreditation process for RLS 1.0 was much quicker than was the case for CBILS. Anecdotal evidence from the interviews with accredited lenders suggested the process could be completed in under a month. This was because of the reduced time required to collect information for the lenders, the existing knowledge of CBILS accredited lenders about what information was required to become an accredited lender, and the skills and capacity of BBB staff meaning they could address the volume of applications received. A total of 84 lenders were accredited for RLS 1.0, which covered a variety of types of lenders.

RLS 1.0 provided just under £2.8bn in guaranteed lending facilities to c.10,000 businesses. The scheme, as was originally intended, has not provided facilities to a large proportion of the UK economy, with 0.2% of businesses in the UK using RLS 1.0. There was a relatively even distribution of businesses supported across the UK, with between 0.1% and 0.2% of businesses supported in all areas of the UK. Some of the sectors which were more impacted by restrictions remaining in place and the aftereffects of restrictions in 2020, for example retail and accommodation and food, had slightly higher proportions of businesses being supported. This indicates that RLS 1.0 did help to fill a finance gap for businesses in those affected sectors that could not access commercial finance.

The data collection processes appear to have learnt lessons from the delivery of CBILS, with no significant issues being reported in the provision and assessment of data. The scale of lending has contributed to lenders being able to provide data without significant challenges, but BBB have also learned lessons from the previous lending schemes around how data is requested and transferred to their portal, meaning the process now appears to be more efficient for RLS 1.0.

## Impact evaluation

The impact evaluation is an early assessment of the impact of RLS 1.0. It covers the use of finance obtained under the scheme as well as the impact of that finance on survival, turnover and employment. It also assesses whether RLS 1.0 borrowers could have obtained finance without the scheme (additionality) and the extent to which activity undertaken by RLS 1.0 borrowers could have been carried out by other firms (displacement). Finally, it considers how RLS 1.0 scheme parameters may have impacted the amount of finance provided under the scheme.

### Impact of the Covid-19 pandemic on borrowers

To provide some context to the RLS 1.0 impact assessment, this report investigates the impact of the pandemic on both borrowers and non-borrowers. 62% of borrowers reported that changing market demand was a major obstacle to the operation of their business during the pandemic. Furthermore, almost half of borrowers reported that supply chain disruption, changes for Covid-19 compliance and increased debt levels were a major obstacle to their operations.

These obstacles may have contributed to borrowers’ decision to seek finance under RLS 1.0. Finance under RLS 1.0 was often used to supplement other kinds of business support accessed earlier, in particular the Covid-19 Loan Guarantee Schemes (used by 84% of borrowers and which closed prior to the launch of RLS 1.0) and the Coronavirus Job Retention Scheme (CJRS), which was used by 69% of borrowers.

### Impact of lending on businesses

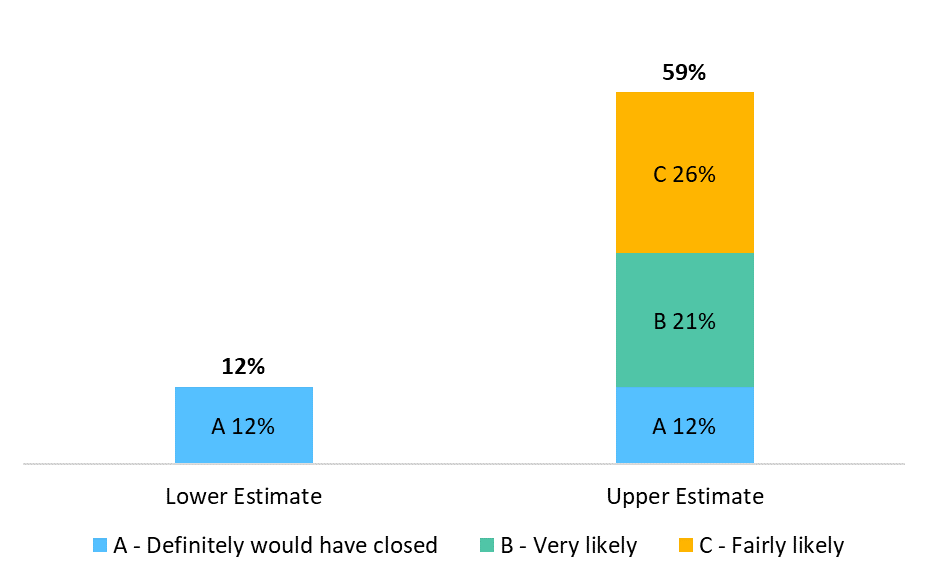
#### Borrowers’ use of the funds

Borrowers reported that they used their finance obtained under RLS 1.0 for a wide range of different purposes. The most common uses of the funds were day-to-day expenses (reported by 62% of borrowers), the purchase of materials and/or goods (34%) and paying staff salaries (24%). Borrowers were also asked what their ‘main’ use of the finance was, and again day-to-day expenses (43%), purchase of materials and/or goods (17%) and paying staff salaries (9%) were the most cited reasons. This suggests that RLS 1.0 may, in some cases, have been vitally important in enabling businesses to remain operational through the pandemic, and consistent with the estimated impact of receiving finance under RLS 1.0 on business survival, discussed in the next section.

#### Impacts on business survival

The analysis suggests that 12% of surviving RLS 1.0 borrowers would have definitely ceased trading without the finance they received under RLS 1.0, and a further 47% would have been very or fairly likely to have ceased trading (Figure 1).

##### Figure 1: Self-reported impact of finance under RLS 1.0 in preventing business closure

Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

It should be noted that impacts of RLS 1.0 on survival are based on businesses’ own self-assessment of their survival prospects using survey data that asked businesses how likely they would have been to permanently close had they not accessed finance under RLS 1.0. As such, the impacts should be separate from the survival impact of other schemes that borrowers may have participated in, but other evaluations have found that estimates of business survival impacts can be higher when using self-reported data than when using secondary data.[[2]](#footnote-3)

The analysis also explored whether there is any variation in survival impacts according to sector or region. There was only a small variation in the self-reported survival impacts of the schemes across sectors, however, borrowers in London were more likely to report that RLS 1.0 played an important role in enabling their survival than borrowers in other regions.

#### Impacts on turnover and employment

Econometric analysis found a statistically significant impact of RLS 1.0 on turnover when focusing on businesses which survived the pandemic. It is estimated that use of finance under RLS 1.0 is associated with 17% higher turnover. On the other hand, the analysis did not find a statistically significant impact of RLS 1.0 on employment.

It should be noted that this analysis was largely based on a sample of businesses that survived the pandemic. Therefore, these impacts do not include any turnover or employment preserved by the fact that some businesses would have ceased trading without the finance they received under RLS 1.0. In one of the econometric models the impact of other business support schemes (the CJRS and the Covid-19 Loan Guarantee Schemes) were controlled for but this had no bearing on the estimated impacts of RLS 1.0 on turnover and employment.

The analysis was based on a comparison of turnover and employment between borrowers and non-borrowers. This exercise is based on two steps, both aimed at minimising the risk that any observed differences in outcomes between both groups are attributable to factors other than RLS 1.0. First, a subsample of non-borrowers was selected based on their similarity with borrowers in terms of observable characteristics (e.g., growth, sector) and the kinds of business obstacles encountered during the pandemic.[[3]](#footnote-4) The second step is a comparison of both groups’ turnover and employment before and after the introduction of RLS 1.0.

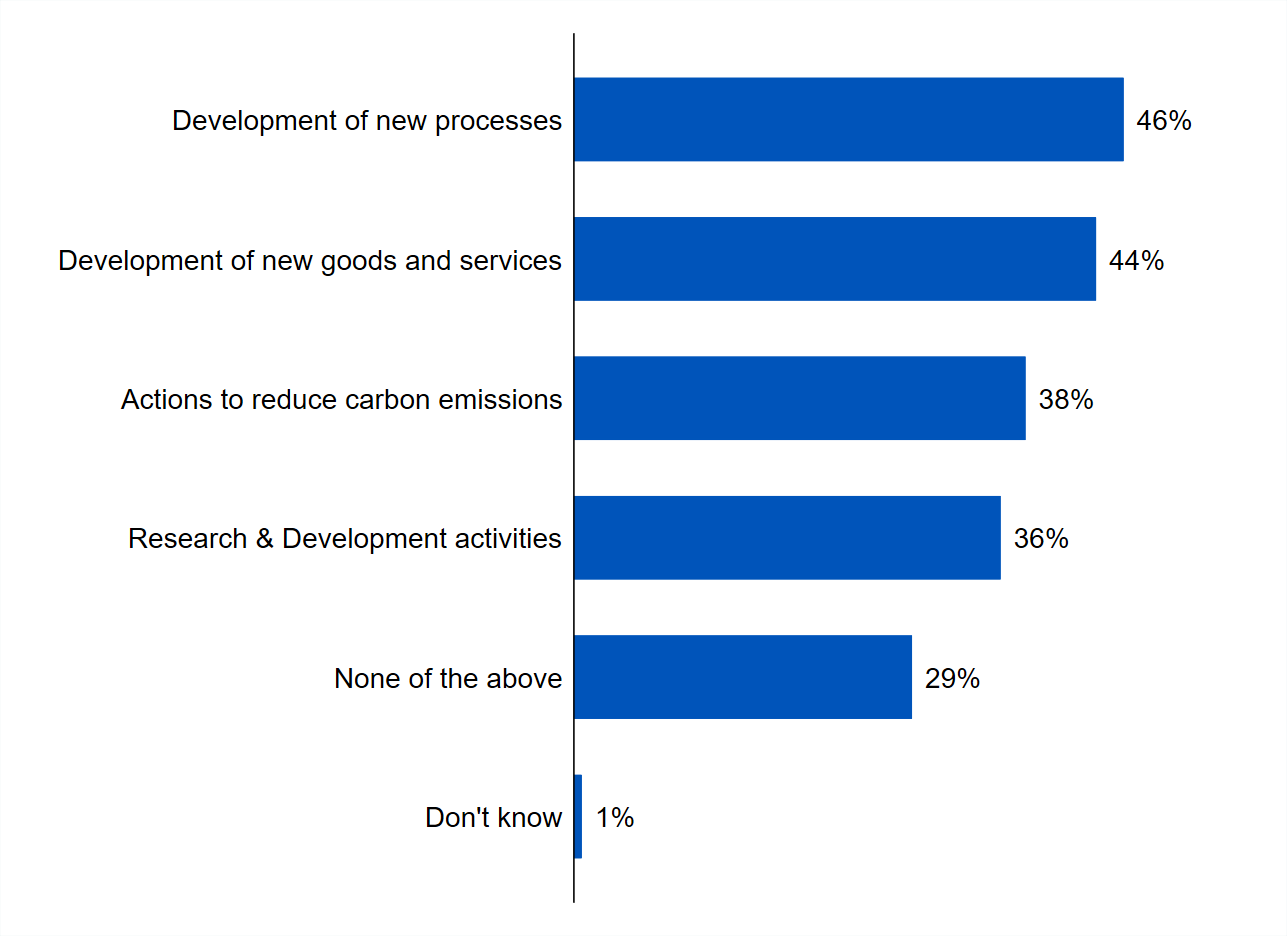
The positive impact of the scheme on turnover should be interpreted in the context of the fact that some of the finance under RLS 1.0 was not additional (from an economic perspective) or may have been displaced from other firms in the economy (see the sections that follow for a discussion of additionality and product market displacement).

The fact that the analysis identifies an effect of RLS 1.0 on turnover but not employment is indicative of a possible impact of the scheme on productivity, however a formal analysis of productivity is beyond the scope of this evaluation.

#### Other impacts

Borrowers also reported whether they had undertaken certain innovative activities since receiving their finance under RLS 1.0.

##### Figure 2: Activities undertaken by borrowers since accessing finance under RLS 1.0



Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

The fact that borrowers reported that their primary use of the finance received under RLS 1.0 relate to paying bills and expenses and that they are also often undertaking these activities suggests that RLS 1.0 may have played an important role in preventing cash flow issues among borrowers whilst they continue to innovate.

Although we do not have comparable data on the extent to which such activities have been undertaken by non-borrowers and as such cannot directly attribute these activities to the scheme, there is information on R&D activities within the BICS (Business Insights and Conditions Survey). It is found that only 10% of businesses carried out any in-house R&D in 2021, which increases to 19% when excluding businesses with fewer than 10 employees.[[4]](#footnote-5) Both of these estimates are substantially lower than the proportion of RLS 1.0 borrowers that undertook R&D activities as found in this study.

### Additionality of lending

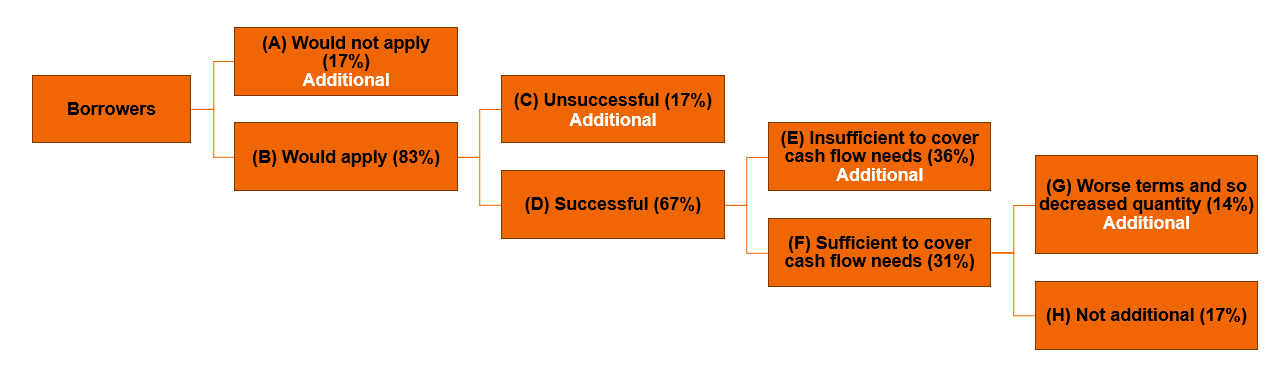
One aim of the evaluation is to estimate the extent to which borrowers could have found suitable alternative finance in the absence of RLS 1.0 (additionality). It should be noted that discussion of additionality in the impact evaluation relates to economic additionality, and is completely unrelated to discussion of the legal requirement for finance under RLS 1.0 to be additional (discussed in the process evaluation). Overall, it is estimated that 83% of RLS 1.0 loans were additional. A loan is defined as being additional if, in the absence of RLS 1.0, alternative sources of funds would not have met at least one of the conditions below.

Additionality is based on four criteria and estimated using survey data. The evaluation considers the following aspects of additionality:

* Whether borrowers would have applied for other sources of external finance.
* Whether that application would have been successful.
* Whether these other sources of external finance would have covered the borrower’s cash flow needs.
* Whether the other source of finance would have been obtained at worse terms and, as a result, in reduced quantity.

The chart below illustrates the dimensions according to which loans according to RLS 1.0 were additional. The most prevalent aspect of additionality (36% of borrowers) consisted of borrowers who likely would have been able to obtain alternative finance to RLS 1.0, but not in sufficient quantity.

##### Figure 3: Additionality of RLS 1.0 (overall 83%)



For context, the first three elements of additionality can be directly compared to those from the evaluation of BBLS, CBILS and CLBILS.[[5]](#footnote-6) The table below compares additionality rates according to these three aspects between RLS 1.0.

##### Table 1: Additionality of RLS 1.0, BBLS, and CBILS/CLBILS

|  | RLS 1.0 | BBLS | CBILS/CLBILS |
| --- | --- | --- | --- |
| Dates open | April – December 2021 | May 2020 – March 2021 | March/April 2020[[6]](#footnote-7) – March 2021 |
| Would not apply for other external finance | 17% | 45% | 39% |
| Would not be successful in their application for external finance | 17% | 15% | 14% |
| Alternative finance would have been insufficient to cover cashflow needs | 36% | 14% | 17% |
| Additional according to any of the above | 69% | 74% | 69% |

Additionality according to these three elements was slightly higher for BBLS than for RLS 1.0, and roughly the same for CBILS/CLBILS. Furthermore, a much higher proportion of additionality of the Covid-19 Loan Guarantee Schemes came from borrowers who otherwise would not have applied for external finance. This is perhaps to be expected given the particular focus of the Covid-19 Loan Guarantee Schemes on helping businesses through the pandemic, the very widespread take up of these schemes and the extremely challenging conditions in the first few weeks of the pandemic.

The evaluation also explores whether there is any variation in additionality across borrowers accessing finance under RLS 1.0 from different types of lenders. The analysis found that loans provided by banks were less likely to be additional than loans provided by other institutions. In particular, only 72% of loans from banks were found to be additional, in comparison to 85% of loans from other institutions. This difference, statistically significant at the 10% level,[[7]](#footnote-8) emphasises the importance of lender diversity and competition and suggests that RLS 1.0 has helped businesses that may not qualify for traditional finance from banks to obtain finance through other avenues. For context, 31% of facility volume and 56% of facility value extended under RLS 1.0 were from bank lenders. Detail on which lenders were classified as banks and which as non-banks can be found in Annex 5.

### Product market displacement

Any impacts of RLS 1.0 on the business outcomes of borrowers should take into account the extent to which economic output from these borrowers displaces output from competitors. For instance, while a restaurant may grow by catering to new customers that did not previously go to restaurants, it may also grow at the expense of other restaurants (i.e., lead people to switch away from competitors).

It should be noted that the extent of product market displacement depends on the benchmark against which it is being assessed. For the purposes of this research, displacement is measured at the time that borrowers received their finance under RLS 1.0 (the scheme was open from April 6th to December 31st 2021). For context, product market displacement was estimated in the same way in the evaluation of BBLS, CBILS and CLBILS and, as shown in the table below, the estimates are broadly similar.

##### Table 2: Estimates of product market displacement from the evaluations of RLS 1.0, BBLS and CBILS/CLBILS

|  | RLS 1.0 | BBLS | CBILS/CLBILS |
| --- | --- | --- | --- |
| Dates open | April – December 2021 | May 2020 – March 2021 | March/April 2020[[8]](#footnote-9) – March 2021 |
| Product Market Displacement | 45% | 43% | 46% |

It should be noted that these estimates for product market displacement are based on self-reported data. This is important as, in the evaluation of BBLS, CBILS and CLBILS, estimates for product market displacement increased to 51%-56% and 52%-56% when using observed competition rather than self-reported competition for BBLS and CBILS/CLBILS respectively.[[9]](#footnote-10)

More generally, it should also be noted that while RLS 1.0 was open economic output was still below potential.[[10]](#footnote-11) Hence, any product market displacement is unlikely to have occurred immediately and may become more noticeable as the economy approaches full capacity.

### Lender response to scheme parameters

The changes to the scheme parameters (or continuation of existing parameters), compared to CBILS, had an impact on lenders. These included changes to the scheme lender fee for providing the lending, the maximum interest rates permitted and the requirement of passing through the benefit of the guarantee, the continuation of personal guarantees not being required and the introduction of an additionality test. The most significant impact on lenders was on the scale of lending and the types of business they were providing lending to through the scheme. Accredited lenders reported that during the period the Covid-19 Loan Guarantee Schemes were live, the majority of lending they were providing was through guaranteed schemes. However, the changes to the parameters meant that commercial lending was a more appealing offer than the terms that would be offered through RLS 1.0 for most businesses.

This is demonstrated by the estimated proportion of total business lending that RLS 1.0 represented. The Covid-19 Loan Guarantee Schemes represented a majority of business lending in 2020 (around 80% of business lending), but RLS 1.0 lending appears to represent under 3% of total business lending in 2021.[[11]](#footnote-12)

As the scale of business lending through RLS 1.0 was relatively low, it was reported to have had a very limited impact on competition in the SME finance market. Accredited lenders that were consulted confirmed that RLS 1.0 lending represented a low proportion of their total lending portfolio and felt that it had not impacted the market significantly, or their position within the market.

# Introduction

London Economics and Ipsos were commissioned by the British Business Bank (BBB) in February 2023 to undertake an evaluation of the Recovery Loan Scheme (RLS 1.0).

This report provides findings from the process evaluation which aimed to assess the processes adopted to deliver RLS 1.0 and enable BBB and DBT to efficiently meet their policy objectives, as well as an early impact assessment which provides early quantitative estimates of the impact of RLS 1.0 on businesses.

## Policy context

In 2020 the UK, along with the rest of the world, faced major public health and economic challenges owing to the Covid-19 pandemic. The government moved at pace to design and launch the three Covid-19 Loan Guarantee Schemes (BBLS, CBILS and CLBILS) to support businesses’ ability to access affordable finance and increase business survival at the start of the pandemic. These schemes closed for new applications in March 2021, however new variants of Covid-19 meant that the economy had not fully escaped pandemic induced disruption. Furthermore, certain sectors were impacted particularly hard by pandemic restrictions at the local and national levels (e.g. hospitality and tourism) and even long-term viable SMEs faced potential barriers to obtaining external finance. The scale of persistent disruption is evidenced by the fact that the ONS Business Insights and Conditions Survey (BICS) showed that in January 2021, 16% of SMEs reported a turnover decrease of more than 50%; 15% a decrease between 20% and 50% and 14% a decrease of up to 20%.[[12]](#footnote-13)

These factors justified further support to businesses, and as such the first iteration of the Recovery Loan Scheme (RLS 1.0) was launched on April 6th 2021 with an initial end date of 31st December 2021. The scheme aimed to provide further financial support to businesses to recover and grow following the pandemic. In particular, it aimed to unlock finance for cashflow and/or investment purposes where businesses were impacted by Covid-19 but were still able to afford external credit. In the 2021 Autumn Budget, a six-month extension of the scheme was announced, applying from 1st January 2022 (RLS 2.0) and a third iteration of the scheme (RLS 3.0) will run until June 2024. It should be noted that this evaluation focuses exclusively on RLS 1.0.

The overarching aim of the Recovery Loan Scheme was to provide financial support to UK businesses as part of recovery and growth following the pandemic. It aimed to unlock finance for cashflow and/or investment where businesses were impacted by Covid-19 but could still afford external finance. Sitting underneath this were the following four key objectives:

* The scheme will unlock finance such that those businesses that can afford more debt and are disrupted by the Covid-19 pandemic can satisfy working capital needs and/or invest in productive capacity;
* The scheme will complement other government support and initiatives aimed at businesses;
* The scheme design should incentivise appropriate risk taking by lenders; and
* The scheme should aim to deliver high value for money, given evidence.

## Evaluation context

### Inception stage

In the inception stage of the evaluation, BBB assembled a steering group to oversee the project which includes representatives from key stakeholder organisations (including BBB, DBT, and HMT). The evaluation team have met with the steering group at key junctures in the evaluation to provide progress updates, present emerging findings and discuss key risks (and potential mitigations) that would impact the quality and delivery of the evaluation.

The steering group formally signed off several key outputs during the evaluation, including:

* A methodology paper: This paper provided a detailed description of the methods that were proposed to be used in the impact evaluation as well as the rationale for their selection to address the evaluation questions. The paper was peer-reviewed by an academic appointed by the evaluation team as well as two external academics appointed by DBT.
* Research tools: A survey questionnaire and interview topic guides were developed to collect data on key research questions. The questionnaire design was led by the needs of the quantitative analysis.

### Research questions

The key research questions are split into process and impact questions. Table 3 provides more detail on the research questions that were examined as a part of this evaluation.

##### Table 3: Evaluation research questions

|  |  |  |
| --- | --- | --- |
| **Process Evaluation** | **Scheme Design** | How did the activities in place to design and deliver RLS 1.0 evolve from those in place for the Covid-19 Loan Guarantee Schemes? Including:   * Analytical input and evidence gathering; * Scheme objective setting; * Scheme parameter setting; * Cross-government decision making; * Lender accreditation processes; * Scheme communication with lenders; * Lenders’ ability to implement schemes   How effective were these changes in meeting the scheme objectives?  To what extent were fraud risks appropriately considered as part of scheme design? |
| **Scheme Delivery** | How effective were data collection processes to support monitoring of the scheme against objectives?  To what extent were fraud risks appropriately considered as part of scheme management? |
| **Impact Evaluation** | **Additionality of Lending** | To what extent did RLS 1.0 unlock additional lending?  What are the estimates for economic additionality – accounting for both additionality of lending (or ‘finance additionality’) and economic activity that would have been carried out by competitors in the absence of RLS 1.0 (i.e., ‘displacement’)?  How does additionality vary by lender type? |
| **Lender Response to Scheme Parameters** | What is the relationship between key scheme parameters and the willingness of lenders to provide finance through the scheme?  To what extent do these relationships vary by lender type?  What key internal and external factors determine the strength of this relationship?  To what extent do these relationships affect finance terms offered by businesses?  To what extent can these relationships be quantified? |
| **Impact of Lending on Businesses** | How was the finance used by RLS 1.0 borrowers?  How do borrowers perceive that the lending unlocked by RLS 1.0 impacted their survival?  To what extent did lending unlocked by RLS 1.0 impact employment levels?  What were the impacts of RLS 1.0 on growth and performance? |
| **Variations in Business Impacts** | How were these impacts distributed across regions and sectors? |
| **Wider Impacts** | To what extent has RLS 1.0 impacted the wider business lending landscape, including lender diversity and competition? |
| **Contribution Analysis** | To what extent can impacts be isolated from other government support schemes? |

## Report structure

The report is organised as follows:

* The first chapter presents the findings from the process evaluation, which covers the design and implementation of RLS 1.0.
* The second chapter provides the findings of the early impact evaluation, covering the additionality of lending under RLS 1.0, product market displacement, the impact of lending on businesses and lender response to scheme parameters.
* The final chapter summarises some of the key takeaways and lessons learned from this evaluation.

Detailed information on the methods used in the evaluation are provided in the annexes to the report.

# Process evaluation

This chapter assesses the effectiveness of the processes adopted in the design and the delivery of RLS. This assessment is based on the process evaluation framework agreed with BBB in June 2023 (provided in Annex 1). The assessment drew on an analysis of monitoring information and scheme documentation provided by BBB and DBT, in-depth interviews with officials in BBB, DBT and lenders, and a review of other secondary material. This report does not provide an assessment of debt recovery processes adopted in RLS, due to the timing of the evaluation.

## Objectives and methodology

The aim of the process evaluation was to assess the effectiveness of the processes adopted to deliver RLS 1.0 in enabling them to efficiently meet their policy objectives. The key research questions for the process evaluation defined in the Terms of Reference for the evaluation and are:

* How did the activities in place to design and deliver RLS evolve from those in place for the Covid-19 Loan Guarantee Schemes?
* How effective were these changes in meeting the scheme objectives?
* How effective were data collection processes to support monitoring of the scheme against objectives?
* To what extent were fraud risks appropriately considered as part of scheme design and management?

These questions were refined through the development of an evaluation framework (see Annex 1), which mapped the processes involved in the delivery of the schemes, defined more detailed evaluation questions, and the evidence required to address them.

The research undertaken to collect the evidence to inform the process evaluation were:

* **Programme documentation:** A review of documentation describing how the schemes had been designed, scheme guidance, and agreements entered into between lenders and the Guarantor.
* **Management information:** This included data around the scheme portfolios (value and number of instruments offered and drawn down) and lenders.
* **Secondary datasets:** Secondary data was obtained to provide further measures to support the process evaluation, and included BBB’s SME Finance Survey, and Bank of England data presenting commercial lending interest rates.
* **Stakeholder consultations:** Interviewswere completed with 11 stakeholders to collect views on the effectiveness of processes adopted to deliver RLS 1.0. These interviews had a duration of around one hour per stakeholder and were conducted using Microsoft Teams. Stakeholders included five individuals involved in the scheme design and delivery (from BBB, DBT and UK Finance); and a further six delegated lenders involved in scheme delivery, and wider business groups.

The table below summarises which evidence sources have been used to inform the assessment of the processes used. A more detailed version of this table is available in Annex 1, which presents the key evaluation questions addressed by the process evaluation.

##### Table 4: Sources of data for the process evaluation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Programme documentation | Management Information | Secondary datasets | Stakeholder consultations |
| Scheme design | ü |  | ü | ü |
| Lender accreditation and scheme establishment |  | ü | ü | ü |
| Data sharing |  | ü |  | ü |
|  |  |  |  |  |

## Scheme design

The Covid-19 pandemic and resultant restrictions created immediate disruption to the cashflow of many businesses, particularly those that were forced to close. These disruptions and restrictions continued into 2021, when the original Covid-19 Loan Guarantee Schemes were coming to an end. These restrictions, and wider uncertainty around public health created a large degree of economic uncertainty, which continued throughout 2021. The continued economic uncertainty was expected to constrain the supply of credit to businesses, as lending institutions were unable to assess the level of default risk associated with lending decisions. However, the uncertainty around access to finance in 2021 was lower than in the preceding year. Lenders reported having better information to base their lending decisions on and there was less uncertainty about how restrictions would impact upon businesses.

There was a consensus among stakeholders that there was still a need for government support, as commercial lending would leave some businesses without access to finance. This issue motivated the Government to provide cashflow support to prevent potential business failures and promote economic activity in the UK.

All the stakeholders involved in the design and delivery of RLS 1.0 confirmed that BBB and the Government expected to launch a scheme to follow on from the Covid-19 Loan Guarantee Schemes months in advance of the launch. This was because there was widespread knowledge that a scheme was required to address the challenges outlined above. Due to this advanced notice, BBB, HMT and DBT were able to plan the scheme design in a more timely manner than for the Covid-19 Loan Guarantee Schemes.

The design process of RLS 1.0 explored different delivery mechanisms, and not just the delivery mechanism used for the Covid-19 Loan Guarantee Schemes (such as the ENABLE Guarantee[[13]](#footnote-14)). However, following an assessment of different delivery mechanisms, BBB and DBT decided that the most appropriate delivery mechanism would be the approach used for the Covid-19 Loan Guarantee Schemes, and the Enterprise Finance Guarantee (EFG) prior to this. This framework had worked well in delivering finance to SMEs during the Covid-19 Loan Guarantee Schemes, the processes were well understood by the lenders and were in place for BBB to manage, meaning the scheme could be launched at pace, and limited new processes would need to be designed. A large number of lenders were already accredited on the Covid-19 Loan Guarantee Schemes, which could be used to support the accreditation process for RLS 1.0 and improve efficiency. Further, lessons from the Covid-19 Loan Guarantee Schemes and improvements made over the course of the delivery could be included in the design of RLS 1.0 if the same framework was used.

Modelling of the potential value for money associated with RLS 1.0 was undertaken, giving valuable information on the potential scale of the contingent liability resulting from RLS 1.0, using data from the performance of the Covid-19 Loan Guarantee Schemes.

Lenders and policy stakeholders reported a good level of engagement between BBB and lenders during the design process. This was seen as essential in order to support a rapid launch of the scheme. The engagement reportedly started very early on in the design stage, with BBB informing accredited lenders via relationship manager routes that another scheme, following on from the Covid-19 Loan Guarantee Schemes, was likely to be launched. This provided BBB with an assessment of the level of interest in a potential scheme and also feedback about what would work for a follow up scheme. Lenders provided feedback which was considered alongside RLS 1.0 policy objectives and wider feedback from the Covid-19 Loan Guarantee Schemes to inform RLS 1.0 design. Their feedback included topics such as keeping a lender fee rather than a borrower fee and the removal of the Business Interruption Payment (BIP).

As a result of lender engagement and the time taken for the design of the scheme, the following differences from CBILS were included in the scheme design:

* **Removal of the BIP:** The BIP was a mechanism where the government covered the cost of the interest for the first 12 months of a facility, and any lender charges to the business. This was removed to prevent the terms of the facilities being provided through the scheme being far more generous than commercial lending due to this payment and to focus the scheme on those businesses who could afford to take on additional debt.
* **The introduction of an additionality test:** Lenders should only offer facilities to businesses that they would not have been prepared to offer lending to in the absence of the scheme, or lending would have been provided at a higher price than offered through the scheme. Under CBILS, a commercial facility was significantly less economically attractive to the borrower than a CBILS facility, because of the BIP. This change was introduced to ensure businesses that could access commercial finance did so.
* **Revisions to the Undertaking in Difficulty test:** As highlighted in the evaluation of the Covid-19 Loan Guarantee Schemes, the Undertaking in Difficulty test[[14]](#footnote-15), as set out in State aid legislation, did not work well during the pandemic due to the economic uncertainty and lack of cash flow for businesses. Due to parts of the UK no longer being bound by State aid legislation in 2021 following the UK’s exit from the EU, a revised version of the Undertaking in Difficulty test could be introduced in parts of the UK. Where this was able to be introduced, the revised test allowed lenders to provide finance to businesses not in Relevant Insolvency Proceedings.[[15]](#footnote-16)
* **The removal of the portfolio cap:** A portfolio cap limits the total amount that an accredited lender can claim across all of their guaranteed lending under a scheme.[[16]](#footnote-17) The portfolio cap was initially in place for CBILS, but was removed not long into that scheme’s period of operation, and for RLS the portfolio cap was not reintroduced. This was done to ensure that accredited lenders could provide more support to businesses, in line with the scheme objectives, without being unduly restricted by concerns around their ability to claim under the guarantee.
* **Increasing the fee charged to lenders to participate in the scheme:** This was amended as it was thought to be a more appropriate way to manage the risk of lenders providing too much finance through the scheme than having a portfolio cap.
* **Ensuring alternative finance providers are able, with BBB consent, to assign the guarantee to a third-party funder or investor or use ENABLE Funding[[17]](#footnote-18) to finance facilities:** This was in response to some alternative finance providers reporting that it was challenging for them to use their usual finance sources to deliver CBILS.

As well as making changes to the parameters used for CBILS, BBB also incorporated some key learnings from the scheme about what worked well and should be retained for RLS 1.0. These were:

* **Having a simplified approach to the Undertaking in Difficulty test:** As the Undertaking in Difficulty test as stated in State aid legislation was challenging to implement during the pandemic, this was amended to be a simpler process in Great Britain.
* **Maintaining the requirement under CBILS that personal guarantees are not permitted for lending below £250,000:** This was maintained to ensure widespread access to the scheme, as some smaller businesses are reluctant to provide personal guarantees for business finance.

A summary of the scheme parameters and comparisons to the Covid-19 Loan Guarantee Schemes is provided in Table 5 below.

##### Table 5: Scheme parameters for EFG, Covid-19 Loan Guarantee Schemes and RLS 1.0

|  | EFG | CBILS | CLBILS | BBLS | RLS 1.0 |
| --- | --- | --- | --- | --- | --- |
| Eligible sectors | Excludes fishing, agriculture | All sectors (non-financial) | All sectors (non-financial) | All sectors (non-financial) | All sectors (non-financial) |
| Business turnover limit | £41 million | £45 million | None – floor of £45 million | None | None |
| Maximum loan size | £1.2 million | £5 million | £25m - £50m | £50,000 | £10m |
| Guarantee to the lender | 75% | 80% | 80% | 100% | 80% |
| Interest and fees paid to the lender | As agreed with lender | 0% for 12 months then as agreed (to max. rate of 14.99%) | As agreed with lender | 0% for 12 months, then 2.5%[[18]](#footnote-19) | As agreed (up to 14.99%) |
| Lender fee | No | 0.5% to 1% | 0.5% to 2% | No | 1.5% (range 1% to 2%) |
| Business fee payable | 2% | Zero | Zero | Zero | Zero |
| Effective portfolio cap | 15% | None (originally 60%) | None | None | None |
| Cap on refinancing | 20% (can increase up to 40%) | 20% (can increase up to 40%) | 20% (can increase up to 40%) | No limit | 20% (excluding Covid-19 Loan Guarantee Schemes) |
| Personal Guarantees | Permitted | Only for facilities above £250k | Only for facilities above £250k | None | Only for facilities above £250k |
| Business must be viable | Yes | Yes, capable of recovery | Yes, capable of recovery | Yes (not UiD) | Not in Relevant Insolvency Proceedings (for GB), Not UiD in NI |
| Facilities under £25k | Yes | Yes (invoice/asset finance available, and all facility types prior to BBLS launch) | No | Yes | Yes (only invoice/asset finance available) |
| Funding proposal required | Yes | Yes | Yes | No | Yes |
| Assessment of additionality | Yes | No | No | No | Yes |

### Risk

Several risks to the value for money, affordability, and feasibility of the schemes were identified in the process of developing the schemes. These risks were acknowledged in the Accounting Officer’s Advice for the scheme, but these did not require escalation, unlike the BBLS.[[19]](#footnote-20) This demonstrates that RLS 1.0 was viewed to have fewer significant risks than the Covid-19 Loan Guarantee Schemes. The key risks highlighted in this correspondence included:

* **Additionality risks:** Additionality was highlighted as a risk of RLS 1.0, however it was noted that the introduction of the additionality test and the pricing mechanism and lender fee parameters would ensure that a high level of additionality would be achieved in RLS 1.0. It was anticipated that lenders would only use the scheme when the expected returns to them exceeded the lender fee payments.
* **Fraud:** The RLS 1.0 default rate, for all reasons, was estimated at around 17.5% ex-ante.[[20]](#footnote-21) However, although a risk of fraud was still highlighted, this risk was assessed to be significantly lower than for the Bounce Back Loan Scheme, as RLS 1.0 would not rely on self-certification and standard lender checks would be required.
* **Subsidy control:** RLS 1.0 was being designed during the period when the UK was exiting the EU, and therefore subsidy control legislation was replacing EU State aid legislation, with the exception of Northern Ireland, where State aid rules would still apply. For RLS 1.0, this did not have a large impact due to the UK-EU Trade and Cooperation Agreement, except for the Undertaking in Difficulty test. For businesses in Northern Ireland, the previous Undertaking in Difficulty test remained largely in place. This created risks to the scheme if lenders could not correctly identify businesses operating in Northern Ireland, which could lead to non-compliant lending as the wrong undertaking in difficulty test was used. A further risk was highlighted as potential differences in opinion on interpretation of the Northern Ireland Protocol between the UK and the EU.
* **Lender preparation:** Although RLS 1.0 was developed with a longer lead-in time than the Covid-19 Loan Guarantee Schemes, a risk was still highlighted that accredited lenders may not be in a position to begin lending in a prompt manner, which would limit access to finance for businesses at a crucial time.

### Skills and capacity

Most stakeholders consulted reported that an appropriate set of skills and expertise were used to design RLS 1.0. The key expertise which was utilised in the design phase comprised:

* BBB and its knowledge of the delivery of the EFG and Covid-19 Loan Guarantee Schemes, and how the parameters of the scheme would lead to take-up, default rates etc.
* Lenders and UK Finance, to provide input from the finance industry about what would be feasible for lenders to deliver and to provide indications of market interest in RLS 1.0.
* HM Treasury and DBT to provide input and expertise on what the schemes needed to achieve, and to provide legal expertise on State aid and Subsidy Control requirements.

The involvement of lenders in the scheme design phase was highlighted as a particularly important feature of the process. As the schemes needed to be operational very quickly, they needed to be designed in a way that aligned with existing operational systems and resources of potential lenders.

## Lender accreditation and scheme establishment

RLS 1.0 required lenders to become accredited to allow them to offer lending through the scheme. This aimed to ensure lenders were reputable, financially stable and regulated (where required), had access to capital to provide the schemes, had adequate systems and staffing in place to deliver the schemes, and would follow the scheme requirements. BBB accredited 84 lenders to deliver RLS 1.0.

### Accreditation process

The process adopted by BBB to accredit lenders to RLS 1.0 was a streamlined version of the process to accredit lenders for CBILS. For lenders that were accredited on CBILS, a “fast-tracked” accreditation system was utilised, where information BBB held about lenders was used (with confirmation that the information was still accurate) where possible. This related to ownership details, corporate/business strategy, processes in place for debt collection and recovery, anti-fraud procedures, corporate governance. The fast-track approach was designed in an attempt to minimise the burden on lenders for data collection, and on BBB for assessing the information collected.

However, the accreditation process also included some new, more in-depth information to be provided (around structures of the company and governance), and information to be provided about the pricing approach to be used for the scheme, and up to date information about its accounts and proposed lending strategy.

The fast-track process was split into three categories, based on the level of finance that the lender was able to provide – with larger lenders being assessed first. This was done in order to maximise the speed of the roll-out of the scheme.

Consultees generally indicated that the accreditation process for RLS 1.0 was much quicker than was the case for CBILS, and previously the EFG scheme, although data indicating duration of time for accreditation was not available. Anecdotal evidence from the interviews with accredited lenders suggested the process could be completed in under a month, which was a shorter period than experienced for most lenders for CBILS, CLBILS and BBLS. This was because of the reduced time required to collect information for the lenders, the existing knowledge of CBILS accredited lenders about what information was required to become an accredited lender, and the skills and capacity of BBB staff meaning they could address the volume of applications received.

BBB accredited a total of 84 lenders to deliver RLS 1.0 and 82 provided finance through the scheme. Not all lenders that expressed an interest in RLS 1.0 or applied to participate in the scheme were successful. Most lenders that were not accredited were reported to not proceed with their application rather than formally being declined. This occurred because prospective lenders would be informed as early as possible where the initial information provided indicated they would not be eligible (to ensure the lender and BBB staff did not expend resources on applications that would not be successful).

BBB accredited a broad variety of different types of lenders to deliver RLS 1.0. 28 of the 82 lenders that provided facilities through the scheme were regulated banks, with the remainder a broad mix of alternative finance providers.

##### Figure 4: Accredited lenders that provided finance through RLS 1.0 by type of lender

Source: BBB Management Information, September 2023.

The accreditation process was considered largely straightforward and proportionate, however a small number of challenges were highlighted:

* **Pricing matrix:** A pricing matrix was a documentary part of the application process which provided evidence of the price lenders would charge businesses for facilities. Although most lenders reported that it was relatively straightforward to collect the information required for the accreditation process, some lenders, particularly non-bank lenders, reported challenges in completing the pricing matrix. Non-bank lenders reported that the process appeared to be tailored to traditional banks. While this was considered logical given the relative volume of bank and non-bank lending expected, non-bank lenders reported that it was challenging to complete the pricing matrix demonstrating they were passing on the benefit of the guarantee. This was due to their approach of pricing on a business-by-business basis rather than offering a suite of products. Many lenders reported it took many iterations to agree the pricing matrix with BBB, delaying their ability to offer the product.
* **Information transferred from CBILS:** A small number of accredited lenders reported that information that they expected to be transferred across from their CBILS accreditation was not, and they had to collect and resubmit information already held by BBB. This was reported to be information that was held by BBB and had not altered (for example ownership details). This meant that the completion of information for the accreditation process was more intensive than could have been the case for these lenders. However, it should be noted that this was a minority of the lenders consulted.

Despite these challenges, most lenders reported that the accreditation was straightforward. They also reported a good level of engagement and advice from BBB during the process. BBB staff were described as being responsive and providing helpful information to lenders to ensure that they were providing the correct information for the accreditation process. Further, as described above, where lenders were not going to be able to pass the accreditation process, BBB staff fed this information back to lenders at an early stage.

Following the accreditation process there was a requirement that lenders provided training to their staff. This training was around the aims and objectives of the scheme, the eligibility criteria, the streamlined ‘undertaking in difficulty’ test, the additionality test, and data sharing arrangements between the lender and BBB. Guidance and training materials were provided by BBB, and key documentation included a lender manual and training materials.

The quality and usefulness of the documentation was reported by lenders to be high and improved compared to the Covid-19 Loan Guarantee Schemes. The documentation was reported to be provided in a timely manner, covered all relevant topics and did not require re-issues with updates (as was the case with the Covid-19 Loan Guarantee Schemes). One reason for this was reported to be the learning from the Covid-19 Loan Guarantee Schemes (as RLS 1.0 was similar to CBILS, so issues that had been addressed in the CBILS materials were not present in the RLS 1.0 documentation) and there was more of a lead-in time for the scheme. Lenders reported one of the key bits of information included in the guidance and training was around the additionality test, which was a major difference to the CBILS scheme – but that the information provided by BBB for this was sufficient for their purposes.

As highlighted above, the accreditation and contracting process aimed to ensure that lenders were financially robust, adopted appropriate processes in making lending decisions, and committed sufficient resources to fraud detection and debt recovery. No stakeholders consulted raised any significant concerns regarding the approach adopted to the accreditation of lenders. They felt that appropriate information and data was used to assess lenders and their suitability for the scheme. No lender has been removed from the scheme.

### Business lending

RLS 1.0 provided just under £2.8bn in guaranteed lending facilities to c.10,000 businesses.

BBB did not prescribe lending processes adopted in the delivery of RLS. Lenders reported that they followed a similar approach and required similar information to Business As Usual (BAU) lending processes and for CBILS. This involved conversations between the business and their relationship manager, where forms were either completed by the relationship manager or sent to the business to complete after the call. Once the documents were completed and provided, these would be sent on to the risk or credit assessment team.

There were limited differences in the application process for RLS compared to the approach taken for CBILS in terms of the information collected from businesses. There were some slight differences in how lenders assessed the information (in order for the lending to be in line with scheme parameters, for example the additionality test).

Most bank lenders described making minor amendments to the loan applications used for CBILS (mainly around wording), which were in themselves minor amendments to commercial loan application forms. This was reported to be a very straightforward task.

Accredited lenders reported that they did not advertise for RLS products. They were included in lists on BBB’s website and included notifications that they offered the scheme on their own websites but did not advertise particular products, which was the same approach as taken for CBILS and CLBILS.

### Business applications and facilities provided

BBB monitoring data indicates that lenders provided just under 11,000 facilities, with a total value of just under £2.8bn.

This highlights that the scheme, as was originally intended, has not provided facilities to a large proportion of the UK economy, with ONS business population figures indicating that 0.2% of businesses in the UK used RLS 1.0. Research published by BBB indicates that 44% of SME businesses could be categorised as permanent non-borrowers in 2021/22[[21]](#footnote-22) – which indicates that penetration among businesses that actively use external finance was around 0.4%. Analysis of the businesses supported by RLS 1.0 shows that there was a relatively even distribution of businesses supported across the UK, with between 0.1% and 0.2% of businesses supported in all areas of the UK (see Figure 5).

##### Figure 5: Businesses supported by RLS 1.0 as a proportion of total businesses by region

Source: BBB Management Information, January 2022.

There were some differences between the proportion of businesses which sought support through the scheme based on sector. Relatively small proportions of education, and arts and entertainment sector businesses took advantage of RLS 1.0. This could be because these types of businesses were less impacted by restrictions in 2021. However, some of the sectors which were more impacted by restrictions remaining in place and the aftereffects of restrictions in 2020, for example retail and accommodation and food, had slightly higher proportions of businesses being supported. This indicates that RLS 1.0 did help to fill a finance gap for businesses in those affected sectors that could not access commercial finance.

##### Figure 6: Businesses supported by RLS 1.0 as a proportion of total businesses by sector

Source: BBB Management Information, January 2022.

#### Interest rates

Interest rates offered are presented in Figure 7 and Figure 8. Lenders were permitted to vary interest rates for RLS 1.0 depending on their pricing matrix submitted as part of the accreditation process. This shows that through RLS 1.0 the majority of facilities were provided at an interest rate in excess of 6% (over 80% of facilities). Average commercial lending rates throughout 2021, as collected by the Bank of England, were between 2% and 3%. Although these commercial lending rates do not account for some additional costs which apply to non-bank lenders, it also suggests that the different types of borrowers for many RLS 1.0 loans relative to commercial lending (as well as the design of the scheme) may be reflected in the rates.

The indicative interest rates provided by different types of lenders is presented in Figure 8. This shows that the average Annual Equivalent Rate (AER) by type of lender varies significantly.[[22]](#footnote-23) The average rate for banks is lower than for all other types of lenders – particularly social lenders which have the highest AER. This is as expected for the scheme, as alternative lenders would be sought if businesses cannot secure finance from their bank.

The higher interest rates provided by non-bank lenders compared to bank lenders should be expected. This is because of the customer base of non-bank lenders, particularly social lenders, which may not be able to access finance from bank lenders, and are potentially more at risk of default. This is discussed in more detail in the ‘Lender response to scheme parameters’ section.

##### Figure 7: Interest rates as a proportion of total facilities

Source: BBB Management Information, January 2022.

##### Figure 8: Average AER by type of lender

Source: BBB Management Information, January 2022.

## Data sharing

Accredited lenders were required to share data with BBB about their lending portfolio for monitoring to ensure that accredited lenders were providing facilities in line with the lender agreements. The data sharing agreements required lenders to report the number of facilities offered and drawn down, the value of these facilities, characteristics of the businesses offered facilities and the terms of the facilities, value of repayments made, whether repayments were on schedule, the number and value of facilities in arrears, and any cases of default.

The findings from the research indicate that the data collected has served its intended purposes. The data collected by BBB has been useful in ensuring lenders complied with their lender agreement and has been shared within BBB and across steering and governance groups, keeping individuals involved in the governance informed of the cost to the public purse and the likely future cost. The information was reported by stakeholders to be useful in supporting the management of the scheme. Stakeholders did not raise any data fields that they would have liked to be included in the shared data that was not already present.

Although no data was available to independently verify the completeness, accuracy, or timeliness of data provided, stakeholders did not report any significant concerns with the quality of information provided. Accredited lenders also reported that some lessons had been learned from the Covid-19 Loan Guarantee Schemes around data collection. This related to the clarity of data fields being asked for and a lack of duplicate requests from different Government stakeholders. Accredited lenders also reported that Application Programming Interfaces (APIs)[[23]](#footnote-24) were available for RLS 1.0, however the accredited lenders consulted used more manual means of submission (submitting data onto the portal). This was due to the size of the scheme and the number of facilities being provided being relatively small for most lenders, meaning that use of APIs was not appropriate. The size of the scheme was also highlighted as a reason why data sharing has been more straightforward for RLS 1.0 compared to CBILS, as there are fewer facilities to compile information for and these are easier to quality assure.

### Audit

BBB commissioned an audit assurance programme covering all accredited lenders, that is delivered by three independent professional risk services firms (as there were potential conflicts of interest between the primary providers and some of the lenders). These audits follow the same approach as those described for the Covid-19 Loan Guarantee Schemes. To date, the audits have taken place every year since the inception of RLS 1.0 and involve an examination of a sample of lenders each year covering a lender’s practices for administration of the schemes, and sample scheme-supported facilities throughout their lifecycle to check the lender is appropriately following the scheme rules. The topics which the audit has covered have altered between years, and these topics are proposed and agreed by the programme boards in the audit plans. There were no issues or challenges raised by the lenders interviewed about the audit process, reporting that the topics and scale of the audit were appropriate.

As with the approach used in the Covid-19 Loan Guarantee Schemes, if the audit highlighted areas of concern with a lender, the auditors provided feedback and the lenders were required to provide additional information or alter their processes within a period set by the auditors. These findings were presented at a lender collaboration meeting between the auditor and the accredited lender, and if there were any further differences of opinion or challenges at this point the relationship manager would become involved in the discussions to seek a resolution.

Some stakeholders did raise one concern with the lender audit process, which was obtaining an appropriate level of engagement from accredited lenders. This was around ensuring the lenders had capacity to support the initial audit and then fully engaged with the feedback meetings and undertook the required actions which came out of the audit.

It has not been possible to access more detailed data about the audit outcomes due to the commercial sensitivity of the audit information.

## Key conclusions

The key conclusions from the assessment of the processes used to design and implement RLS 1.0 and monitor lenders, are summarised below.

The activities used to deliver RLS 1.0 evolved from the delivery of CBILS. The broad framework for delivery was the same as for CBILS, however, the objectives and design of the scheme were altered in light of feedback from lenders, policy stakeholder reviews and key lessons learned from the delivery of CBILS. The key changes were around the introduction of an additionality test, changes to the Scheme Lender Fee, the removal of the BIP and changes made to the Undertaking in Difficulty test in Great Britain. However, there were also learnings taken from the delivery of CBILS around data collection and sharing which have supported the implementation of RLS 1.0, such as the clarity of data fields being asked for and a lack of duplicate requests from different Government stakeholders.

The changes made to the scheme design appear to have had a positive impact on lenders’ ability to deliver the scheme alongside commercial lending. One lender reported that the changes in admissible sources of funding had made it easier for them to deliver the scheme as they could use their usual sources of funding, instead of having to set up new credit lines to deliver the scheme (as they had to do for CBILS). The changes to the BIP, lender fees and additionality test mean that the lenders have only offered facilities through the scheme to businesses described as being “on the cusp” of being able to access commercial finance (those that nearly met their criteria for commercial lending but would have been rejected in the absence of RLS 1.0). This suggests that the lending has been additional. Changes to the scheme parameters appear to have had an impact in terms of the scale of lending provided (ensuring the scheme provides additional finance and does not replace commercial finance). The changes in parameters, and economic conditions, have meant that the scale of the scheme (at around £2.8bn in lending) was significantly lower than CBILS.

The risks of fraud were considered to be low during the scheme design phase, especially when compared to the risks associated with the Bounce Back Loan Scheme. The research did not find any evidence that this assessment was inaccurate, as lenders were able to undertake BAU checks on borrowers, and no fraud risks that were not in the original business case were highlighted by lenders or stakeholders.

The accreditation process for RLS 1.0 was much quicker than was the case for CBILS. Anecdotal evidence from the interviews with accredited lenders suggested the process could be completed in under a month, which was a shorter period than experienced for most lenders for CBILS, CLBILS and BBLS. This was because of the reduced time required to collect information for the lenders, the existing knowledge of CBILS accredited lenders about what information was required to become an accredited lender, and the skills and capacity of BBB staff meaning they could address the volume of applications received. A total of 84 lenders were accredited for RLS 1.0, which covered a variety of types of lenders.

RLS 1.0 provided just under £2.8bn in guaranteed lending facilities to c.10,000 businesses. The scheme, as was originally intended, has not provided facilities to a large proportion of the UK economy, with 0.2% of businesses in the UK using RLS 1.0. There was a relatively even distribution of businesses supported across the UK, with between 0.1% and 0.2% of businesses supported in all areas of the UK. Some of the sectors which were more impacted by restrictions remaining in place and the aftereffects of restrictions in 2020, for example retail and accommodation and food, had slightly higher proportions of businesses being supported. This indicates that RLS 1.0 did help to fill a finance gap for businesses in those affected sectors that could not access commercial finance.

The data collection processes were informed by lessons learnt from the delivery of CBILS, with no significant issues being reported in the provision and assessment of data. The scale of lending has contributed to lenders being able to provide data without significant challenges, but BBB have also learned lessons from the previous lending schemes around how data is requested and transferred to their portal, meaning the process now appears to be more efficient for RLS 1.0.

# Impact evaluation

## Introduction

The aim of the early impact evaluation was to quantify the short-term effects of RLS 1.0. Within this, the evaluation explores the following key areas:

1. Was lending under RLS 1.0 'additional' from an economic perspective? In other words, did loans accessed through RLS 1.0 provide finance that businesses could not access through any other sources, or at improved terms and increased quantity, and does this vary for different kinds of lenders? Furthermore, did borrowing businesses carry out economic activity that would not have been undertaken by competing businesses in the absence of the scheme?
2. Did RLS 1.0 have an impact on businesses' survival prospects, employment, and turnover? Do these impacts vary across regions and sectors? Can these impacts be distinguished from other forms of business support provided since the onset of the pandemic, such as the Coronavirus Job Retention Scheme (CJRS) and the Covid-19 Loan Guarantee Schemes?
3. What is the relationship between key scheme parameters and the willingness of lenders to provide finance? What affects these relationships, and to what extent do these relationships affect the finance terms offered to businesses?

To address these research questions, Ipsos undertook a survey of businesses which received funding through RLS 1.0 as well as a set of businesses which faced challenges or opportunities as a result of the Covid-19 pandemic and were eligible for RLS 1.0 but did not receive a facility under the scheme.

In total, 478 businesses completed a mixed mode survey (online and telephone) between 31st July 2023 and 3rd October 2023, of which 242 interviews were with RLS 1.0 borrowers and 236 interviews were with non-borrowers (i.e. the control group).[[24]](#footnote-25)

To increase comparability between the treatment and control groups, non-borrowers were screened during fieldwork based on whether they faced challenges or opportunities because of the Covid-19 pandemic. As the impact evaluation analysis took place so soon after the events that it was concerned with, the research questions to evaluate the impact of RLS 1.0 were assessed using the survey data given lags in secondary data.

The first area listed above – investigating additionality and product market displacement – relies on borrowers’ self-reported assessments of a counterfactual scenario in the absence of RLS 1.0 (additionality of lending), as well as their assessment of competition in their market (product market displacement). The second is assessed through a combination of self-reported impacts, and econometric analysis of survey data. The impact of RLS 1.0 on business survival is estimated based on businesses’ own assessment of whether they would have survived in the absence of the scheme. The analysis of RLS 1.0’s impacts on turnover and employment is based on econometric analysis, which incorporates a number of business characteristics (e.g. turnover, employment, sector), as well as businesses’ self-assessment of business obstacles (see below). The third area is explored via interviews with lenders. Throughout this chapter, descriptive analysis of the quantitative survey (e.g., self-reported uses of the funds obtained through RLS 1.0, business obstacles faced) is used to provide further context to the findings.

Before addressing each research question, the following section presents an overview of the impact of the Covid-19 pandemic on businesses that received a loan under RLS 1.0 as well as those that did not. The subsequent sections, in turn, focus on each research question.

## Characteristics of surveyed businesses

This section describes the characteristics of the businesses in the sample. This covers firmographic information, as well as the kinds of challenges faced and the types of other support accessed during the pandemic. These descriptive statistics are intended to provide context for the results presented in subsequent sections.

### Business characteristics of borrowers in the sample

* The majority (53%) of borrowers in the sample had an annual turnover of between £100,000 and £1 million in the latest financial year, which was split between £100,000-£250,000 (16%), £250,000-£500,000 (17%) and £500,000-£1 million (19%). A further 40% of borrowers reported turnover of £1 million or more, whilst only 4% of borrowers reported turnover of less than £100,000 (Table 17 in Annex 3).
* The majority of borrowers (59%) had between 1-9 employees, around a third (37%) had between 10-49 employees, and a further 4% had between 50-249 employees in the latest financial year (Table 19 and Table 20 in Annex 3).
* 27% of borrowers were businesses that were less than 10 years old. A further 39% were between ten and twenty years old. The final 34% of borrowers were more than twenty years old (Table 21 in Annex 3).
* The most common regions where RLS 1.0 borrowers were based were London (18%) and the South East (15%). Approximately 10% of borrowers were based in each of the East of England, the West Midlands and the North West (Table 22 in Annex 3).
* Approximately 60% of borrowers operated in either the Business Services (30%) or Distribution (29%) sectors. The Production and Construction sectors both accounted for 15% of borrowers, and a further 11% of borrowers operated in the Other Services sector (Table 23 in Annex 3).[[25]](#footnote-26)

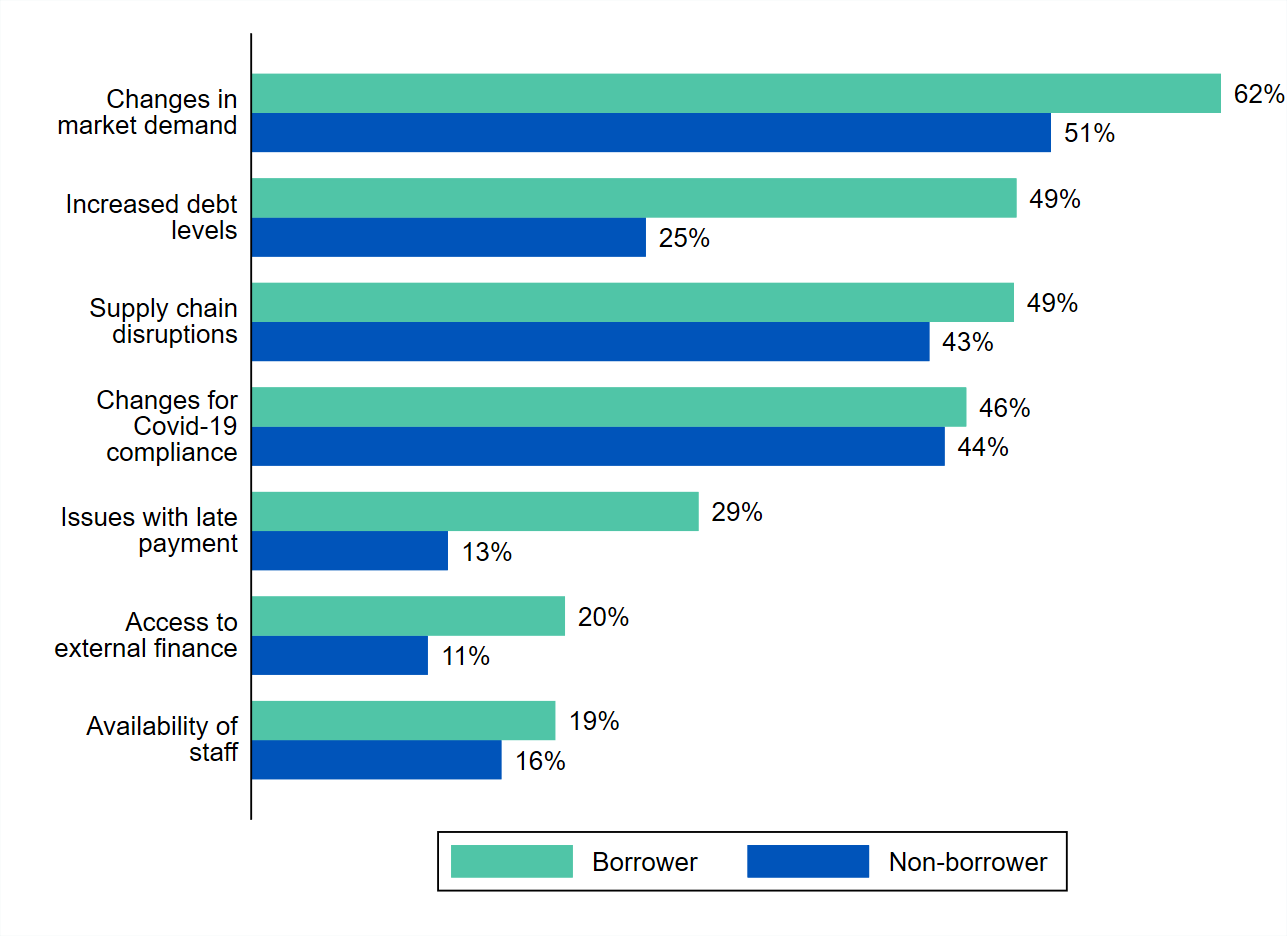
### Comparison of the business characteristics of borrowers to non-borrowers in the sample and the wider business population

* The borrower and non-borrower samples are very similar in size, sector and region as both groups were constructed to match as closely as possible to the borrower population, as shown in Annex 3.
* The sample of non-borrowers tended to be slightly older than the sample of RLS 1.0 borrowers. Slightly more than one half (56%) of non-borrowers were businesses that were more than 20 years old, compared to roughly a third (34%) of RLS 1.0 borrowers (Table 21 in Annex 3).
* Business Population Estimates (BPE) from the start of 2021 are used to compare the borrower and non-borrower samples to the business population.[[26]](#footnote-27) The wider business population is very similar to both the borrower and non-borrower samples in terms of sectoral and regional breakdown.[[27]](#footnote-28)
* There was a slight difference between borrowers and the general business population in terms of business size, with a larger proportion of borrowers (59%) having fewer than 10 employees than non-borrowers (55%) (Table 19 and Table 20 in Annex 3). A much larger proportion (83%) of the wider business population (with between 1 and 249 employees) had fewer than 10 employees.
* Similarly, 37% of both the borrower and non-borrower samples had between 10 and 49 employees, compared to 15% of the wider business population.

### Obstacles faced by borrowers and non-borrowers

* Borrowers were more likely to experience major obstacles than non-borrowers in the first year of the pandemic (Figure 9).
* The obstacle faced most often (by both borrowers and non-borrowers) was related to changes in market demand, which was described as a major obstacle by 62% of RLS 1.0 borrowers and 51% of non-borrowers.
* Other common major obstacles faced by both borrowers and non-borrowers included supply chain disruptions (affecting 49% of borrowers and 43% of non-borrowers) and changes to Covid-19 compliance (46% and 44% respectively).
* Increased debt levels were an important challenge faced by borrowers (49%), although a much smaller proportion of non-borrowers reported that increased debt levels were a major obstacle (25%).

##### Figure 9: Major obstacles faced by borrowers and non-borrowers between March 2020 and March 2021

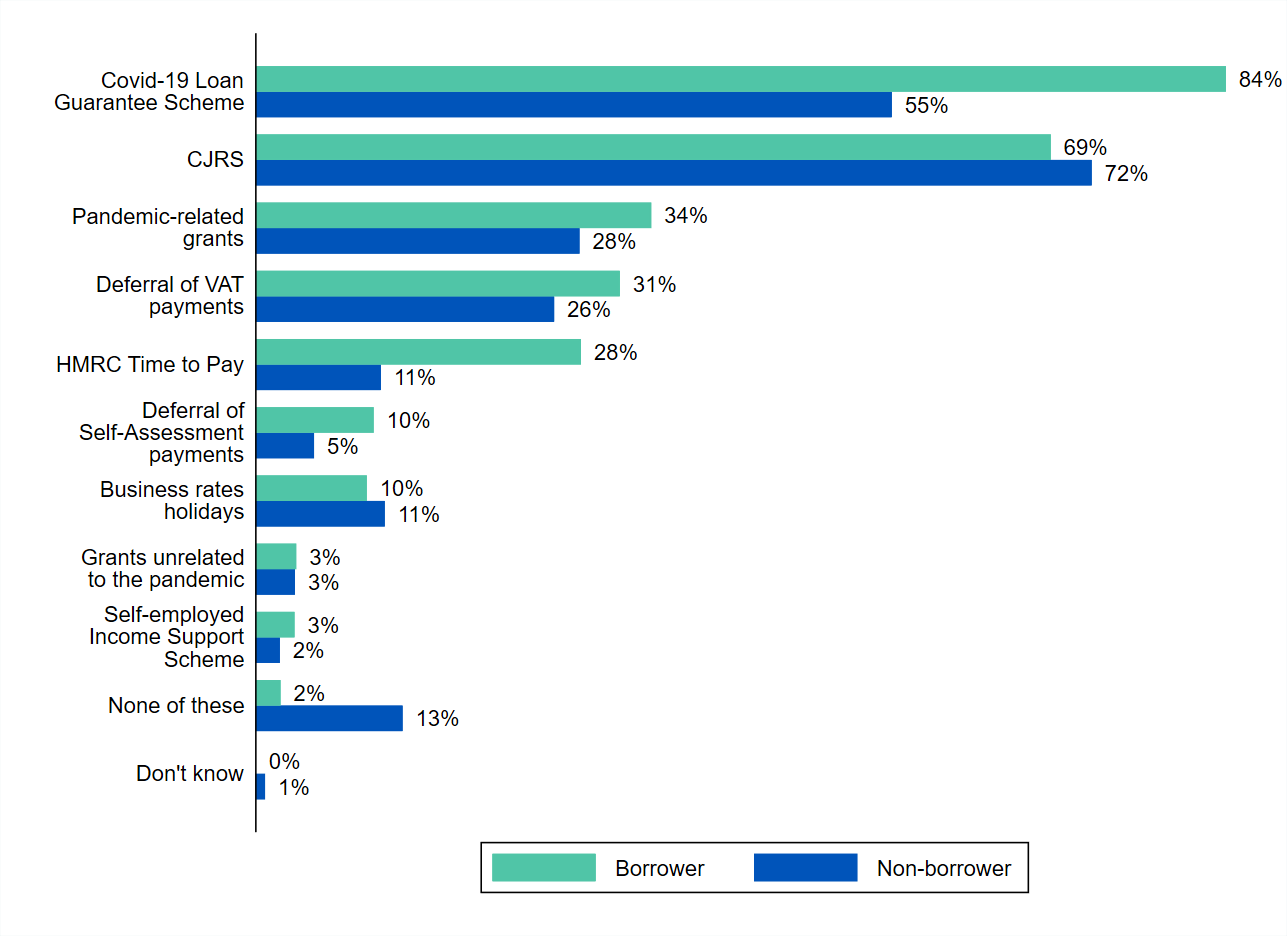


Source: London Economics analysis of survey data. Base: All RLS 1.0 borrowers (242) and non-borrowers (236).

### Other support accessed by borrowers and non-borrowers

* A substantial majority of RLS 1.0 borrowers (84%) had previously obtained a loan under the Covid-19 Loan Guarantee Schemes, whilst the corresponding figure for non-borrowers was 55% (Figure 10).
* Most borrowers and non-borrowers used the Coronavirus Job Retention Scheme, although non-borrowers (72%) were slightly more likely to use the scheme than RLS 1.0 borrowers (69%).
* Other common types of support used by both borrowers and non-borrowers included pandemic-related grants (34% and 28%) and the deferral of VAT payments (31% and 26% respectively). Whilst a similar proportion of borrowers used HMRC Time to Pay (28%), only 11% of non-borrowers used this type of support.
* When asked why they did not seek finance through RLS 1.0, 30% of non-borrowers said that they did not want to take on the debt. A further 11% reported that they were not aware of the scheme, and only 3% did not seek RLS 1.0 finance because they found the terms and conditions to be unattractive.

##### Figure 10: Use of other support

Source: London Economics analysis of survey data. Base: All RLS 1.0 borrowers (242) and non-borrowers (236).

## Additionality of lending

‘Additionality’ refers to the benefits generated by a policy or intervention which would not have occurred if the policy or intervention had not been introduced. In the context of RLS 1.0, additionality of lending denotes the extent to which businesses experienced benefits from borrowing under the scheme which they would not have experienced if the scheme had not been in place. It should be noted that discussion of additionality in the impact evaluation relates to economic additionality, and is completely unrelated to discussion of the legal requirement for finance under RLS 1.0 to be additional (discussed in the process evaluation).

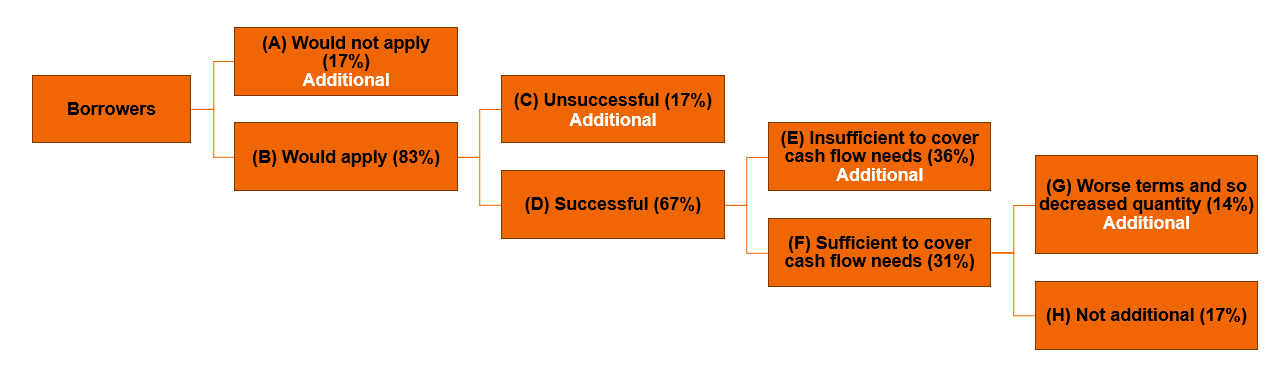
A narrow definition of additionality would consider the extent to which borrowers would not have been able to obtain the funds via other sources. However, this definition would not capture two other important aspects of additionality. Therefore, through the borrower survey, this evaluation considers the following aspects of additionality:

1. Whether borrowers would have applied for other sources of external finance.[[28]](#footnote-29)
2. Whether that application would have been successful.[[29]](#footnote-30)
3. Whether these other sources of external finance would have covered the borrower’s cash flow needs.[[30]](#footnote-31)
4. Whether the other source of finance would have been obtained at worse terms therefore resulting in reduced quantity.[[31]](#footnote-32)

The additionality of lending is measured using survey-based indicators of borrowing businesses' actual and perceived difficulties in accessing funding through any other sources than RLS 1.0. If businesses expect that they would not have applied for alternative funding, would not have been successful, would not have been offered an amount sufficient to meet their cash flow needs, or would not have obtained as much finance as under RLS 1.0 due to the finance being on worse terms, RLS 1.0 finance will be classed as ‘additional’.

To translate the survey data into a measure of finance additionality, four different aspects of additionality are considered – as mentioned above and illustrated in Figure 11. Each row of the figure denotes a different dimension of additionality. Overall, finance under RLS 1.0 was additional under one of the four dimensions of additionality for 83% of borrowers.[[32]](#footnote-33)

##### Figure 11: Additionality of RLS 1.0 (overall 83%)

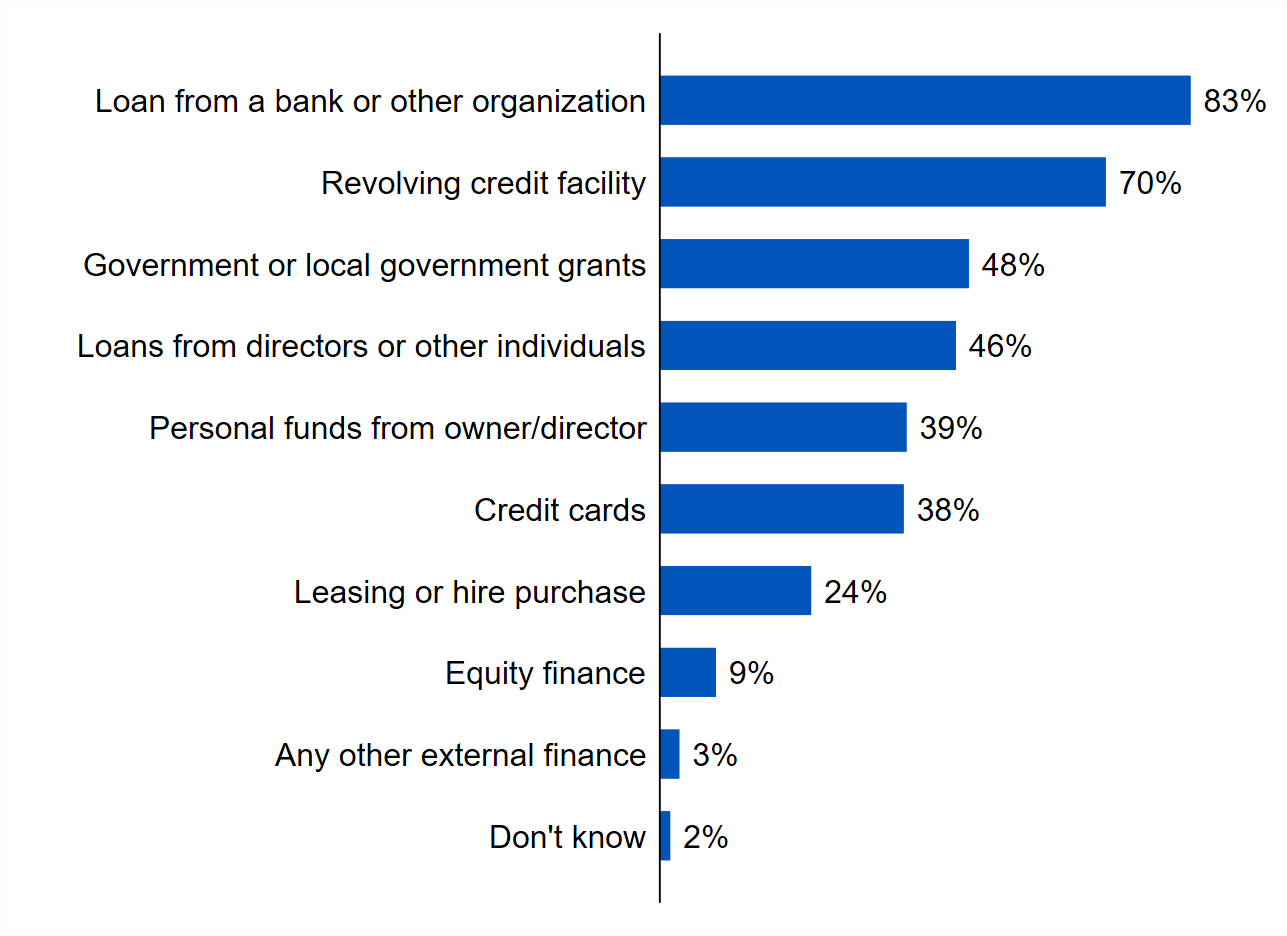


### In the absence of RLS 1.0, would borrowers have applied for other external finance?

The first aspect of additionality considers whether a business has applied or would have applied for alternative external finance in lieu of the funds from RLS 1.0 (after the launch of RLS 1.0). It is estimated that 17% of borrowers would not have applied for external finance had they not received funding under RLS 1.0. As such, the loans were additional for these businesses as they did not replace funding that would have been received in the absence of the scheme.

The businesses that would have sought other external finance if they had not received funds under RLS 1.0 would have sought a wide range of different types of finance (see Figure 12 below). The most common of these would have been loans from a bank or other organization (83%) and a revolving credit facility (70%).

##### Figure 12: Types of finance that would have been sought by borrowers had they not obtained finance through RLS 1.0



Source: London Economics’ analysis of survey data. Base: RLS 1.0 borrowers that did not apply for external finance but would have if they did not receive finance through RLS 1.0 (78).

### In the absence of RLS 1.0, would borrowers have been successful in their application for other external finance?

The second aspect of additionality considers whether, conditional on having applied, a business would have been successful in accessing alternative sources of external finance in lieu of the funds from RLS 1.0. Among the borrowers that would have applied to other external finance, 70% expected that their application would have been successful.

Table 24 in Annex 3 illustrates the rate at which respondents estimated that they would have been successful in obtaining different types of external finance. The perceived success rate ranged from 63% in the case of government or local government grants to 82% in the case of personal funds from an owner or director. Finance is considered to be additional for those borrowers for which their applications were unsuccessful (17% of all borrowers). It should be noted that these estimates rely on borrowers being able to accurately predict their likelihood of success in their applications for alternative finance, and as such the estimates should be interpreted with appropriate caution.

### In the absence of RLS 1.0, would any funds from alternative sources of external finance have covered cash-flow needs?

The third aspect of additionality considers whether, conditional on access to other external finance, these funds would have sufficiently covered all the business’s cash flow needs. For businesses which would not have been able to cover all their cash flow needs, the funds received under RLS 1.0 would have been additional.

For the majority (54%) of borrowers who expect they would have been able to obtain other external finance in the absence of RLS 1.0, this alternative funding would not have met their cash-flow needs. This represents 36% of borrowers, the most prevalent aspect of additionality of RLS 1.0.

### In the absence of RLS 1.0, would any funds from alternative sources of external finance have been at worse terms and as a result smaller quantity?

The fourth aspect of additionality covered in this study considers whether borrowers could raise more through RLS 1.0 than any alternative finance, as a result of the finance being obtained on improved terms. In particular, borrowers were asked whether the finance under RLS 1.0 was obtained with a lower interest rate, with better terms and conditions (e.g. security required) or a more suitable repayment period. Table 6 below shows whether finance under RLS 1.0 compared favorably to the alternatives that borrowers would have sought:

##### Table 6: RLS 1.0 finance terms compared to finance that borrowers would have applied for if their RLS 1.0 application had been unsuccessful

|  |  |
| --- | --- |
| Feature | Proportion of borrowers |
| A lower interest rate | 55% |
| Better terms and conditions | 43% |
| A more suitable repayment period | 46% |
| None of the above | 22% |
| Don't know | 8% |

Source: London Economics’ analysis of survey data

This aspect of additionality is important given that, in addition to supporting survival and solvency, RLS 1.0 was also implemented to help firms to rebound and grow from the pandemic. Of the 30% of borrowers for whom the finance was not classed as additional according to any of the three elements discussed above, just under half (14%) were able to obtain more finance under RLS 1.0 due to the fact that the terms of the finance were better.

### Comparison to previous BBB schemes

For context, the first three elements of additionality can be directly compared to those from the evaluation of BBLS, CBILS and CLBILS.[[33]](#footnote-34) The table below compares additionality rates according to these three aspects between RLS 1.0 (with the caveat that credit conditions may have changed between the time of the Covid-19 Loan Guarantee Schemes and RLS 1.0).

##### Table 7: Additionality of RLS 1.0, BBLS, and CBILS/CLBILS

|  | RLS 1.0 | BBLS | CBILS/CLBILS |
| --- | --- | --- | --- |
| Dates open | April – December 2021 | May 2020 – March 2021 | March/April 2020[[34]](#footnote-35) – March 2021 |
| Would not apply for other external finance | 17% | 45% | 39% |
| Would not be successful in their application for external finance | 17% | 15% | 14% |
| Alternative finance would have been insufficient to cover cashflow needs | 36% | 14% | 17% |
| **Additional according to any of the above** | **69%** | **74%** | **69%** |

Additionality according to these three elements was slightly higher for BBLS than for RLS 1.0. Additionality for CBILS/CLBILS was roughly the same. Furthermore, a much higher proportion of additionality of the Covid-19 Loan Guarantee Schemes came from borrowers who otherwise would not have applied for external finance. This is perhaps to be expected given the particular focus of the Covid-19 Loan Guarantee Schemes on helping businesses through the pandemic, the very widespread take up of these schemes and the extremely challenging conditions in the first few weeks of the pandemic.

This may also be in part explained by the fact that RLS 1.0 borrowers were found to be, on average, more likely to have undertaken activities such as R&D, reducing carbon emissions and developing new products and processes (see Figure 17) and therefore may have more of a growth mindset. As such, RLS 1.0 was important for enabling them to undertake these activities without encountering cash flow problems.

### Variation by lender type

The evaluation also explores whether there is any variation in additionality across borrowers accessing finance under RLS 1.0 from different types of lenders. In particular, the analysis explored the difference in additionality between banks[[35]](#footnote-36) and other types of lenders.

Additionality is estimated to be lower for banks than other kinds of lenders (72% in comparison to 85%).[[36]](#footnote-37) This suggests that, at least in the short run, RLS 1.0 may have increased the level of competition and diversity in the lending market, on the basis that a very large proportion of the finance provided by non-traditional lenders was possible only with the existence of the scheme.

Table 8 shows the breakdown into the different aspects of additionality discussed above.

##### Table 8: Additionality by type of lender

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | Additionality type | Bank | Other | | **Overall** | **72%** | **85%** | | Would not have applied for other finance | 19% | 14% | | Not successful in application for other finance | 11% | 21% | | Finance would not have been sufficient for cash flow needs | 31% | 35% | | Able to obtain more finance due to better terms | 11% | 15% | |  |  |

Source: London Economics’ analysis of survey data

Additionality is lower for borrowers accessing finance under RLS 1.0 from banks for three of the four aspects of additionality, with the exception being the first aspect (19% compared to 14%). That the first element of additionality is higher for borrowers from banks suggests that these borrowers may have attached less importance to obtaining finance. The largest difference in additionality is observed for the second aspect, with 21% of non-bank borrowers suggesting they would have applied for other finance but likely would have not been successful, compared to just 11% of borrowers from banks. This suggests that, under RLS 1.0, other kinds of lenders played an important role in supplying finance to businesses that may not meet the requirements for more traditional methods of finance and emphasises the importance of lender diversity and competition. Furthermore, the fact that additionality was lower for businesses obtaining finance from banks may in part be linked to the fact that interest rates under RLS 1.0 were typically lower with banks (see Figure 8). Indeed, it may be the case that banks financed lower-risk businesses that may have been more likely to obtain finance elsewhere and as such interest rates were lower.

For context, 31% of facility volume and 56% of facility value extended under RLS 1.0 were from bank lenders. Detail on which lenders were classified as banks and which as non-banks can be found in Annex 5.

## Product market displacement

Product market displacement refers to the extent to which benefits from RLS 1.0 in the form of increased business output (relative to a scenario without RLS 1.0) occur at the expense of other UK businesses. For instance, the survival of businesses whose output could have been produced by competitors is not additional output. An estimate of product market displacement is therefore important to gauge the extent to which RLS 1.0 had an impact on aggregate economic output.

This report measures product market displacement based on three distinct elements. Firstly, it considers the extent to which the markets operated in by borrowers are competitive (element I). Secondly, it explores the extent to which competitors would take up borrowers’ sales in the scenario that they were to cease trading (element II). Thirdly, it considers the location of competitors to assess the extent to which any displacement occurs within the UK economy as opposed to abroad (element III).

It should be noted that the extent of product market displacement depends on the benchmark against which it is being assessed. Indeed, during the pandemic period market dynamics and competition have been in a state of flux. For the purposes of this research, displacement is measured at the time that borrowers received their finance under RLS 1.0 (the scheme was open from April 6th to December 31st 2021).[[37]](#footnote-38) More generally, it should also be noted that while RLS 1.0 was open economic output was still below potential.[[38]](#footnote-39) Hence, any product market displacement is unlikely to have occurred immediately and may become more noticeable as the economy approaches full capacity.

Table 27 in Annex 4 explains how responses to relevant survey questions were mapped to quantitative figures (or ‘displacement factors’).[[39]](#footnote-40) For each business, an overall displacement measure was calculated by multiplying the displacement factors from across the three elements.

Displacement under RLS 1.0 was estimated to be 45%. This suggests that just under half of the business activity preserved through the impacts of RLS 1.0 could have been absorbed by other businesses in the absence of the scheme. This estimate is similar to those from evaluations of the Covid-19 Loan Guarantee Schemes (43% and 46% for BBLS and CBILS/CLBILS respectively[[40]](#footnote-41)). However, any comparisons between the current displacement estimates and those from other evaluations should be made with caution, given differences in methodologies and economic conditions. Furthermore, it should be noted that these estimates for product market displacement are based on self-reported data. This is important as, in the evaluation of BBLS, CBILS and CLBILS, estimates for product market displacement increased to 51%-56% and 52%-56% when using observed competition rather than self-reported competition for BBLS and CBILS/CLBILS respectively.[[41]](#footnote-42)

Table 9 contains the average displacement factors based on each of the three elements of product market displacement discussed above, for RLS 1.0 as well as the Covid-19 Loan Guarantee Schemes.[[42]](#footnote-43) It is estimated that a substantial proportion of borrowers would have had at least some of their sales taken up by competitors if they had ceased trading, as illustrated by a displacement factor of 73%. Moreover, most borrowers tend to compete with UK-based businesses, and any displacement created by RLS 1.0 is likely to mainly occur within the UK economy (as evidenced by a displacement estimate of 94% for the third element). All of the estimates for each element of displacement were broadly similar to those from the evaluation of BBLS, CBILS and CLBILS.

##### Table 9: Product market displacement (PMD) - by displacement element for RLS 1.0, BBLS and CBILS/CLBILS

| Scheme | Dates open | Average PMD (Overall) | Average PMD Element I | Average PMD Element II | Average PMD Element III |
| --- | --- | --- | --- | --- | --- |
| **RLS 1.0** | April – December 2021 | 45% | 62% | 73% | 94% |
| **BBLS** | May 2020 – March 2021 | 43% | 58% | 73% | 95% |
| **CBILS /CLBILS** | March/April 2020[[43]](#footnote-44) – March 2021 | 46% | 63% | 78% | 90% |

Source: London Economics’ analysis of survey data

## Impact of lending on businesses

This section focuses on the impact of the loans obtained under Recovery Loan Scheme 1.0 on borrowers. The first subsection describes how borrowers used the funds from their RLS 1.0 loans. The second and third subsections provide an early assessment of the impact of RLS 1.0 on business survival, turnover, and employment. The fourth subsection explores other emerging impacts of RLS 1.0, including whether the scheme has led to further R&D activities, the development of new goods and services or actions to reduce carbon emissions.

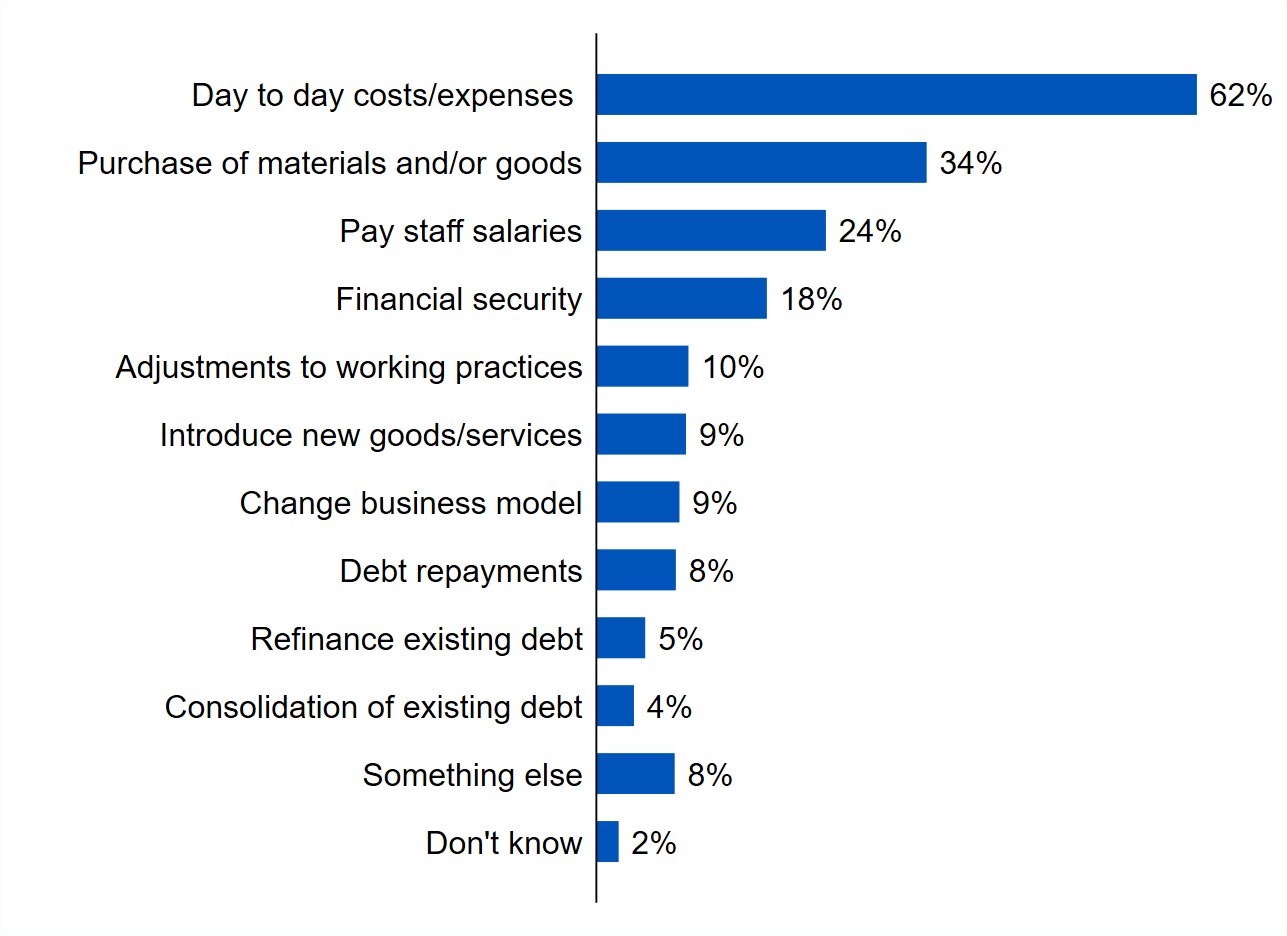
### Borrowers’ use of the finance

The majority of RLS 1.0 borrowers used the finance that they received under the scheme for day-to-day costs and expenses (62%). In addition, around a third (34%) of borrowers used the finance for the purchase of materials and/or goods, and approximately a quarter (24%) of borrowers used the finance to pay staff salaries. RLS 1.0 finance was used by 18% of borrowers to provide financial security and/or headroom.

Roughly one in ten borrowers used the finance to make adjustments to working practices related to Covid-19 (10%), introduce new or different goods or services (9%) or to change their business model (9%).

Only a small proportion of borrowers used RLS 1.0 finance that they received to help with other debts, such as to make debt repayments (8%), to refinance existing debt (5%) or to consolidate existing debt (4%).

##### Figure 13: Use of finance by RLS 1.0 borrowers

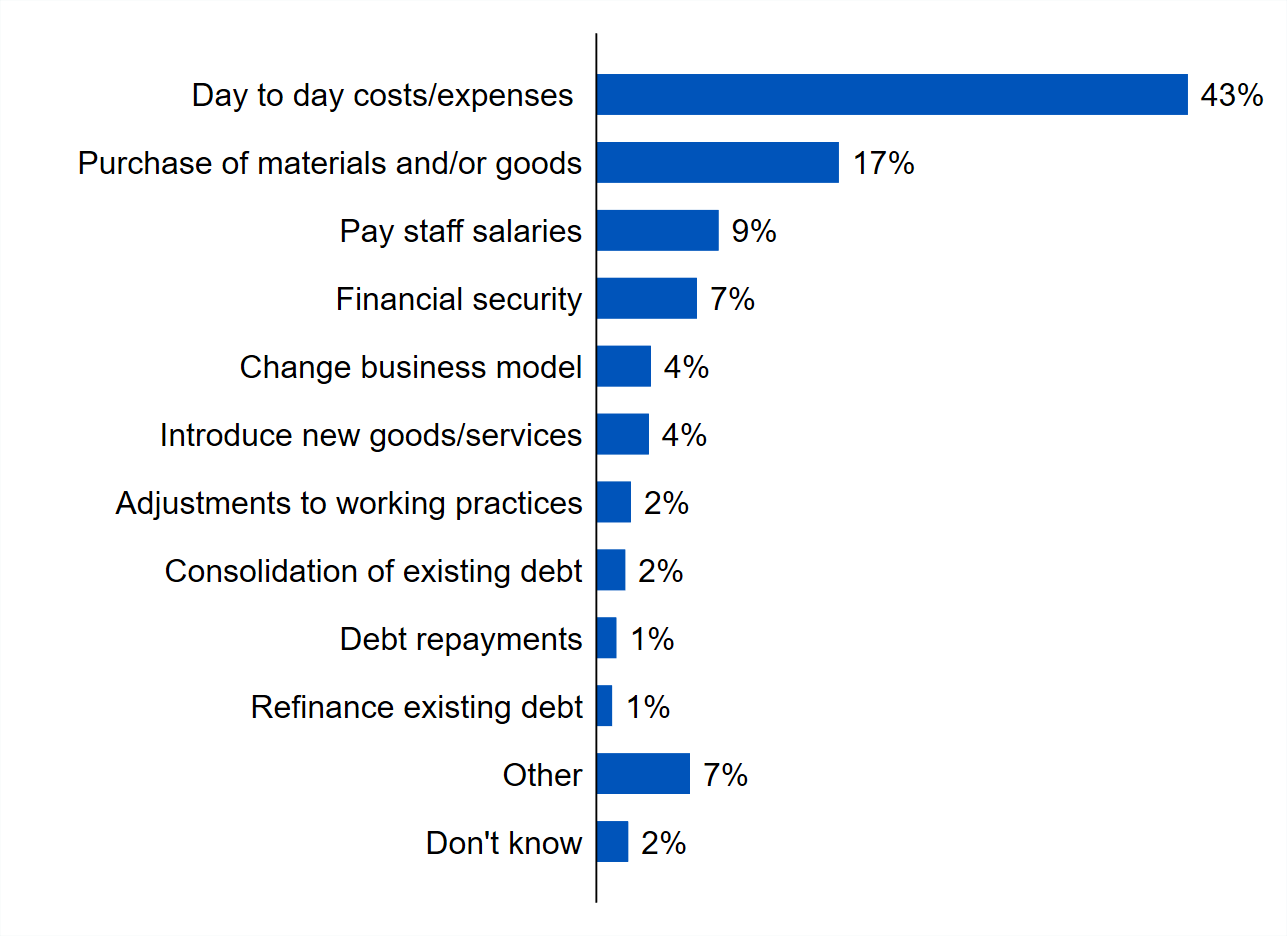


Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

The uses of the finance extended under RLS 1.0 were broadly similar to those reported by borrowers under the Covid-19 Loan Guarantee Schemes. 60% of BBLS and 68% of CBILS/CLBILS reported that they used their finance for day-to-day costs and expenses, also the most prevalent use of finance provided under these schemes.[[44]](#footnote-45) However, borrowers under BBLS (34%) and CBILS/CLBILS (32%) were far more likely to report that they used their finance to provide financial security and headroom than borrowers under RLS 1.0 (18%).[[45]](#footnote-46) This is consistent with the fact that, rather than purely focused on financial security and business survival, the objectives of RLS 1.0 also include a growth aspect.

Borrowers were then asked which of these was their main use of RLS 1.0 finance. Borrowers were most likely to say it was for day-to-day costs and expenses (43%), followed by the purchase of materials and/or goods (17%). A further 9% of borrowers reported that their main use of the finance was to pay staff salaries, whilst 7% of borrowers said that their main use of RLS 1.0 finance was for financial security or headroom.

##### Figure 14: Main use of finance by RLS 1.0 borrowers



Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

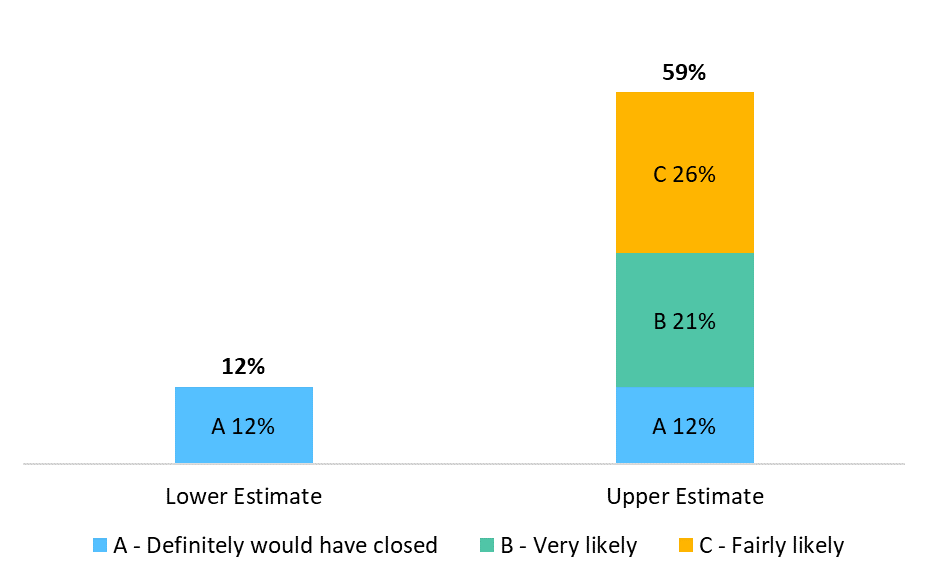
As above, the main use of the finance reported by borrowers under RLS 1.0 is quite similar to that reported by borrowers under the Covid-19 Loan Guarantee Schemes. 37% of BBLS borrowers and 46% of CBILS/CLBILS borrowers (a plurality in both cases) reported that their main use of finance was day-to-day expenses.[[46]](#footnote-47) Again, the main difference is that substantially more BBLS borrowers (14%) and CBILS/CLBILS borrowers (13%) than RLS 1.0 borrowers (7%) used their finance to provide financial security.[[47]](#footnote-48)

The fact that the finance was used by a substantial majority of borrowers to pay various different kinds of bills and provide a safety net is indicative of an impact of RLS 1.0 on business survival. The impact of the scheme on business survival is explored in detail in the next section.

### Impact on business survival

One of the aims of RLS 1.0 was to provide borrowers with a lifeline enabling them to honour their immediate obligations despite lower revenue. This report estimates the impact of RLS 1.0 on the survival of businesses by providing an estimate of the counterfactual closure rate among surviving borrowers in the absence of the scheme. The counterfactual closure rate is estimated using a survey question which asked businesses to assess the likelihood that they would have permanently closed before the end of last year if they had not received funding from RLS 1.0.[[48]](#footnote-49),[[49]](#footnote-50) It is estimated that 12% of RLS 1.0 borrowers that are still trading would have definitely ceased trading if they had not received finance under RLS 1.0 and that a further 47% would have been very or fairly likely to have ceased trading if they had not received finance under RLS 1.0. This is presented graphically, showing the breakdown of responses that are included in the upper estimate, in Figure 15.

##### Figure 15: Self-reported impact of finance under RLS 1.0 in preventing business closure

Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

Variations in the impact of RLS 1.0 according to sector and region were also explored in the evaluation. Borrowers based in London were more likely to report that they would have ceased trading if they did not receive RLS 1.0 finance than borrowers in other regions. This may be because RLS 1.0 borrowers from London typically experienced more kinds of business interruptions as a result of the pandemic than RLS 1.0 borrowers in other regions (see Figure 16 below). In particular, borrowers in London were more likely to experience major obstacles related to supply chain disruptions (61%), access to external finance (57%), availability of staff (39%) and changes to ensure Covid-19 compliance (25%) than borrowers in every other region.

##### Figure 16: Major obstacles faced by borrowers between March 2020 and March 2021 by region

This figure shows the major obstacles faced by borrowers between March 2020 and March 2021 by region. For "East & Midlands", 65% of RLS 1.0 borrowers surveyed described changes in market demand as a major obstacle, 41% described supply chain disruptions as a major obstacle, 48% described issues with late payment as a major obstacle, 41% described access to external finance as a major obstacle, 33% described availability of staff as a major obstacle, 15% described changes for Covid-19 compliance as a major obstacle and 26% described increased debt levels as a major obstacle. For "London", 64% of RLS 1.0 borrowers surveyed described changes in market demand as a major obstacle, 61% described supply chain disruptions as a major obstacle, 43% described issues with late payment as a major obstacle, 57% described access to external finance as a major obstacle, 39% described availability of staff as a major obstacle, 25% described changes for Covid-19 compliance as a major obstacle and 21% described increased debt levels as a major obstacle. For "North & Yorkshire", 61% of RLS 1.0 borrowers surveyed described changes in market demand as a major obstacle, 52% described supply chain disruptions as a major obstacle, 50% described issues with late payment as a major obstacle, 43% described access to external finance as a major obstacle, 28% described availability of staff as a major obstacle, 22% described changes for Covid-19 compliance as a major obstacle and 17% described increased debt levels as a major obstacle. For "Scotland/Wales/NI", 56% of RLS 1.0 borrowers surveyed described changes in market demand as a major obstacle, 52% described supply chain disruptions as a major obstacle, 48% described issues with late payment as a major obstacle, 48% described access to external finance as a major obstacle, 16% described availability of staff as a major obstacle, 24% described changes for Covid-19 compliance as a major obstacle and 28% described increased debt levels as a major obstacle. For "South", 54% of RLS 1.0 borrowers surveyed described changes in market demand as a major obstacle, 46% described supply chain disruptions as a major obstacle, 48% described issues with late payment as a major obstacle, 39% described access to external finance as a major obstacle, 25% described availability of staff as a major obstacle, 16% described changes for Covid-19 compliance as a major obstacle and 13% described increased debt levels as a major obstacle.

Note: Regions are grouped due to low sample sizes. “East & Midlands” refers to the East Midlands, East of England and West Midlands regions. “North & Yorkshire” refers to the North East, North West and Yorkshire and The Humber. “South” refers to the South East and the South West. Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

The impact of RLS 1.0 on business survival was broadly similar across sectors. However, the Production sector was notable for its larger proportion of businesses that reported that they definitely would have closed, but also its smaller proportion of businesses that reported that they were either very likely or fairly likely to close.

Full breakdowns of estimates of the impact of RLS 1.0 on survival by region and sector are provided in Table 25 and Table 26 in Annex 3. It should be noted that the base sizes for individual regions and sectors are low, and so the scale of differences in survival impacts for different subgroups may be in part driven by the small sample size.

It should be noted that as the impacts of RLS 1.0 presented here are based on businesses' self-assessment of their survival prospects in the absence of RLS 1.0, these estimates exclude the impacts of other schemes that borrowers may have participated in. The fact that businesses face uncertainty in assessing their survival prospects had they not accessed finance under RLS 1.0 is partially reflected by the estimates being presented as a range, however these estimates should be interpreted with caution as previous evaluations have shown that impact estimates related to business survival can be higher when calculated using self-reported data rather than secondary data.[[50]](#footnote-51)

### Impact on turnover and employment

Econometric models are used to quantify the impacts of Recovery Loan Scheme 1.0 on businesses’ turnover and employment. The econometric approach is based on the comparison of business outcomes of borrowers and a group of non-borrowers before and after the introduction of RLS 1.0 (i.e., the policy intervention).

The group of non-borrowers against which the outcomes of borrowers are compared was chosen to be as similar as possible (based on observable characteristics) to the sample of borrowers to ensure that any differences in outcomes were most likely due to the impacts of RLS 1.0 rather than other differences between the two groups of businesses unrelated to RLS 1.0. To achieve this in practice, two steps were taken:

1. Non-borrowing businesses were screened during fieldwork based on whether they faced challenges or opportunities because of the Covid-19 pandemic. This aimed to ensure that non-borrowers were affected by the pandemic, thereby potentially creating similar issues to those experienced by borrowers.[[51]](#footnote-52)
2. Among the sample of non-borrowers, a ‘control’ group (i.e., a comparison group) was constructed based on their similarity to borrowers with respect to their characteristics (e.g., size, growth, sector, etc.) and the kinds of business obstacles encountered during the pandemic - described in Annex 4. This exercise is implemented through propensity score matching (PSM).[[52]](#footnote-53) An important limitation of this method is that it does not allow to match borrowers and non-borrowers based on unobserved characteristics (e.g., attitudes towards growth and risk).

The outcomes of the sample of borrowers and the control group are compared against one another both before and after the introduction of RLS 1.0. Comparing both groups before and after the introduction of RLS 1.0 rather than afterwards only allows one to account for any pre-existing differences between the two groups that may remain after steps 1 and 2 described above. A difference-in-differences (DiD) estimation framework is used to estimate such an impact on turnover and employment. Full details of the data used and econometric approach are provided in Annex 4.

Full results from the econometric analysis are presented in Annex 4 (Table 32 and Table 33), with estimates for the impact of the scheme on turnover and employment outlined below.

To account for the potential impact of other major pandemic support schemes, the econometric model is re-run with additional controls for use of the Covid-19 Loan Guarantee Schemes and the Coronavirus Job Retention Scheme (CJRS).

#### Turnover

The econometric analysis identifies a positive and statistically significant impact of RLS 1.0 on borrowers’ turnover in the 2022-23 financial year. Looking first at the model which did not include controls related to participation in other schemes, the results suggest that borrowers’ turnover was approximately 16% higher (significant at the 5% level)[[53]](#footnote-54) than it would have been without borrowing through RLS 1.0. When including the additional controls, the impact of the scheme on borrower’s turnover increased slightly to 17%, which was again significant at the 5% level. It should be noted that this analysis was largely based on a sample of businesses that survived the pandemic. Therefore, these impacts do not include any turnover preserved by the fact that some businesses would have ceased trading without the finance they received under RLS 1.0 (as discussed in the previous section).

##### Table 10: Percentage difference in turnover associated with borrowers’ use of RLS 1.0

| Variable of interest | Without controls | With controls |
| --- | --- | --- |
| Turnover | 16%\*\* | 17%\*\* |

Note: \*\*\* p-value<0.01, \*\* p-value<0.05, \* p-value<0.1. Full results are provided in Table 32 in Annex 4. Given that the dependent variable of the regression is expressed in logarithmic form, the percentage change in turnover associated with borrowers’ use of RLS 1.0 (denoted by the variable “Borrower, post-intervention” taking the value of 1) is approximately equal to , where is the regression coefficient of that variable (e.g., in the case of the turnover with no controls, = 16%). Source: London Economics’ analysis of survey data.

The positive impact of the scheme on turnover should be interpreted in the context of the previous discussion that some of the finance under RLS 1.0 was not additional or may have been displaced from other firms in the economy. In this sense, additionality and displacement need to be taken into account when the overall value for money of the scheme is assessed in the future.

#### Employment

The econometric analysis does not identify a statistically significant impact of Recovery Loan Scheme 1.0 on the number of people employed by borrowers in the 2022-23 financial year (Table 11). As above, it should be noted that this impact mostly excludes the impact on employment through businesses that would have ceased trading permanently in the absence of RLS 1.0.

The inclusion of variables related to participation in other business support schemes such as the Covid-19 Loan Guarantee Schemes and the CJRS do not change the statistical significance of the estimated impacts.

For context, the UK employment rate (the proportion of 16–64 year-olds in work) was at 76.6% before the onset of the pandemic in January 2020, and had fallen to 74.6% by the end of 2020. Throughout 2021 (when RLS 1.0 was in operation) the employment rate increased, reaching 75.4% by December 2021. Since then, the employment rate has remained relatively stable, although had increased slightly to 75.7% by December 2022.[[54]](#footnote-55)

##### Table 11: Percentage difference in employment associated with borrowers’ use of RLS 1.0

| Scheme | Without controls | With controls |
| --- | --- | --- |
| Employment | -6% | -6% |

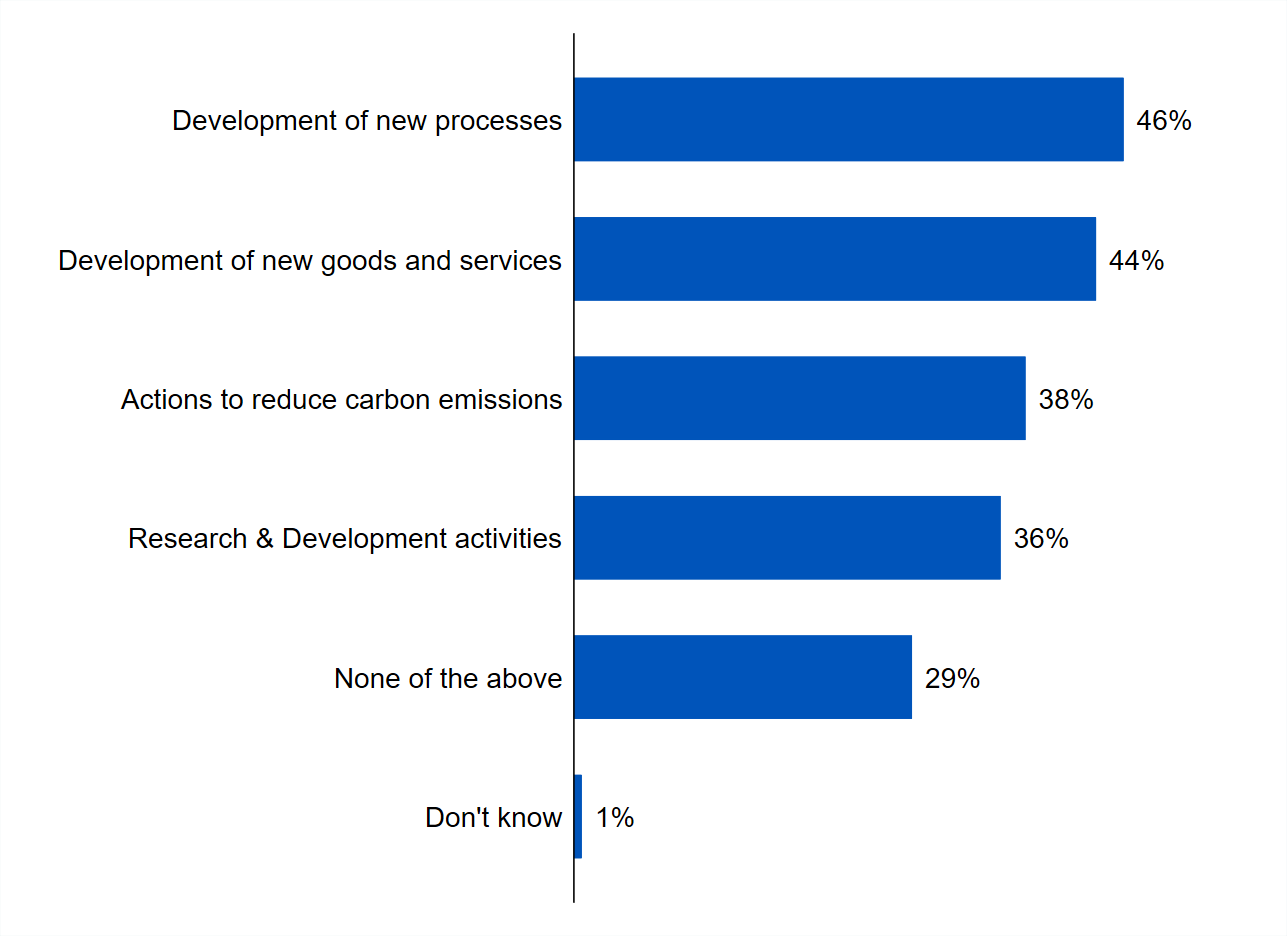
Note: \*\*\* p-value<0.01, \*\* p-value<0.05, \* p-value<0.1. Full results are provided in Table 33 in Annex 4. Given that the dependent variable of the regression is expressed in logarithmic form, the percentage change in turnover associated with borrowers’ use of RLS 1.0 (denoted by the variable “Borrower, post-intervention” taking the value of 1) is approximately equal to , where is the regression coefficient of that variable. Source: London Economics’ analysis of survey data.

The fact that the analysis identifies an impact of RLS 1.0 on turnover and not employment is indicative of a possible impact of the scheme on productivity, however a formal econometric analysis of the productivity impacts of finance under RLS 1.0 is beyond the scope of this evaluation. Additionally, the contrasting results for the turnover and employment analyses is consistent with the reported use of finance of borrowers. The fact that the most common uses of the finance extended under RLS 1.0 were to pay day-to-day expenses and purchase goods and materials suggests that borrowers’ focus was on ensuring continued production, whilst (as discussed in the next section) the growth plans of borrowers appear to be focused more on new processes, goods and services rather than just upscaling their existing business model by hiring more employees.

### Other impacts

This subsection explores the kinds of innovative activities undertaken by borrowing businesses after receiving finance under RLS 1.0. The most common activities were the development of new processes (46%) and the development of new goods and services (44%). Additionally, over a third of borrowers reported that they undertook new Research and Development activities (36%) or took actions to reduce their carbon emissions (38%). The fact that borrowers reported that their primary use of the finance received under RLS 1.0 relate to paying bills and expenses (see Figure 14), suggests that RLS 1.0 had an important role in providing borrowers with the funds needed to continue paying their bills whilst continuing to innovate. As such it will be important to conduct a further evaluation in future to capture the longer-term impacts of RLS 1.0.

##### Figure 17: Activities undertaken by borrowers since accessing finance under RLS 1.0



Source: London Economics’ and Ipsos’ analysis of survey data. Base: All RLS 1.0 borrowers (242).

Data on the propensity of non-borrowers to undertake these kinds of activities was not collected in the survey, and therefore we do not have a fully comparable counterfactual to compare against and therefore it is not possible to assess the extent to which these activities would have been undertaken without the finance made available by RLS 1.0. Despite this, there is some insight that can be gained from comparing these results to information on R&D activities within the BICS. It is found that only 10% of businesses carried out any in-house R&D in 2021, which increases to 19% when excluding businesses with fewer than 10 employees.[[55]](#footnote-56) Both of these estimates are substantially lower than the proportion of RLS 1.0 borrowers that undertook R&D activities as found in this study.

## Lender response to scheme parameters

The changes to the scheme parameters, compared to CBILS, had an impact on lenders. These included changes to the fees for providing the lending, rates charged, the continuation of personal guarantees not being required and the introduction of an additionality test. The most significant impact on lenders was on the scale of lending and the types of business they were providing lending to through the scheme. Accredited lenders reported that during the period in which Covid-19 Loan Guarantee Schemes were in existence, as a result of the BIP, the lower levels of lender fee and partially because of the lack of an additionality test, the majority of lending they were providing was through guaranteed schemes (around 80% of business lending). This was because the terms offered through the schemes were more appealing to businesses than those offered through commercial lending. However, the changes to the parameters highlighted in the Process evaluation section meant that commercial lending was a more appealing offer than the terms that would be offered through RLS 1.0 for most businesses, as the removal of the BIP and higher lender fees meant that the rates offered on RLS facilities were often higher than for commercial lending.

For bank lenders, the change in scheme parameters impacted on the quantity of facilities they were providing (fewer facilities). For non-bank lenders, the change in scheme parameters also impacted upon the quantity of lending, but there were other impacts reported. One non-bank lender reported that the changes to the scheme parameters, compared to CBILS, had a positive impact on their ability to participate in the scheme. For CBILS, they were unable to use their primary source of funding (which was publicly funded) as it was not permitted by the scheme rules – as this was changed for RLS 1.0 the lender did not have to source additional finance, which helped them in their ability to provide the scheme to businesses.

Although the interest rates offered by accredited lenders were generally higher than the average commercial rates for bank lending, these rates reflected the fact that RLS 1.0 was designed to offer finance to businesses that could not access commercial lending (or not on the same terms) without RLS. Therefore, the businesses accessing finance through RLS 1.0 were generally at greater risk of default than those accessing commercial lending, and the prices offered through RLS 1.0 reflect this risk of default. The scheme parameters still required lenders to pass on the economic benefit of the guarantee to the borrowers. Despite the portfolio having a greater risk of default than a commercial portfolio and the existence of a guarantee, lenders reported not offering lending to all businesses. The lenders still assessed the relative risk of the business in terms of ability to repay. This was because the scheme design still left lenders with some exposure to risk. The lenders reported offering facilities through the scheme only to businesses that could not access commercial finance, but based on their assessment were close to the threshold of accessing commercial finance.

This is demonstrated by the estimated proportion of total business lending that RLS 1.0 represented. The Covid-19 Loan Guarantee Schemes represented a majority of business lending in 2020 (around 80%), but RLS 1.0 lending appears to represent under 3% of total business lending in 2021.[[56]](#footnote-57)

As the scale of business lending through RLS 1.0 was relatively low, it was reported to have had a very limited impact on competition in the SME finance market. Accredited lenders that were consulted confirmed that RLS 1.0 lending represented a low proportion of their total lending portfolio and felt that it had not impacted the market significantly, or their position within the market.

In conclusion, the key scheme parameters have had an impact on the quantity of facilities lenders have provided through RLS 1.0 compared to CBILS, and although this is generally true across all lenders, one non-bank lender reported a positive impact on their ability to provide finance due to changes in the type of funding they were able to use in the scheme. The rates offered through RLS 1.0 appear to be higher than average commercial bank lending rates – however it was reported by lenders that this was due to the types of customers that accessed finance through the scheme being riskier (in terms of default risk) than those obtaining commercial finance, therefore the pricing reflected this risk. Although the scale of lending through RLS 1.0 has been a lot lower than for the Covid-19 Loan Guarantee Schemes, it is not possible to quantify the impact of the changes (or each of the changes individually) on lending through the scheme.

# Concluding remarks

This report presents the findings of the first evaluation of RLS 1.0, covering both the processes involved and impact of the scheme.

The findings from the process evaluation demonstrate that learnings have been taken from the delivery of CBILS, with improvements in efficiency in terms of the accreditation process and amendments to the scheme design meaning the majority of SME lending was provided through commercial lending rather than guaranteed lending, enhancing the additionality of RLS 1.0. The ability to plan the design and launch of RLS 1.0 over a longer period than was available for the Covid-19 Loan Guarantee Schemes was helpful. Data collection and monitoring approaches continued from the Covid-19 Loan Guarantee Schemes and was seen as being appropriate and proportionate.

The findings of the impact evaluation highlight the importance and value of continued support for businesses following a major crisis. Whilst the Covid-19 Loan Guarantee Schemes did a good job of supporting businesses during the depth of the pandemic, businesses faced many challenges even after the end of full lockdown. The evaluation provides strong evidence in support of the idea that RLS 1.0 was successful in meeting its overarching objective of supporting recovery and growth in the aftermath of the pandemic. In particular, the high level of additionality of the scheme combined with the fact that RLS 1.0 was estimated to have such a substantial impact on both turnover and survival of participating businesses.

Finally, it should be noted that a further evaluation of RLS 1.0, designed to capture the medium- to long-term impacts of RLS 1.0 and incorporate a wider range of data sources will be undertaken in the years that follow. Such a future evaluation could also usefully explore the following to build an even more complete picture of the effects of RLS 1.0 and improve future policymaking:

* Evaluation of the debt recovery process in place for RLS 1.0 as well as further assessment of the monitoring and data collection processes.
* Additional analysis of the impacts of RLS 1.0 on turnover, employment, and business survival using secondary data (as it becomes available) to obtain estimates that do not rely on self-reported data and so that a much larger proportion of RLS 1.0 borrowers can be included in the analysis.
* Additional exploration of how the impacts of RLS 1.0 may have varied across sectors and regions, as well as for businesses that have a high representation of individuals with protected characteristics in their senior management.
* Further econometric modelling and case study interviews to understand how RLS 1.0 may have impacted on the productivity of borrowers.
* An analysis of the value for money of RLS 1.0, comparing the major benefits (in terms of business growth and survival) of the scheme to its major costs (unrecovered loans and administrative expenses).

# Annex 1

This annex provides a description of the design of RLS 1.0 as well as the framework for the process evaluation and assessing the impact of scheme parameters that was developed following a comprehensive review of key documentation and wider published information, interviews, and workshops with key stakeholders.

## Final design of RLS 1.0

Table 12 describes the final design of RLS 1.0.

##### Table 12: Final design of RLS 1.0

| Design feature | RLS 1.0 |
| --- | --- |
| Eligible sectors | All except banks, building societies, insurers, reinsurers, public-sector bodies and state-funded primary or secondary schools |
| Business turnover limit | Any size |
| Status | Must be trading in the UK and demonstrate that they would be viable were it not for the pandemic, have experienced challenges or opportunities as a result of the pandemic and are not in collective insolvency proceedings (unless the business is in scope of the Northern Ireland Protocol in which case different eligibility rules may apply) |
| Guarantee to the lender | 80% |
| Finance available | Term loans or overdrafts of between £25,001 and £10 million per business and invoice or asset finance between £1,000 and £10 million per business, with a business group limit of £30 million |
| Personal guarantees | No personal guarantees taken on facilities up to £250,000, and a borrower’s principal private residence cannot be taken as security |
| Interest rate | Up to lender but capped at 14.99% per annum |
| Fee payable to HMT (for businesses)[[57]](#footnote-58) | Zero |
| Portfolio cap on lender claims | No |
| Cap on refinancing | 20% (amounts applied to refinance BBLS, CBILS, CLBILS or EFG facilities are not included in this limit) |
| Repayment period | Up to 3 years for overdrafts/revolving credit facilities and invoice finance facilities and up to 6 years for term loans and asset finance facilities |

## Framework for process evaluation and assessing the impact of scheme parameters

##### Table 13: Process evaluation framework

| Process group | Evaluation question | Key metrics | Sources of evidence | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Monitoring data | BBB documentation | Literature review | BBB/DBT/HMT | Wider stakeholders | Lenders | Secondary data |
| Scheme design | How effectively did government provide strategic direction in setting the objectives of the schemes? |  |  |  |  |  |  |  |  |
| Were all potentially viable funding instruments considered? | * Debt market interventions adopted by other advanced economies * Alternatives to debt market interventions (e.g. grant funding interventions) adopted by other advanced economies |  |  |  |  |  |  |  |
| How effectively was learning from the Covid-19 Loan Guarantee Schemes used to design RLS 1.0? |  |  |  |  |  |  |  |  |
| Was there an optimal mix of expertise involved in the development of the scheme? |  |  |  |  |  |  |  |  |
| Were lenders adequately engaged in the design of the scheme? |  |  |  |  |  |  |  |  |
| To what extent does the business case capture all of the outcomes and impacts of RLS 1.0? |  |  |  |  |  |  |  |  |
| How accurate was the business case in estimating the scale of the scheme? |  |  |  |  |  |  |  |  |
| How far did the initial risk register capture relevant risks about RLS 1.0? |  |  |  |  |  |  |  |  |
| How far did the scheme complement other current and previous government programmes designed to promote survival of firms? | * Number of borrowers obtaining funds from parallel programmes * % of borrowers accessing parallel programmes to fund similar costs |  |  |  |  |  |  |  |
| How far did addressable gaps in access to finance remain following the introduction of the scheme? |  |  |  |  |  |  |  |  |
| To what extent did the additionality assessment requirement impact upon lending? | * % of applications converted to facilities * Comparison to CBILS / CLBILS conversion rate |  |  |  |  |  |  |  |
| Lender accreditation process | Did the communication with lenders lead to a sufficiently large and diverse pool of lenders applying to take part in RLS 1.0? | * Number of applications for accreditation received from (non) CBILS lenders * Type and size of lenders making applications for accreditation * Number and characteristics of non-applications from CBILS lenders |  |  |  |  |  |  |  |
| How effectively did communications articulate the requirements of participation? |  |  |  |  |  |  |  |  |
| Did the application form collect all relevant information to inform a decision about accrediting a lender and whether a lender should be “fast-tracked”? |  |  |  |  |  |  |  |  |
| How effectively did the accreditation process utilise information already held about CBILS lenders? |  |  |  |  |  |  |  |  |
| Was an accreditation decision made in a timely manner to allow the schemes to proceed quickly and at scale? | * Timescales for approval for fast tracked and standard accreditation process |  |  |  |  |  |  |  |
| Was an appropriate level of support made available to lenders during the application for accreditation process? |  |  |  |  |  |  |  |  |
| How far did the lender accreditation process ensure that lenders took on appropriate levels of risk? | * Default rates on guaranteed and unguaranteed lending |  |  |  |  |  |  |  |
| How effectively did the contract agreement control the risks associated with the delivery of RLS 1.0? | * Outcomes of post-accreditation audits * Number of actions taken by lenders following audit |  |  |  |  |  |  |  |
| Did the lender accreditation process lead to on-going effects on competition in the lending market? | * Market share of accredited lenders |  |  |  |  |  |  |  |
| How far did the lender scheme payment process create additional burden for lenders? |  |  |  |  |  |  |  |  |
| Was the lender accreditation process proportionate? | * Time spent by BBB staff on accreditation * Time spent by lenders on accreditation |  |  |  |  |  |  |  |
| Communication with businesses | How effective was the communication strategy in making businesses aware of RLS 1.0? | * % of firms aware of RLS 1.0 |  |  |  |  |  |  |  |
| Did the communication strategy provide sufficient information to businesses about the schemes? | * Number of ineligible / declined applicants |  |  |  |  |  |  |  |
| Business application and assessment process and fund transfer | How effective was the information and guidance provided in explaining the requirements of the application process? |  |  |  |  |  |  |  |  |
| Was the time required to complete applications proportionate? |  |  |  |  |  |  |  |  |
| Did the application process collect any details above what would be collected in a standard lending application? |  |  |  |  |  |  |  |  |
| How did the application of the eligibility criteria and additionality assessment channel resources towards appropriate businesses? | * Operating profitability pre-pandemic * Depth of reserves / net assets * Current ratio (current liabilities / current assets) * Concentration of borrowers in sectors most affected by pandemic |  |  |  |  |  |  |  |
| How effectively did the scheme design discourage excess risk taking or avoid other perverse incentives? | * Default rates on guaranteed and unguaranteed lending * Approval rates for existing / new customers |  |  |  |  |  |  |  |
| Were lending decisions made sufficiently rapidly? | * Timescales for approval * Timescales between approval and receipt of funds |  |  |  |  |  |  |  |
| Was feedback on reasons for declined applications for lending provided by lenders? |  |  |  |  |  |  |  |  |
| How effective was the training provided to lenders in providing their staff with the knowledge and skills to robustly assess applications in line with the requirements of the scheme (including additionality test)? |  |  |  |  |  |  |  |  |
| Monitoring | How effective was BBB data portal in supporting the efficient transfer of data? |  |  |  |  |  |  |  |  |
| How responsive were BBB to queries about data sharing? |  |  |  |  |  |  |  |  |
| Was data provided in a timely manner to and from Lenders? |  |  |  |  |  |  |  |  |
| How effectively was data from RLS 1.0 shared between Government departments? |  |  |  |  |  |  |  |  |
| Was all relevant data collected to monitor the performance of a lender’s portfolio? |  |  |  |  |  |  |  |  |
| Is the external audit exercise proportionate to the value of the schemes and level of risk? |  |  |  |  |  |  |  |  |
| In what ways did the publication of data impact upon lender behaviour? |  |  |  |  |  |  |  |  |
| How effective was the lender challenge process in influencing lender behaviour? | * Number of challenges |  |  |  |  |  |  |  |
| In what ways has the external audit process altered lenders’ internal processes? |  |  |  |  |  |  |  |  |
| How effective have the relationship management processes been in encouraging lender cooperation with the schemes? |  |  |  |  |  |  |  |  |
| Repayments | How effective have the approaches used by lenders been in securing repayment from businesses in difficulty when compared to BAU portfolio of SME lending? | * Incidence of arrears * Value of arrears |  |  |  |  |  |  |  |
| How effective have the processes been to identify and remove erroneous facilities from the guarantee scheme? |  |  |  |  |  |  |  |  |
| How effectively has the process of claiming guaranteed balance worked? |  |  |  |  |  |  |  |  |

##### Table 14: Impact of scheme parameters framework

| Impact group | Evaluation question | Key metrics | Sources of evidence | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Monitoring data | BBB documentation | Literature review | BBB/DBT/HMT | Wider stakeholder | Lenders | Secondary data |
| Fundraising impacts | To what degree did RLS 1.0 enable lenders to attract additional capital? |  |  |  |  |  |  |  |  |
| Effects on SME lending | To what degree did overall lending volumes to SMEs change following the introduction of RLS 1.0? | * Total value of RLS 1.0 lending * Total value of lending among participating lenders * Trend in lending volumes among non-participating lenders * Trend in lending volumes among participating lenders |  |  |  |  |  |  |  |
| How did the Scheme parameters (guarantee rate, lender fee) influence lending decisions? How did this vary by type of lender? |  |  |  |  |  |  |  |  |
| How did the scheme design affect terms offered to businesses? | * Range of terms offered within the scheme * Range of terms offered as standard lending to SMEs |  |  |  |  |  |  |  |
| To what degree did RLS 1.0 backed lending displace unguaranteed lending? |  |  |  |  |  |  |  |  |
| What other factors influenced lending volumes between 2021 and 2023 (including internal strategy, monetary tightening and macro-economic uncertainty)? |  |  |  |  |  |  |  |  |
| Competition impact | How has RLS 1.0 affected the market share of different types of providers in the UK? | * Market share of participating lenders before RLS 1.0 and in 2023 * Market share of different types of lenders before RLS 1.0 and in 2023 * Market share of SME lending before RLS 1.0 and in 2023 |  |  |  |  |  |  |  |
| How did the lender accreditation process impact upon competition? |  |  |  |  |  |  |  |  |

# Annex 2

This annex provides technical details of the survey of RLS 1.0 borrowers and non-borrowers. It covers the sampling, fieldwork and approach to weighting as well as a copy of the questionnaire to aid the interpretation of the findings.

## Primary data collection

Ipsos undertook a quantitative survey of 242 borrowers and 236 non-borrowers from 31st July to 3rd October 2023.

The data have been weighted to be statistically representative of the Recovery Loan Scheme 1.0 population.

Businesses that reported that they did not experience any challenges (positive or negative) caused by the pandemic, public-sector organisations, and non-borrowers trading 1 year or less were outside the scope of the survey.

### Survey and questionnaire development

Ipsos and London Economics developed the questionnaire and all other survey instruments (e.g., the interview script, reassurance email and interviewer briefing materials). BBB and DBT had final approval of the questionnaire. Development of the survey included stakeholder engagement from the project steering group and a pilot survey.

Ipsos undertook a pilot survey of 18 borrowers and 16 non-borrowers from 31st July to 2nd August 2023. The pilot survey was used to:

* test the questionnaire CATI (computer-assisted telephone interviewing) script
* time the questionnaire
* test the usefulness of the interviewer briefing materials
* test the quality and eligibility of the sample (by calculating the proportion of the dialled sample that ended up containing usable leads)

Quotas were applied during the pilot to ensure interviews with both borrowers and non-borrowers. The pilot sample was drawn from the same sample frames used for the main stage survey (see next section). The interview length for the pilot was c.25 minutes for borrowers and c.15 minutes for non-borrowers, both above the target for the main stage.

Following feedback from the pilot survey, changes were made to the questionnaire to streamline questions and remove questions for non-borrowers which were less critical to the evaluation. However, substantial cuts were not made to the questionnaire which meant the original target number of interviews was reduced for both borrowers and non-borrowers to accommodate the longer interview length. A copy of the final questionnaire used in the main survey is provided later in this annex.

BBB provided a sample of 10,985 RLS 1.0 borrowers. For the control group of non-borrowers, sample was sourced from the Dun & Bradstreet (D&B) business database comprising 7,500 records.

Non-borrowers were selected to be representative of the overall population of RLS 1.0 borrowers. They were similar to borrowers in that they have all faced challenges or opportunities because of the Covid-19 pandemic, thereby increasing the likelihood that both groups of businesses have faced similar financial and operational issues during the reference period of the evaluation.

Ipsos carried out telephone tracing for the RLS 1.0 borrowers sample (matching the sample frame data to a commercial business database) to fill in the gaps where possible. The sample was also cleaned to remove any duplicate telephone numbers. Following these stages, 5,963 records (54%) were available.

After preparing the sample for fieldwork (e.g., de-duping, removing incorrect numbers), 5,945 leads for borrowers and 7,366 leads from non-borrowers were available for fieldwork although not all the sample was required to meet the revised targets.

A breakdown of available leads is provided in the table below. Sample received represents the volume of sample received from BBB or other sources (outlined above). The number of leads available for fieldwork refers to the number of records available after telephone number matching and deduping of records.

##### Table 15: Sample volumes

|  | Sample received | Deduped/removed | Available for fieldwork | Completed interviews |
| --- | --- | --- | --- | --- |
| RLS 1.0 borrowers | 10,985 | 5,040 | 5,945 | 242 |
| Non-borrowers | 7,500 | 134 | 7,366 | 236 |

Note: Removed records had a do not contact and no number matched.

The sample was proportionately stratified by region, size and sector.

### Fieldwork

Ipsos carried out the main stage fieldwork from 15th August to 3rd October 2023 using a telephone survey. In total, interviews were completed with 242 borrowers and 236 non-borrowers.

The average interview length was c.24 minutes for borrowers and c.14 minutes for non-borrowers. The interview length was c.5 to 10 minutes over the original expected length for each group which resulted in a lower co-operation rate among businesses and meant fewer interviews were conducted with each group.

Interviewers screened all sampled organisations at the beginning of the call to identify the right individual to take part and ensure the business was eligible for the survey. At this point, the following organisations would have been removed as ineligible:

* organisations that identified themselves as part of the public sector
* non-borrowers trading one year or less
* non-borrowers who said they did not face any challenges or opportunities as a result of the pandemic

Interviewers specifically asked for the senior individual with the most responsibility for financial decisions in the organisation. The interviewer briefing included guidance on likely job roles and job titles for these individuals, which would differ based on the type and size of the organisation.

Several steps were undertaken to maximise participation in the survey and reduce non-response bias:

* Each organisation loaded in the main survey sample was called multiple times, or until an interview was achieved, a refusal given, or information obtained to make a judgment on the eligibility of that contact. For example, this outcome was used when respondents had requested to be called back at an early stage in fieldwork but had subsequently not been reached.
* Each piece of sample was called at different times of the day, throughout the working week, to make every possible attempt to achieve an interview. Evening and weekend interviews were also offered if the respondent preferred these times.
* Interviewers could send a reassurance email to prospective respondents if the respondent requested this.

Ipsos is a member of the interviewer Quality Control Scheme recognised by the Market Research Society. In accordance with this scheme, the field supervisor on this project listened into at least 10 per cent of the interviews and checked the data entry on screen for these interviews.

The project team monitored fieldwork outcomes and response rates throughout fieldwork, and interviewers were given regular guidance on how to avoid common reasons for refusal. The table below shows the final outcomes.

##### Table 16: Fieldwork outcomes

| Outcome | Borrowers | Non-borrowers |
| --- | --- | --- |
| Completed interviews | 242 | 236 |
| Refused | 347 | 559 |
| Unusable numbers[[58]](#footnote-59) | 615 | 781 |
| Unusable working numbers[[59]](#footnote-60) | 1,284 | 1,457 |
| Working numbers with unknown eligibility[[60]](#footnote-61) | 605 | 894 |
| Screened out (Total)[[61]](#footnote-62) | 5 | 36 |
| Total (called at least once) | 3,098 | 3,963 |

The cooperation rate[[62]](#footnote-63) was 41% for borrowers and 30% for non-borrowers. The lower co-operation rates are likely to be due to a combination of circumstances brought about by the long questionnaire, as well as the ongoing challenge of declining response rates in survey fieldwork in general.

### Data processing and weighting

There were logic checks in the script which checked the consistency and likely accuracy of answers. If respondents gave unusually high or low numeric answers (such as turnover), the interviewer would read out the response they had just recorded and double-check this is what the respondent meant to say.

The verbatim responses to unprompted questions could be coded as “other” by interviewers when they did not appear to fit into the predefined code frame. These “other” responses were coded manually by Ipsos’ coding team, and where possible, were assigned to codes in the existing code frame. It was also possible for new codes to be added where enough respondents had given a similar answer outside of the existing code frame. The Ipsos research team verified the accuracy of the coding, by checking and approving each new code proposed.

Both borrowers and non-borrowers were weighted to be representative of the profile of RLS 1.0.

Rim weighting was used to adjust the sample to ensure the weighted profile of the sample matches the population for a set of weighting targets. The weighting was run separately for borrowers and non-borrowers. The weighting targets were sector, region, and turnover. Both borrowers and non-borrowers were weighted to the same set of targets meaning, once the weights are applied, the borrowers and non-borrowers have the same profile for sector, region, and turnover.

## Survey questionnaire

**Key**

* Anything that appears static on the interviewer screen in black
* **QUESTION/NEW SCREEN LABELS IN BOLD CAPS**
* Any scripting instructions and text substitutions in red
* Any interviewer instructions / text that should be removed for web survey in green

FOR WORD INSERTS USE THROUGHOUT:

IF NO EMPLOYEES OR MICRO BUSINESS INDICATED: ASK TO SPEAK TO OWNER/ MANAGING DIRECTOR.

IF SMALL/MEDIUM SIZED OR LARGE BUSINESS: ASK TO SPEAK TO FINANCE DIRECTOR

ADD IF NECESSARY: **This may be** [INSERT INDIVIDUAL NAME FROM SAMPLE]

[SCREEN 1]

**CATI INTRO SCREEN 1:**

SHOW IF LOAN

READ OUT IF CATI ONLY

**It’s XX calling from Ipsos, an independent research organisation. Your business has been selected to take part in a survey because you applied for external finance from the Recovery Loan Scheme between April 2021 and December 2021. We are conducting the survey on behalf of the UK Government’s British Business Bank.**

SHOW IF CONTROL

READ OUT IF CATI ONLY

**It’s XX calling from Ipsos, an independent research organisation. Your business has been selected to take part in a survey we are conducting on behalf of the UK Government’s British Business Bank.**

**WEB INTRO SCREEN 1:**

**SHOW IF LOAN:**

**Thank you for part in this survey. Your business has been selected to take part in the survey because you applied for external finance from the Recovery Loan Scheme. The Recovery Loan Scheme was a scheme launched by the government in April 2021 to provide financial support to businesses across the UK as they recovered and grew following the pandemic. We are conducting the survey on behalf of the UK Government’s British Business Bank.**

**SHOW IF CONTROL:**

**Thank you for part in this survey. Your business has been selected to take part in a survey we are conducting on behalf of the UK Government’s British Business Bank.**

**INTRO SCREEN 2 (CATI and WEB):**

SHOW ALL

**As part of this study, we are working with consultancy London Economics who are conducting an economic impact analysis of the Recovery Loan Scheme. They may match some of your survey answers to information about your business for statistical analysis purposes only. At no point would your business be identified in any reporting of this analysis.**

SHOW TO LOAN:

**The survey should take around 15 minutes to complete. You will be asked questions about your business, your use of different forms of finance, the impact of Covid-19, the Recovery Loan Scheme, its impact on your business, the market(s) in which you operate and general business factors.**

SHOW TO CONTROL:

**The survey should take around 10 minutes to complete. You will be asked questions about your business, the impact of Covid-19, the market(s) in which you operate and general business factors.**

[SCREEN 2]

**[**CATI: **I] [**WEB: **We] can reassure you that your answers and other information you provide will be treated in the strictest confidence and answers will not be attributed to you or your business in the data we pass on to the British Business Bank unless you give explicit permission to do so. Anonymised findings from the survey will be published on the British Business Bank website.**

**IF NECESSARY/**INFO BUTTON FOR ONLINE SURVEY:

**The British Business Bank is the UK government’s economic development bank. Established in 2014, its mission is to make finance markets for smaller businesses work more effectively, enabling those businesses to prosper, grow and build UK economic activity. Its remit is to design, deliver and efficiently manage UK-wide smaller businesses’ access to finance programmes for the UK government.**

**This survey will inform how the Bank can help businesses learn about and access finance more easily.**

REASSURANCES IF NECESSARY:

* SHOW FOR LOAN RECIPIENTS: **Your business has been selected at random from the list of Recovery Loan Scheme customers. Your details were provided by your lender to the British Business Bank who manage the government-backed guarantee.**
* SHOW FOR CONTROL: **Your business has been selected at random from** [D&B sample:] **Dun and Bradstreet, a commercial business database** [Market Location sample]: **Market Location, a commercial business database.**
* SHOW FOR ALL: **We work strictly within the Market Research Society Code of Conduct.**
* SHOW FOR ALL: **British Business Bank is interested in the views of all different types of businesses.**
* SHOW FOR ALL: **We need to CATI: talk to WEB: survey a wide range of businesses in this survey and you will not be asked irrelevant questions.**
* SHOW FOR ALL: **The survey is not technical, and you don’t need any specific finance-related knowledge to take part.**
* SHOW FOR CATI ONLY: **We can share some of the questions with you by email, to help you find the right person to take part.**
* SHOW FOR ALL: **Should you wish to get verification on the survey, the contact at Ipsos is [Rob Sinclair] at [rob.sinclair@ipsos.com], and the contact at British Business Bank is [Naren Mistry] at [**[**naren.mistry@british-business-bank.co.uk**](mailto:naren.mistry@british-business-bank.co.uk)**].**
* SHOW FOR ALL: **Further information on British Business Bank evaluations can be accessed online at**  <https://www.british-business-bank.co.uk/about-our-evaluations/>

[SCREEN 3]

Q\_VOLUNTARY.

ASK ALL CATI ONLY

**Before we start, I want to clarify that participation in the survey is voluntary and you can change your mind at any time. Please note that there are questions which asks you to describe your ethnic origin, age and gender identity, however you are free to not answer. Are you happy to proceed with the interview?** IF NECESSARY: **If you would like to read the Privacy Notice beforehand you can access it online at** [ADD](https://ipsos.uk/180452901) PRIVACY NOTICE LINK

Q\_REASSURANCE

ASK ALL CATI ONLY

Option to send reassurance email

ASK ALL

ASK IF CATI

**S1** **Can I just check the business name that we have for you is** [INSERT TRADING NAME]**, is this correct?** IF NO: **Can you please tell me the correct business name?**

ASK IF WEB

**S1** **The business name that we have for you is** [INSERT TRADING NAME]**, is this correct?** IF NO: **Please can you provide us with the correct business name?**

INTERVIEWER NOTE FOR LOAN RECIPIENTS: IF THE RESPONDENT SAYS THEY HAVE MORE THAN ONE BUSINESS, AND THAT IT DOESN’T INCLUDE THE ONE NAMED HERE, SAY THAT FOR THE PURPOSE OF THIS SURVEY WE ARE INTERESTED IN ONE OF THEIR BUSINESSES FOR WHICH THEY SOUGHT EXTERNAL FINANCE THROUGH THE **Recovery Loan Scheme**

INTERVIEWER NOTE FOR CONTROL GROUP: IF THE RESPONDENT SAYS THEY HAVE MORE THAN ONE BUSINESS, AND THAT IT DOESN’T INCLUDE THE ONE NAMED HERE, SAY THAT FOR THE PURPOSE OF THIS SURVEY WE ARE INTERESTED IN ONE OF THEIR BUSINESSES

|  |  |
| --- | --- |
| Yes | 1 |
| No – WRITE IN CORRECT NAME | 2 |
| Don’t know | 98 |

ASK ALL

**We will be focussing on** [INSERT BUSINESS NAME FROM SAMPLE IF CODE 1 AT S1 OR FROM SCRIPT IF CODE 2 AT S1] **throughout this interview.**

ASK ALL

**S2 [**CATI: **Can I just check, are] [**WEB: **Are] you able to answer questions about the business’s financial performance and its finance needs?**

|  |  |  |
| --- | --- | --- |
| Yes | 1 | CONTINUE |
| No – transfer | 2 | TRANSFER AND RETURN TO INTRO FOR CATI SCREEN OUT FOR WEB |
| No – they are unavailable | 3 | ASK FOR NAME OF CORRECT RESPONDENT TO CALL. THANK AND CLOSE |

ASK ALL

**S3 Did your business face any challenges or opportunities as a result of the Covid-19 pandemic?**

READ OUT TO ALL BUSINESSES THAT ARE UNSURE

**By this we mean putting staff on furlough, accessing a government or local authority grant, experiencing a fall in demand, facing any operational challenges, increase in costs or unexpected business expenses, and/or business constraints resulting from social distancing and/or lockdowns.**

**This could also include an unexpected rise in demand as a result of the pandemic.**

SINGLE CODE ONLY

INTERVIEWER IF ANSWER IS NO: PLEASE PROBE FULLY AND EXPLORE ANY ISSUES BUSINESSES MIGHT HAVE FACED. EVEN IF THEY DID NOT NEED FINANCIAL HELP, PUTTING STAFF ON FURLOUGH COUNTS AS AN ISSUE

|  |  |  |
| --- | --- | --- |
| Yes – major challenge(s) | 1 | CONTINUE |
| Yes – major opportunity(ies) | 2 | CONTINUE |
| Yes – minor challenge(s) | 3 | CONTINUE |
| Yes – minor opportunity(ies) | 4 | CONTINUE |
| No | 5 | THANK AND CLOSE IF CONTROL GROUP, IF RECIPIENT ALLOW TO CONTINUE |
| Don’t know | 98 | THANK AND CLOSE IF CONTROL GROUP, IF RECIPIENT ALLOW TO CONTINUE |

ASK ALL

**S7**

**READ OUT TO LOAN RECIPIENT**

**As a reminder, this survey is specifically about the Recovery Loan Scheme, which was launched by the Government in late April 2021, and closed at the end of 2021. This is distinct from the earlier loan schemes offered by the Government, such as Bounce Back Loans, Coronavirus Business Interruption Loans, or Coronavirus Large Business Interruption Loans, which you may have also applied for.**

IF LOAN RECIPIENT:

**Can you confirm that your business obtained finance through the Recovery Loan Scheme during these dates?**

IF CONTROL GROUP:

**Have you or your business obtained finance through the Recovery Loan Scheme? This scheme was launched by the Government in late April 2021, and closed at the end of 2021. This is distinct from the earlier loan schemes offered by the Government, such as Bounce Back Loans, Coronavirus Business Interruption Loans, or Coronavirus Large Business Interruption Loans, which you may have also applied for.**

|  |  |  |
| --- | --- | --- |
| Yes | 1 | CONTINUE IF RECIPIENT, CLOSE IF CONTROL GROUP AND NO CRN PROVIDED, IF CRN IS PROVIDED ALLOW AS LOAN RECIPIENT |
| No | 2 | CLOSE IF RECIPIENT, CONTINUE IF CONTROL GROUP |
| Don’t know | 98 | CLOSE IF RECIPIENT, CONTINUE IF CONTROL GROUP |

IF CONTROL GROUPS ANSWER CODE 1 AND THEY HAVE A CRN/COMPANY REGISTRATION NUMBERS IN THE SAMPLE, THEY WILL NO LONGER SCREEN OUT BUT WILL BE ALLOWED TO CONTINUE AS ONE OF THE RECIPIENT GROUPS.

FOR THE REMAINING QUESTIONNAIRE, THEY NEED TO BE TREATED AS RECIPIENTS AND BE SHOWN ALL OF THE RELEVANT QUESTIONS.

**S8**

**[FOR CONTROL GROUP]**

**Did you apply for external finance that would be provided under the Recovery Loan Scheme?**

INTERVIEWER NOTE: WE ARE SCREENING OUT BUSINESSES THAT WERE ALLOCATED TO THE CONTROL GROUP AND WERE UNSUCCESSFUL WITH THEIR APPLICATION.

SINGLE CODE ONLY

|  |  |  |
| --- | --- | --- |
| No, did not apply | 1 | CONTINUE |
| Yes, applied but later withdrew my application | 2 | CONTINUE |
| Yes, application was not successful | 3 | GO TO E8 AND THEN CLOSE |
| Yes, application was successful | 4 | GO TO E8 AND THEN CLOSE |
| Don’t know | 98 | CLOSE |
| Refused | 99 | CLOSE |

ASK ALL

**S9 What is the current trading status of your organization?**

SINGLE CODE

READ OUT.

|  |  |
| --- | --- |
| Currently trading | 1 |
| Temporarily closed or paused operations or trade | 2 |
| Permanently closed | 3 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL

**S11 Is your business …** IF CLOSED (S9=3): **Was your business…** SINGLE CODE ONLY. READ OUT / SHOW A TO E**?**

|  |  |  |
| --- | --- | --- |
| 1. A private sector business | 1 | CONTINUE |
| 1. A public sector organisation | 2 | CLOSE |
| 1. A social enterprise or profit with purpose enterprise (run primarily for social objectives or with any surpluses being used to further these objectives) | 3 | CONTINUE |
| 1. A voluntary sector/non-profit-making organisation | 4 | CONTINUE |
| 1. Other type of organisation [PLEASE TYPE IN] | 5 | CONTINUE |
| Don’t know | 98 | CONTINUE |
| Refused | 99 | CONTINUE |

**ASK ALL**

**S20 How many years has your business been** [IF CLOSED S9=3): **was your business] = trading? This includes all ownerships and all legal statuses.** INTERVIEWER ADD IF NECESSARY/ SHOW AS INFO BUTTON FOR ONLINE SURVEY **In the case of a past acquisition, refer to when the acquiring enterprise was registered. In the case of a merger, please consider the largest enterprise in terms of employment.** SINGLE CODE ONLY

|  |  |  |
| --- | --- | --- |
| Less than one year | 1 | CLOSE IF CONTROL GROUP |
| 1 year | 2 | CLOSE IF CONTROL GROUP |
| 2 years | 3 |  |
| 3 years | 4 |  |
| 4 years | 5 |  |
| 5 years | 6 |  |
| 6-9 years | 7 |  |
| 10-15 years | 8 |  |
| 16-20 years | 9 |  |
| More than 20 years | 10 |  |
| Don’t know | 98 |  |
| Refused | 99 |  |

ASK ALL

**S3a Did your business obtain a loan under the Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) or the Coronavirus Large Business Interruption Loan Scheme (CLBILS)? These schemes were introduced in the early stages of the pandemic to enable businesses to quickly access finance.**

SINGLE CODE ONLY

|  |  |
| --- | --- |
| Yes | 1 |
| No | 2 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL

**S4 What was the approximate turnover of your business in the latest completed financial year (i.e. 2022-23)?**

INTERVIEWER ADD IF NECESSARY / INFO BUTTON ON ONLINE SURVEY: **Turnover is the total income received by the business from all sales of goods and services charged to third parties.** ENTER NUMBER. ALLOW ZERO, DK AND REFUSED

DATASHEET

TYPE IN AMOUNT IN £

ALLOWED RANGE 0-999,999,999

INTERVIEWER NOTE: PLEASE READ BACK FIGURE TO RESPONDENT AND DOUBLE CHECK CORRECT NUMBER OF ZEROS

IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

Don’t know 98

Refused 99

ASK IF DON’T KNOW TURNOVER (98) AT S4

**S5 AA Would it have been…?** READ OUT UNTIL GET AN ANSWER. SINGLE CODE ONLY

|  |  |
| --- | --- |
| Less than £10,000 | 1 |
| £10,000 or more, but below £50,000 | 2 |
| £50,000 or more, but below £100,000 | 3 |
| £100,000 or more, but below £250,000 | 4 |
| £250,000 or more, but below £500,000 | 5 |
| £500,000 or more, but below £1 million | 6 |
| £1 million or more, but below £5 million | 7 |
| £5 million or more, but below £10 million | 8 |
| £10 million or more, but below £25 million | 9 |
| £25 million or more, but below £45 million | 10 |
| £45 million or more, but below £100 million | 11 |
| £100 million or more, not more than £500m | 12 |
| More than £500 million | 13 |
| Don’t know | 98 |
| Refused IF WEB: Prefer not to say | 99 |

ASK ALL

**S15AA How many people did your business employ across all sites in the UK, either full or part time, including yourself at the end of your latest completed financial year (i.e. 2022-23)? Please include working directors, partners, managers, people who work away from the site. Do not include outside contractors, agency staff or self-employed contractors.** WRITE IN EXACT NUMBER OR ACCEPT BANDED REPLY IF NOT SURE. [RANGE = 1-99,999]

|  |
| --- |
|  |

Don’t know 98

Refused 99

ASK IF DON’T KNOW (CODE 98) AT S15AA

**S16AA Which of the following best describes the total number of people employed at the end of your latest completed financial year (i.e. 2022-23), including yourself?** READ OUT. SINGLE CODE ONLY

|  |  |
| --- | --- |
| Just yourself | 1 |
| 2-4 | 2 |
| 5-9 | 3 |
| 10-24 | 4 |
| 25-49 | 5 |
| 50-99 | 6 |
| 100-249 | 7 |
| 250-499 | 8 |
| 500-999 | 9 |
| 1,000-2,499 | 10 |
| 2,500-4,999 | 11 |
| 5,000 or more | 12 |
| Don’t know | 98 |
| Refused | 99 |

SHOW TO ALL - INFO SCREEN 2020-2021:

We would now like to ask about turnover and the number of employees within your organisation in the financial year 2020-21. This was the financial year in which the pandemic started (i.e. two years before the last financial year)

ASK ALL – REPEAT S4-S5 AND ASK:

**S4\_BB What was the approximate turnover of your business in the financial year 2020-21?**

TYPE IN AMOUNT IN £

ALLOWED RANGE 0-999,999,999

INTERVIEWER NOTE: PLEASE READ BACK FIGURE TO RESPONDENT AND DOUBLE CHECK CORRECT NUMBER OF ZEROS

IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

Don’t know 98

Refused 99

ASK IF DON’T KNOW TURNOVER (98) AT S4\_BB

**S4S5\_BB.. Would it have been?** REPEAT BANDS FROM S5

ASK ALL

**S15\_BB. How many people were employed at the end of the 2020-2021 financial year?**

NUMBER OR ACCEPT BANDED REPLY IF NOT SURE. [RANGE = 1-99,999]

|  |
| --- |
|  |

Don’t know 98

Refused 99

ASK IF DON’T KNOW NUMBER OF EMPLOYEES (98) AT S15\_BB

S16\_BB Would it have been?

REPEAT BANDS FROM S16

SHOW TO ALL - INFO SCREEN 2019-2020:

We would now like to ask about turnover and the number of employees within your organisation in the 2019-20 financial year. This was the last financial year ending prior to the Covid-19 pandemic.

ASK ALL

**S4\_CC What was the approximate turnover of your business in the financial year 2019-20?**

TYPE IN AMOUNT IN £

ALLOWED RANGE 0-999,999,999

INTERVIEWER NOTE: PLEASE READ BACK FIGURE TO RESPONDENT AND DOUBLE CHECK CORRECT NUMBER OF ZEROS

IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

Don’t know 98

Refused 99

ASK IF DON’T KNOW TURNOVER (98) AT S4\_CC

**S4S5\_CC.. Would it have been?** REPEAT BANDS FROM S5

ASK ALL

**S15\_CC. How many people were employed at the end of the 2029-2020 financial year?**

NUMBER OR ACCEPT BANDED REPLY IF NOT SURE. [RANGE = 1-99,999]

|  |
| --- |
|  |

Don’t know 98

Refused 99

ASK IF DON’T KNOW NUMBER OF EMPLOYEES (98) AT S15\_CC

S16\_CC Would it have been?

REPEAT BANDS FROM S16

ASK ALL.

REPEATS S15-16 FOR:

**S1516\_BB. How many people were employed at the end of the 2020-2021 financial year?**

**S1516\_CC. How many people were employed at the end of your latest completed financial year ending prior to the Covid-19 pandemic (i.e. 23 March 2020)?**

REPEAT BANDS AT S16

ASK ALL

**S17 What is the legal status of your business? IF CLOSED (S9=3): What was the legal status of your business… ?** SINGLE CODE ONLY

IF SOLE PROPRIETORSHIP/TRADER (CODE 1) THEN ASK: **Can [**CATI: **I] [**WEB: **you] just confirm that there are** [IF CLOSED **(S9=3): were**] **no other owners involved in running the business except yourself?** IF THERE ARE OTHER OWNERS THEN PLEASE RE-CODE AS A PARTNERSHIP (CODE 4). IF SOLE PROPRIETORSHIP/TRADER (CODE 1) AS WELL AS SAID THEY HAD TWO OR MORE EMPLOYEES AT S15/16\_AA (CODE 2-12) THEN PLEASE CHECK WITH THE RESPONDENT THAT BOTH ANSWERS ARE CORRECT AND RE-CODE AS NECESSARY

|  |  |
| --- | --- |
| Sole Proprietorship/sole trader | 1 |
| Private limited company, limited by shares (LTD.) | 2 |
| Public Ltd Company (PLC) | 3 |
| Partnership | 4 |
| Limited liability partnership | 5 |
| Private company limited by guarantee | 6 |
| Friendly Society or a co-operative | 7 |
| Other (PLEASE TYPE IN) | 8 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL

**S18 We have** [DESCRIPTION OF BUSINESS ACTIVITY FROM SAMPLE] **as a broad description of your company’s activity IF CLOSED (S9=3): before it closed. Does this sound about right to you?** SINGLE CODE ONLY

INTERVIEWER NOTE: SEE SECTOR CRIB SHEET

|  |  |
| --- | --- |
| Yes | 1 |
| No | 2 |
| Don’t know | 98 |
| Refused | 99 |

ASK IF NOT CORRECT OR DON’T KNOW (CODE 2) AT S18

**S19 What is your main business activity**? **IF CLOSED (S9=3): What was your main business activity?**  PROBE AS NECESSARY

* What is [**IF CLOSED S9=3):** was] the main product or service of the business?
* What exactly is [**IF CLOSED S9=3):** was] made or done in the business?
* What material or machinery does [**IF CLOSED S9=3):** did] this involve using?

INTERVIEWER NOTE: SEE SECTOR CRIB SHEET. WRITE IN FULL DETAILS (2 DIGIT SIC CODING).

|  |
| --- |
|  |

SHOW ALL LOAN RECIPIENTS **The next few questions are about the external finance you have obtained through the Recovery Loan Scheme.**

ASK CONTROL GROUP **A9. Why did you not seek finance under the Recovery Loan Scheme?**

MULTI CODE OK. PROMPT IF NECESSARY. ROTATE 1-4

IF WEB: Please select all that apply.

**READ OUT / SHOW ALL**

**As a reminder, this was launched by the Government in late April 2021, and closed at the end of 2021. This is distinct from the earlier loan schemes offered by the Government, such as Bounce Back Loans, Coronavirus Business Interruption Loans, or Coronavirus Large Business Interruption Loans, which you may also have applied for.**

|  |  |
| --- | --- |
| The scheme terms and/or conditions were not attractive for my business | 1 |
| I was not aware of the scheme | 2 |
| I did not want to take on debt (or take on more debt) | 3 |
| Another reason | 4 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL LOAN

**A18 How did your business use the external finance obtained through the** **Recovery Loan Scheme**? ROTATE A TO J MULTICODE OK. READ OUT A TO J.

**READ OUT / SHOW TO THOSE WHO WERE IN RECEIPT OF COVID LOANS (CODE 1 AT S3A)**

**As a reminder, this is distinct from the earlier loan schemes offered by the Government, such as Bounce Back Loans, Coronavirus Business Interruption Loans, or Coronavirus Large Business Interruption Loans, which you may also have applied for.**

IF WEB: Please select all that apply

|  |  |  |
| --- | --- | --- |
| A | Pay staff salaries | 1 |
| B | Purchase of materials and/or goods | 2 |
| C | Fund day to day costs/expenses (other than materials and/or goods) | 3 |
| D | Change business model, e.g. moving to online service provision or improving digital capability | 4 |
| E | Introduce new or different goods or services | 5 |
| F | Other adjustments to working practices (e.g. ensure workplace is Covid-19safe or reversing Covid-19 related changes) | 6 |
| G | Provide financial security and/or headroom, e.g. in case more funds are needed | 7 |
| H | Make any debt repayments | 8 |
| I | Refinancing of existing debt | 9 |
| J | Consolidation of existing debt – i.e. bringing existing debts together into one new debt | 10 |
|  | Don’t know | 98 |
|  | Refused | 99 |

ASK ALL WHO SELECT MORE THAN ONE (CODE 1 TO 10) AT A18. IF ONE CODE AT A18 THEN AUTOPUNCH A19

**A19** **Which was the main use of the finance?** ONLY SHOW THOSE SELECTED AT A18.

SINGLE CODE ONLY. ROTATE 1-10. FOR ONLINE, SHOW AS YES/NO QUESTION PROMPT IF NECESSARY.

|  |  |  |
| --- | --- | --- |
| A | Pay staff salaries | 1 |
| B | Purchase of materials and/or goods | 2 |
| C | Fund day to day costs/expenses (other than materials and/or goods) | 3 |
| D | Change business model, e.g. moving to online service provision or improving digital capability | 4 |
| E | Introduce new or different goods or services | 5 |
| F | Other adjustments to working practices (e.g. ensure workplace is Covid-19safe or reversing Covid-19 related changes) | 6 |
| G | Provide financial security and/or headroom, e.g. in case more funds are needed | 7 |
| H | Make any debt repayments | 8 |
| I | Refinancing of existing debt | 9 |
| J | Consolidation of existing debt – i.e. bringing existing debts together into one new debt | 10 |
|  | Don’t know | 98 |
|  | Refused | 99 |

SHOW ALL

**The next questions are about the support you may have used since the onset of the pandemic as well as the challenges the pandemic posed to your business.**

ASK ALL

**A24. Since the start of the pandemic (i.e. March 2020), did your business use any of the following Government support for businesses and organisations?**

ROTATE ORDER 1 TO 8 MULTICODE OK. FOR ONLINE, SHOW AS YES/NO QUESTION.

READ OUT 1 TO 8.

IF WEB: Please select all that apply.

|  |  |
| --- | --- |
| Furloughing staff through the Coronavirus Job Retention Scheme [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Under this scheme, the Government paid part of the wages of any workers temporarily asked to stop working and placed on leave due to the impact of Covid-19 on their employer. Furloughed workers were those whose employers could not cover staff costs due to Covid-19, and as such they were asked to stop working, but had not been made redundant] | 1 |
| Deferral of VAT payments | 2 |
| Deferral of Self-Assessment payments | 3 |
| HMRC Time to Pay [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This allows payments for some taxes to be deferred] | 4 |
| Self-employed Income Support Scheme [INTERVIEWER ADD IF REQUIRED / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This supported those who lose some or all of their income due to Covid-19] | 5 |
| 12-month business rates holiday for hospitality, leisure, retail businesses | 6 |
| Cash grants related to the Covid-19 pandemic | 7 |
| Cash grants unrelated to the Covid-19 pandemic | 8 |
| None of these | 97 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL

**A25. Now thinking about the business environment more generally. To what extent do you think that each of the following presented an obstacle to the running of your business as usual during the pandemic between March 2020 and March 2021?** ROTATE ORDER OF A TO G.

ALLOW DON’T KNOW AND REFUSED. READ OUT A TO G. READ OUT SCALE.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Major obstacle | Minor obstacle | No obstacle at all | Don’t know | Refused |
| A Changes in market demand | 1 | 2 | 3 | 4 | 5 |
| B Supply chain disruptions | 1 | 2 | 3 | 4 | 5 |
| C Issues with late payment | 1 | 2 | 3 | 4 | 5 |
| D Access to external finance | 1 | 2 | 3 | 4 | 5 |
| E Availability of staff | 1 | 2 | 3 | 4 | 5 |
| F Changes you [IF ONLINE: I]needed to make to my business to make it ‘Covid-19 compliant’ e.g. forced closure or adhering to social distancing/public health restrictions | 1 | 2 | 3 | 4 | 5 |
| G Strain on the business caused by increased debt levels | 1 | 2 | 3 | 4 | 5 |

ASK ALL LOAN RECIPIENTS

**B2.**  **Prior to applying for finance under the Recovery Loan Scheme, but after April 6th 2021, did you apply for any other external finance and/or use any personal funds for business purposes?**

**Note that applications for the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS) closed before April 6th 2021 so please do not include applications for loans under these schemes.**

REVERSE SCALE.SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Yes, I applied for additional external finance from other sources and/or used personal funds | 1 |
| No, I did not apply for additional external finance from other sources or use personal funds | 2 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL LOAN RECIPIENTS

**B1.**  **Were you planning to seek any** [ADD IF CODE 1 AT B2 **other**] **external finance from alternative sources or use [**[ADD IF CODE 1 AT B2 **additional**] **personal funds if your application for external finance under the Recovery Loan Scheme was unsuccessful? Please include any external finance (e.g. bank or non-bank finance) or personal funds from owner(s) and/or any director(s) which you were planning to seek or would have used.**

REVERSE SCALE.SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Definitely would have tried to seek external finance from other sources | 1 |
| Probably would have tried to seek external finance from other sources | 2 |
| Probably would not have tried to seek external finance from other sources | 3 |
| Definitely would not have tried to seek external finance from other sources | 4 |
| Don’t know | 5 |
| Refused | 6 |

ASK IF PLANNING TO SEEK EXTERNAL FINANCE FROM OTHER SOURCES (CODE 1 TO 2) AT B1 AND/OR APPLIED FOR FINANCE FROM OTHER SOURCES PRIOR TO APPLYING TO RLS (CODE 1) AT B2

**B4. Other than the external finance you obtained through the Recovery Loan Scheme, what types of external finance from other sources would you have sought [IF 1 AT B2: have you applied for or used]?** **Please include personal funds from owner(s) and/or any director(s).**

ROTATE ORDER OF 1 TO 8. MULTICODE OK. **SET UP AS YES/NO QUESTION FOR BOTH CATI AND ONLINE.** READ OUT 1 TO 9.

IF WEB: Please select all that apply.

|  |  |  |
| --- | --- | --- |
| A | Personal funds from owner(s) and/or any director(s) that do not need to be paid back | 1 |
| B | Revolving credit facility or bank overdraft | 2 |
| C | Loan from a bank or other organization (other than under the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) or the Coronavirus Large Business Interruption Loan Scheme (CLBILS)) | 3 |
| D | Loans from directors or other individuals ~~[~~ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include loans from family or friends that need to be repaid] | 4 |
| E | Leasing or hire purchase (asset-finance) | 5 |
| F | Equity finance ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: This could include equity from directors, individuals, friends, family, crowd funding platforms, or other organisations | 6 |
| G | Credit cards | 7 |
| H | Government or local government grants, i.e. government funding that is not paid back | 8 |
| I | Any other external finance (PLEASE TYPE IN) | 9 |
|  | None of these | 97 |
|  | Don’t know | 98 |
|  | Refused | 99 |

SHOW ALL FINANCE TYPES SELECTED AT B4.

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 9)

**B6: Thinking about all of the external finance that you obtained or could have obtained from other sources if your application for finance under the Recovery Loan Scheme had been unsuccessful, would this total amount have been sufficient to cover your cash flow needs?**

**This includes cash needed to make investments in response to the pandemic.**

**IF 1 AT B2: This includes any personal funds you have used for business purposes and/or external finance you have successfully applied for prior to applying for external finance from the Recovery Loan Scheme, but after April 6th 2021.**

**Please include any external finance (e.g. bank or non-bank finance) or personal funds from owner(s) and/or any director(s) you could have obtained or used.**

REVERSE SCALE.SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Definitely would have covered our cash flow needs | 1 |
| Probably would have covered our cash flow needs | 2 |
| Probably would not have covered our cash flow needs | 3 |
| Definitely would not have covered our cash flow needs | 4 |
| Don’t know | 98 |
| Refused | 99 |

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 9)

ASK B5, B7-B9B FOR ONE FINANCE TYPE SELECTED AT B4 ONLY, USE ‘LEAST FILLED’ TO ALLOCATE FINANCE TYPES

**B5 I now want to ask you about IF MULTIPLE SELECTEDAT B4 ‘one of the types’, IF ONE CODE SELECTED AT B4 ‘the type’ of external finance you IF CODE 1 OR 2 AT B1 AND NOT 1 AT B1 ‘would’ have sought. Thinking about** [INSERT FINANCE TYPE FROM B4]

IF 1 OR 2 AT B1:**To what extent do you think you would have been successful in obtaining this external finance from elsewhere?** SHOW CODES 1 TO 4

IF BOTH B1 AND B2 APPLY, USE WORDING FOR B2

IF 1 AT B2: **Were you successful in obtaining this external finance from elsewhere?** SHOW CODES 1 AND 4 ONLY

REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Definitely would have been successful in raising external finance from this source [IF 1 AT B2: I was successful in raising external finance from this source] | 1 |
| Probably would have been successful in raising external finance from this source | 2 |
| Probably would not have been successful in raising external finance from this source | 3 |
| Definitely would not have been successful in raising external finance from this sourceIF 1 AT B2: I was unsuccessful] | 4 |
| Don’t know | 98 |
| Refused | 99 |

ASK IF A FINANCE SOURCE WAS IDENTIFIED AT B4 (CODE 1 TO 9) AND IF CODE 1 OR 2 AT B1

B10. **Think about the finance you received from the Recovery Loan Scheme in comparison to** **the finance** **that you would have applied for if your application for finance covered by the Recovery Loan Scheme had been unsuccessful. Do you think that any of the following apply to the finance you received under the Recovery Loan Scheme relative to that other finance?** CATI ONLY: DO NOT PROMPT. PROBE FULLY

MULTICODE OK

|  |  |
| --- | --- |
| A lower interest rate | 1 |
| Better terms and conditions (e.g. security required) | 2 |
| A more suitable repayment period | 3 |
| None of the above | 97 |
| Don’t know | 98 |
| Refused | 99 |

ASK IF ANSWERED AT LEAST 1 OPTION 1-3 AT B10

B11. **And because the finance you received from the Recovery Loan Scheme had [**INSERT ALL RESPONSES 1-3 FROM B10**] than the alternative finance you would have applied for, do you think you were able to obtain more funding through the Recovery Loan Scheme than you would have otherwise?** CATI ONLY: DO NOT PROMPT. PROBE FULLY

|  |  |
| --- | --- |
| Yes, I obtained more funding than I would have otherwise | 1 |
| No, I would not have obtained more funding than I would have otherwise due to these reasons | 2 |
| Don’t know | 98 |
| Refused | 99 |

ASK LOAN

**C2 If you had not been able to access finance under the Recovery Loan Scheme, how likely or unlikely is it that your business would have permanently closed?**

SINGLE CODE ONLY. READ OUT CODES.REVERSE SCALES.

|  |  |
| --- | --- |
| Definitely would have closed | 1 |
| Very likely to have closed | 2 |
| Fairly likely to have closed | 3 |
| Fairly unlikely to have closed | 4 |
| Very unlikely to have closed | 5 |
| Definitely would not have closed | 6 |
| Don’t know | 98 |
| Refused | 99 |

ASK LOAN

**C4. Since accessing the external finance under the Recovery Loan Scheme has your business undertaken any of the following activities**. ROTATE 2 TO 5 (CODE 3 ALWAYS FOLLOWS CODE 2). MUTLICODE OK. READ OUT 2 TO 5.

|  |  |
| --- | --- |
| Research and development (R&D) activities (excluding R&D related to the environment) | 2 |
| Actions to reduce your business’s carbon emissions (including R&D related to the environment) [ADD IF NECESSARY / SHOW AS INFO BUTTON FOR ONLINE SURVEY: Examples include increased reliance on renewable energy, training staff on environmental matters, conducting R&D relating to the environment | 3 |
| The development of new or modified processes or business models | 4 |
| The development of new or modified goods or services | 5 |
| None of the above | 97 |
| Don’t know | 98 |
| Refused | 99 |

SHOW LOAN

**The next few questions are asking about your business’ competitors, and your exporting or importing plans.**

ASK LOAN

**D2 Now thinking about your competitors, how would you describe the nature of the competition in your main market/s with respect to the type of goods and services you sell and the geographic area in which you sell them? Please think about your circumstances when you received your finance under the Recovery Loan Scheme. Would you say that there was…?**  REVERSE SCALE. SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Very intense competition | 1 |
| Intense competition | 2 |
| Moderate competition | 3 |
| Weak competition | 4 |
| No competition at all | 5 |
| Don’t know | 98 |
| Refused | 99 |

ASK LOAN

**D4 Thinking about your business at the time you received your finance from the Recovery Loan Scheme, if your business was to permanently cease trading do you think any of your competitors would take up your sales?** REVERSE SCALE.SINGLE CODE ONLY. READ OUT SCALE.

|  |  |
| --- | --- |
| Yes, all of our sales | 1 |
| Yes, some of our sales | 2 |
| No, no-one would take our sales | 3 |
|  |  |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL WHO SALES TAKEN (CODE 1 OR 2) AT D4

**D5 And would this mainly be competitors based…?** SINGLECODE. READ OUT.

|  |  |
| --- | --- |
| In the UK | 1 |
| Outside the UK | 2 |
| Both in the UK and outside the UK | 3 |
| Don’t know | 98 |
| Refused | 99 |

ASK ALL WHO SALES TAKEN (CODE 1 OR 2) AT D4

**D6**. **Approximately what percentage of your sales were within the UK when you received your finance from the Recovery Loan Scheme?** TYPE IN PERCENTAGE. ALLOW RANGE 0-100%.

DATASHEET

INTERVIEWER: PLEASE READ BACK FIGURE TO RESPONDENT. IF RESPONDENT IS UNSURE ASK THEM TO GIVE A BEST ESTIMATE

Don’t know 98

Refused 99

ASK IF DON’T KNOW PERCENTAGE SOLD IN THE UK (CODE 98) AT D6

**D7. Was it…?** SINGLE CODE ONLY. READ OUT CODES 1 TO 6.

|  |  |
| --- | --- |
| 0% | 1 |
| More than 0% to less than 25% | 2 |
| 25% to less than 50% | 3 |
| 50% to less than 75% | 4 |
| 75% to less than 100% | 5 |
| 100% | 6 |
| Don’t know | 98 |
| Refused | 99 |

READ OUT TO ALL

**These final questions will help us understand the different types of people who are running or managing a business, how different businesses have been impacted by the Covid-19 pandemic and how they made use of the external finances types available.**

**Individual details will be kept strictly confidential by Ipsos. It will not be possible to identify an individual from the results and personal information will not be passed on to the British Business Bank.**

**[**SOLE TRADERS ONLY: **Please note that there is a question which asks you to describe your ethnic origin, age, health condition and gender identity, however you are free to not answer.]**

ASK ALL SOLE TRADERS (CODE 1) AT S17

**E1 What is your sex?**

SINGLE CODE ONLY

|  |  |
| --- | --- |
| Female | 1 |
| Male | 2 |
| Other | 3 |
| Prefer not to say | 4 |

ASK ALL SOLE TRADERS (CODE 1) AT S17

**E2 What is your ethnic group?**

SINGLE CODE ONLY

|  |  |
| --- | --- |
| White | 1 |
| Multiple/ethnic groups | 2 |
| Asian/Asian British | 3 |
| Black/ African/Caribbean/Black British | 4 |
| Other ethnic group | 5 |
| Don’t know | 98 |
| Prefer not to say | 99 |

ASK ALL SOLE TRADERS (CODE 1 AT S17)

E3. **Please [CATI: could you tell us] [WEB: enter] the year you were born.**

**If you don’t know your date of birth, please estimate it as best as you can.**

ALLOW NUMERICAL ANSWER FOR DAY/MONTH/YEAR

ALLOW DON’T KNOW / REFUSED

ASK IF DON’T KNOW / REFUSED AT E3

**E4. How old were you on your last birthday?**

SINGLE CODE ONLY

|  |  |
| --- | --- |
| Under 24 | 1 |
| 25-29 | 2 |
| 30-34 | 3 |
| 35-39 | 4 |
| 40-49 | 5 |
| 50-59 | 6 |
| 60-69 | 7 |
| 70+ | 8 |
| Prefer not to say | 99 |
| Don’t know | 98 |

ASK ALL EXCEPT SOLE TRADERS (CODE 1 AT S17)

**E6 Thinking about the ownership of your business, approximately what percentage of your business would you say is owned by:**

1. women?
2. People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White?
3. institutions (e.g. Venture Capital Funds)?

RECORD % AND CODE TO LIST BELOW FOR EACH. ALLOW OPTION FOR REFUSED. IF RESPONDENT SAYS THEY DON’T KNOW PLEASE PROMPT TO CODE

|  |  |  |  |
| --- | --- | --- | --- |
|  | Women | People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White | Institutions (e.g. Venture Capital Funds) |
| None | 1 | 1 | 1 |
| More than one percent but less than 50% | 2 | 2 | 2 |
| 50% or more, but less than 100% | 3 | 3 | 3 |
| 100% | 4 | 4 | 4 |
| Don’t know | 98 | 98 | 98 |
| Refused | 99 | 99 | 99 |

ASK ALL EXCEPT SOLE TRADERS (CODE 1 AT S17)

**E7. Thinking about the senior leadership team in your business, approximately what percentage of the senior leadership team would you say…**

1. Are women?
2. Identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White?

RECORD % AND CODE TO LIST BELOW FOR EACH. ALLOW OPTION FOR REFUSED. IF RESPONDENT SAYS THEY DON’T KNOW PLEASE PROMPT TO CODE

|  |  |  |
| --- | --- | --- |
|  | Women | People who identify as being Asian/Black/Mixed/Multiple ethnic groups/another ethnic group other than White |
| None | 1 | 1 |
| More than one percent but less than 50% | 2 | 2 |
| 50% or more, but less than 100% | 3 | 3 |
| 100% | 4 | 4 |
| Don’t know | 98 | 98 |
| Refused | 99 | 99 |

ASK ALL

**E8. On behalf of Ipsos and the British Business Bank, we would like to thank you very much for your time.**

**The British Business Bank may want to do some follow up research on this subject within the next few months. This would involve an in-depth interview lasting c. 45-60 minutes with an Ipsos researcher. Would you be happy to take part in the follow up interviews? You do not have to commit to anything now, just indicate a willingness to be contacted again.** SINGLE CODE ONLY

**We can assure you that everything you say will be treated in the strictest confidence and we’ll combine your responses with those from the other participating businesses in a way which will ensure that the British Business Bank won’t be able to identify you from our report. You would only be re-contacted for British Business Bank research and not for any other purpose.**

|  |  |
| --- | --- |
| Yes – Ipsos can contact me | 1 |
| No | 2 |

ASK ALL

**E9 The British Business Bank may also want to do some follow up research on this or other subjects within the next three years. Would you be happy to take part in further research within the next three years?** MULTI CODE OK

**REPEAT IF NECESSARY:**

**We can assure you that everything you say will be treated in the strictest confidence and we’ll combine your responses with those from the other participating businesses in a way which will ensure that the British Business Bank won’t be able to identify you from our report. You would only be re-contacted for British Business Bank research and not for any other purpose.**

|  |  |
| --- | --- |
| Yes – Ipsos can contact me | 1 |
| Yes – Another research agency can contact me | 2 |
| Yes – British Business Bank can contact me | 3 |
| No EXCLUSIVE | 4 |

ASK IF AGREE TO RECONTACT (CODE 1) AT E8

**E10 You may be contacted via telephone or email. Please could you confirm your email address and/or your preferred telephone number?**

|  |  |
| --- | --- |
| Yes [COLLECT EMAIL] | 1 |
| Yes [COLLECT TELEPHONE NO] | 3 |
| Refused | 99 |

ASK ALL

**E11. We would like to check your postcode as this allows us to classify your business by region or nation. We have your business postcode as** [POSTCODE FROM SAMPLE]. **Is this correct?**

|  |  |
| --- | --- |
| Yes | 1 |
| No | 2 |

ASK IF POSTCODE IS INCORRECT (CODE 2) AT E11

**E12. What is your postcode**? PROBE, AS NECESSARY. WRITE IN TWICE TO VERIFY

|  |
| --- |
|  |

ASK ALL

E15. **Finally, with your consent we would like to email you a summary of the research findings once published. Please confirm whether you would like to receive this report?**

|  |  |
| --- | --- |
| Yes (same email address) [FEED IN EMAIL ADDRESS FROM INTRODUCTION/ REASSURANCES/ DATA SHEET] | 1 |
| Yes (different address) [OPEN BOX FOR EMAIL ADDRESS] | 2 |
| No | 3 |

**Thank you for taking the time to participate in this study. You can access the privacy notice here: <link>. This explains the purposes for processing your personal data as well as your rights under data protection regulations to access your personal data, withdraw consent, object to processing of your personal data and other required information.**

**If you do have any further comments or queries relating to this project, please contact [Insert contact name].**

THANK AND CLOSE

# Annex 3 – Survey statistics

This annex section presents supplementary descriptive statistics from the quantitative survey.

##### Table 17: Turnover – RLS 1.0 borrowers

| Turnover | Year before the pandemic | First year of pandemic | Latest financial year |
| --- | --- | --- | --- |
| Less than £100,000 | 10% | 8% | 4% |
| £100,000 - £250,000 | 16% | 19% | 16% |
| £250,000 - £500,000 | 15% | 20% | 17% |
| £500,000 - £1 million | 21% | 23% | 19% |
| £1 million - £5 million | 23% | 18% | 30% |
| £5 million or more | 8% | 8% | 10% |
| Unknown | 7% | 4% | 3% |

Base: All RLS 1.0 borrowers (242). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 18: Turnover – non-borrowers

| Turnover | Year before the pandemic | First year of pandemic | Latest financial year |
| --- | --- | --- | --- |
| Less than £100,000 | 7% | 10% | 4% |
| £100,000 - £250,000 | 16% | 17% | 16% |
| £250,000 - £500,000 | 11% | 12% | 16% |
| £500,000 - £1 million | 24% | 19% | 19% |
| £1 million - £5 million | 28% | 28% | 29% |
| £5 million or more | 9% | 9% | 10% |
| Unknown | 5% | 6% | 6% |

Base: All non-borrowers (236). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 19: Business size – RLS 1.0 borrowers

| Business size | Year before the pandemic | First year of pandemic | Latest financial year |
| --- | --- | --- | --- |
| Micro (1-9 employees) | 59% | 61% | 59% |
| Small (10-49 employees) | 34% | 34% | 37% |
| Medium (50-249 employees) | 5% | 5% | 4% |
| Unknown | 2% | 0% | 0% |

Base: All RLS 1.0 borrowers (242). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 20: Business size – non-borrowers

| Business size | Year before the pandemic | First year of pandemic | Latest financial year |
| --- | --- | --- | --- |
| Micro (1-9 employees) | 56% | 57% | 55% |
| Small (10-49 employees) | 35% | 34% | 37% |
| Medium (50-249 employees) | 9% | 9% | 8% |
| Unknown | \* | \* | \* |

Note: \*Small base size and not reported for statistical disclosure control. Base: All non-borrowers (236). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 21: Number of years trading - borrowers and non-borrowers

| Number of years trading | RLS 1.0 borrowers | Non-borrowers |
| --- | --- | --- |
| Less than 10 years | 27% | 11% |
| 10-20 years | 39% | 33% |
| More than 20 years | 34% | 56% |
| Unknown | 0% | \* |

Note: \*Small base size and not reported for statistical disclosure control. Base: All RLS 1.0 borrowers (242) and non-borrowers (236). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 22: Business region - borrowers and non-borrowers

| Region | RLS 1.0 borrowers | Non-borrowers |
| --- | --- | --- |
| East Midlands | 7% | 7% |
| East of England | 10% | 10% |
| West Midlands | 9% | 10% |
| London | 18% | 18% |
| North East | 3% | 3% |
| North West | 10% | 11% |
| Yorkshire and The Humber | 8% | 8% |
| South East | 15% | 16% |
| South West | 8% | 8% |
| Scotland | 6% | 6% |
| Wales | 3% | 3% |
| Northern Ireland | \* | 0% |

Note: \*Small base size and not reported for statistical disclosure control. Base: All RLS 1.0 borrowers (242) and non-borrowers (236). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 23: Business sector - borrowers and non-borrowers

| Sector | RLS 1.0 borrowers | Non-borrowers |
| --- | --- | --- |
| Production | 15% | 15% |
| Construction | 15% | 15% |
| Distribution | 29% | 29% |
| Business services | 30% | 30% |
| Other services | 11% | 11% |

Note: The UK Standard Industrial Classification (SIC) sections are grouped as follows: Production: SIC Sectors beginning with A, B, C, D and E (e.g., A- Agriculture, B-mining, etc.). Construction: SIC sectors beginning with F (F-construction). Distribution: SIC Sectors beginning with G, H, and I (e.g., G-wholesale and retail trade, H-transport, etc.). Business services: SIC Sectors beginning with J, K, L, M, and N (e.g., J-information and communication, L-real estate, etc.). Other services: SIC Sectors beginning with P, Q, R, and S (e.g., Q- human health and social work, etc.). Base: All RLS 1.0 borrowers (242) and non-borrowers (236). Source: London Economics’ and Ipsos’ analysis of survey data

##### Table 24: Perceived and observed success rate for different types of external finance among RLS 1.0 borrowers

|  | **Perceived success rate** | | **Observed success rate** |
| --- | --- | --- | --- |
| Personal funds from owner/director | 82% | 81% | |
| Revolving credit facility | 70% | 88% | |
| Loan from a bank or other organisation | 67% | 96% | |
| Loans from directors or other individuals | 78% | 87% | |
| Leasing or hire purchase | \* | 92% | |
| Equity finance | \* | 79% | |
| Credit cards | \* | 82% | |
| Government or local government grants | 63% | 100% | |
| Overall | 70% | 89% | |

Note: The perceived success rate relates to those RLS 1.0 borrowers that did not try to obtain external finance but would have if they did not receive RLS 1.0 finance. The actual success rate relates to RLS 1.0 borrowers that did apply for other external finance. Success is defined as a respondent having assessed that they were successful/definitely would have been successful, or probably would have been successful in their application to a given type of external finance. \*Small base size and not reported for statistical disclosure control. Perceived success rate base: RLS 1.0 borrowers that did not apply for additional external finance (116). Actual success rate base: RLS 1.0 borrowers that did apply for additional external finance (123). Source: London Economics’ analysis of survey data

##### Table 25: Proportion of borrowers that would have closed without access to finance under RLS 1.0 by region

|  |  |  |
| --- | --- | --- |
| Region | Lower Bound (95% CI) | Upper Bound (95% CI) |
| East & Midlands | 6% (2%-16%) | 54% (42%-66%) |
| London | 26% (12%-46%) | 81% (61%-92%) |
| North & Yorkshire | 11% (5%-23%) | 51% (37%-64%) |
| South | 10% (5%-20%) | 49% (38%-61%) |
| Scotland / Wales / Northern Ireland | 4% (1%-26%) | 56% (36%-75%) |

Note: Regions are grouped due to low sample sizes. “East & Midlands” refers to the East Midlands, East of England and West Midlands regions. “North & Yorkshire” refers to the North East, North West and Yorkshire and The Humber. “South” refers to the South East and the South West. The lower bound refers to businesses that reported that they would definitely have closed without access to RLS 1.0 finance. The upper bound also includes businesses which said it is very likely or fairly likely that they would have closed. Base: All RLS 1.0 borrowers (242). Source: London Economics’ analysis of survey data

##### Table 26: Proportion of borrowers that would have closed without access to finance under RLS 1.0 by sector

|  |  |  |
| --- | --- | --- |
| Sector | Lower Bound (95% CI) | Upper Bound (95% CI) |
| Production | 15% (7%-28%) | 38% (25%-52%) |
| Construction | 9% (3%-26%) | 67% (49%-81%) |
| Distribution | 10% (4%-21%) | 60% (46%-72%) |
| Business Services | 9% (5%-17%) | 57% (46%-67%) |
| Other Services | 11% (3%-38%) | 61% (36%-81%) |

Note: The lower bound refers to businesses that reported that they would definitely have closed without access to RLS 1.0 finance. The upper bound also includes businesses which said it is very likely or fairly likely that they would have closed. Base: All RLS 1.0 borrowers (242). Source: London Economics’ analysis of survey data

# Annex 4

## Measuring product market displacement

Table 27 explains how responses to survey questions were mapped to quantitative figures (or ‘displacement factors’).

##### Table 27: Adjustments for product market displacement – based on survey responses

| Question | Response | Displacement factor |
| --- | --- | --- |
| Now thinking about your competitors, how would you describe the nature of the competition in your main market/s with respect to the type of goods and services you sell and the geographic area in which you sell them? Please think about your circumstances when you received your finance under the Recovery Loan Scheme. Would you say that there was…? | Very intense competition | 100% displacement |
| Intense competition | 75% displacement |
| Moderate competition | 50% displacement |
| Weak competition | 25% displacement |
| No competition at all | 0% displacement |
| Thinking about your business at the time you received your finance from the Recovery Loan Scheme, if your business was to permanently cease trading do you think any of your competitors would take up your sales? | Yes, all of our sales | 100% displacement |
| Yes, some of our sales | 50% displacement |
| No, no-one would take our sales | 0% displacement |
| And would this mainly be competitors based…? | Only in UK | 100% displacement |
| Outside the UK | 0% displacement |
| Both | x% displacement, where x is the share of sales located in the UK |

## Econometrics methodology

This annex describes the econometric approaches used to quantify the direct and indirect impacts of RLS 1.0 on business turnover and employment. Firstly, it details the econometric methods used to estimate the impacts in each case. Secondly, it discusses the data used in both analyses. The full econometric results are provided thereafter.

### Methodological Approach

#### Overview

The key challenge in identifying the effect of RLS 1.0 on businesses is that there are likely to be differences between businesses that participated in RLS 1.0 (the ‘treatment group’) and businesses that did not participate in RLS 1.0 (the ‘control’ or ‘untreated group’) other than simply whether they participated in RLS 1.0.

For example, one might expect that businesses with a business model heavily disrupted by the pandemic (see Figure 9) would be more likely to access RLS 1.0 than businesses whose activities were less affected by the pandemic.

These differences have the potential to impact business performance (measured by turnover and employment), and so a simple comparison between the control and treatment groups of turnover and employment before and after the pandemic could result in incorrectly estimating the effect of RLS 1.0.

To tackle this problem, propensity score matching (PSM)[[63]](#footnote-64) is implemented to identify a set of control businesses that closely resemble the treated businesses and minimise these differences. Then, a comparison is made between this set of control businesses and the treated businesses using the difference-in-differences[[64]](#footnote-65) method. These models were estimated using STATA. Further detail on these two parts of the methodology is presented in the text that follows.

#### Propensity Score Matching (PSM)

Propensity score matching involves matching the treatment businesses to similar businesses in the control group on the basis of a ‘propensity score’. The propensity score is the probability of a business being in the treatment group, estimated based on its characteristics. The propensity score is calculated using a logit model. The logit model is a standard economic model used when the outcome of interest is binary (whether a business received a loan under RLS 1.0 or not). This model is represented by the following equation for business *i*:

* is a dummy variable that takes the value 1 if the business is in the treatment group and 0 otherwise.
* is the cumulative standard logistic distribution, which is defined such that .
* is a vector of characteristics of the business, and are the associated coefficients for these characteristics. These characteristics must be unaffected by the business’ decision of whether to participate in RLS 1.0. Details on the characteristics included in the Propensity Score Matching can be found in the discussion of the data.

Once the propensity scores have been calculated, each loan business is matched to the control business with the closest propensity score (i.e., the ‘nearest neighbour’).

The matching algorithm also specifies a maximum allowable discrepancy in the propensity score between the treatment business and its matched control (referred to as a calliper). This ensures a minimum quality of match between the treatment and control groups but leads to the exclusion of loan businesses that are not similar enough in propensity score to any control businesses. The calliper is equal to one fifth of a standard deviation of the propensity scores. A minimum match quality is also ensured by the fact that the algorithm will only match borrowers and non-borrowers with similar growth rates.

The algorithm also allows for replacement, i.e., one control business can be matched to multiple different businesses in the treatment group. Additionally, a further restriction is applied so that treatment businesses with a propensity score outside the range of propensity scores observed among control businesses are excluded. For example, if a business in the treatment group has a propensity score above the largest propensity score of the control businesses, then it will be excluded. This is important as for these loan businesses, there is no suitably similar control business with which to match it.[[65]](#footnote-66)

The underlying goal of PSM is to identify a subset of the treatment group and some matched controls such that the only major difference between the two is that one group received the treatment, and the other did not. The PSM substantially reduces the differences between the loan and control samples. This is by approximately three fifths for both the turnover and employment models. The tables that follow show the differences in prevalence of the characteristics included in the PSM for the treatment and control groups, before and after the PSM.

##### Table 28: Balance table – turnover sample

| Characteristic | Feature | Difference in prevalence between treatment and control groups  (Full Sample) | Difference in prevalence between treatment and control groups  (After PSM) |
| --- | --- | --- | --- |
| Use of Support | Used Covid loans | 34.9% | 2.4% |
| Use of Support | Used CJRS | 3.5% | 2.4% |
| Use of Support | Used VAT deferral | 12.7% | 0.6% |
| Use of Support | Used other support schemes | 16.9% | 2.4% |
| Business Interruption | Changes for Covid-19 compliance | 0.4% | 1.8% |
| Business Interruption | Strain from Debt | 25.0% | 1.8% |
| Business Interruption | Access to External Finance | 6.6% | 1.2% |
| Business Interruption | Issues with Late Payment | 18.0% | 1.2% |
| Business Interruption | Changes in Market Demand | 10.3% | 2.4% |
| Business Interruption | Availability of Staff | 3.3% | 6.7% |
| Business Interruption | Supply Chain Disruption | 8.7% | 9.1% |
| Turnover | less than 100,000 | 6.7% | 1.2% |
| Turnover | 100,000 or more but less than 250,000 | 0.4% | 0.6% |
| Turnover | 250,000 or more but less than 500,000 | 11.6% | 4.8% |
| Turnover | 500,000 or more but less than 1 million | 6.4% | 1.2% |
| Turnover | 1 million or more but less than 5 million | 4.2% | 4.2% |
| Turnover | 5 million or more | 6.7% | 0.0% |
| Staff | Unknown | 0.5% | 0.0% |
| Staff | 1 | 3.4% | 3.0% |
| Staff | 2-4 | 2.5% | 1.2% |
| Staff | 5-9 | 11.5% | 2.4% |
| Staff | 10-24 | 4.6% | 2.4% |
| Staff | 25-49 | 4.9% | 2.4% |
| Staff | 50+ | 4.8% | 0.6% |
| Turnover Growth | <= -50% | 2.1% | 0.0% |
| Turnover Growth | >-50% but less than -20% | 5.3% | 0.0% |
| Turnover Growth | >=-20% but less than 0% | 0.1% | 0.0% |
| Turnover Growth | 0% | 11.6% | 0.0% |
| Turnover Growth | >0% but less than 20% | 1.5% | 0.0% |
| Turnover Growth | >=20% but less than 50% | 2.0% | 0.0% |
| Turnover Growth | >= 50% | 4.9% | 0.0% |
| Staff Growth | Unknown | 0.0% | 0.0% |
| Staff Growth | <= -20% | 0.2% | 1.2% |
| Staff Growth | >-20% but less than 0% | 2.5% | 0.6% |
| Staff Growth | 0% | 10.1% | 1.8% |
| Staff Growth | >0% but less than 20% | 1.2% | 1.8% |
| Staff Growth | >=20% but less than 50% | 1.2% | 8.5% |
| Staff Growth | >= 50% | 5.4% | 3.0% |
| Region | East Midlands | 2.1% | 0.6% |
| Region | East of England | 0.3% | 3.6% |
| Region | West Midlands | 0.2% | 1.8% |
| Region | London | 2.6% | 3.6% |
| Region | North East | 1.3% | 3.0% |
| Region | North West | 1.1% | 4.8% |
| Region | Yorkshire and The Humber | 1.6% | 1.2% |
| Region | South East | 7.0% | 7.9% |
| Region | South West | 4.9% | 4.8% |
| Region | Scotland | 3.9% | 1.8% |
| Region | Wales | 1.8% | 0.6% |
| Region | Northern Ireland | 0.9% | 0.0% |
| Sector | Production | 3.7% | 3.0% |
| Sector | Construction | 3.0% | 3.0% |
| Sector | Distribution | 2.4% | 7.3% |
| Sector | Business Services | 5.7% | 0.0% |
| Sector | Other Services | 10.0% | 1.2% |
| Age | 9 years or less | 15.3% | 0.0% |
| Age | 10 to 20 years | 8.4% | 8.5% |
| Age | More than 20 years | 23.7% | 8.5% |
| Average |  | 6.1% | 2.4% |

Source: London Economics’ analysis of survey data

##### Table 29: Balance table – employment sample

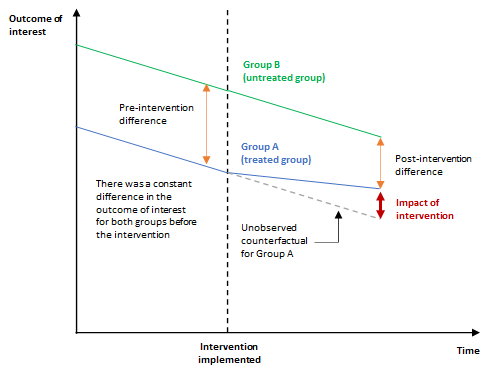
| Characteristic | Feature | Difference in prevalence between treatment and control groups  (Full Sample) | Difference in prevalence between treatment and control groups  (After PSM) |
| --- | --- | --- | --- |
| Use of Support | Used Covid loans | 34.7% | 1.1% |
| Use of Support | Used CJRS | 0.9% | 4.9% |
| Use of Support | Used VAT deferral | 12.7% | 1.6% |
| Use of Support | Used other support schemes | 16.3% | 0.5% |
| Business Interruption | Changes for Covid-19 compliance | 0.6% | 7.7% |
| Business Interruption | Strain from Debt | 25.8% | 1.1% |
| Business Interruption | Access to External Finance | 7.8% | 4.4% |
| Business Interruption | Issues with Late Payment | 17.5% | 2.2% |
| Business Interruption | Changes in Market Demand | 10.7% | 7.1% |
| Business Interruption | Availability of Staff | 4.4% | 3.3% |
| Business Interruption | Supply Chain Disruption | 7.9% | 4.4% |
| Turnover | Unknown | 2.2% | 0.0% |
| Turnover | less than 100,000 | 6.5% | 1.1% |
| Turnover | 100,000 or more but less than 250,000 | 0.2% | 1.1% |
| Turnover | 250,000 or more but less than 500,000 | 10.0% | 0.5% |
| Turnover | 500,000 or more but less than 1 million | 7.8% | 0.5% |
| Turnover | 1 million or more but less than 5 million | 4.1% | 0.5% |
| Turnover | 5 million or more | 5.2% | 0.5% |
| Staff | 1 | 4.3% | 5.5% |
| Staff | 2-4 | 2.5% | 7.7% |
| Staff | 5-9 | 10.7% | 0.0% |
| Staff | 10-24 | 6.0% | 2.2% |
| Staff | 25-49 | 4.4% | 4.9% |
| Staff | 50+ | 5.6% | 0.5% |
| Turnover Growth | Unknown | 0.9% | 0.0% |
| Turnover Growth | <= -50% | 2.7% | 2.7% |
| Turnover Growth | >-50% but less than -20% | 5.4% | 0.5% |
| Turnover Growth | >=-20% but less than 0% | 0.7% | 6.0% |
| Turnover Growth | 0% | 10.8% | 14.3% |
| Turnover Growth | >0% but less than 20% | 1.1% | 2.2% |
| Turnover Growth | >=20% but less than 50% | 2.0% | 2.2% |
| Turnover Growth | >= 50% | 5.4% | 0.5% |
| Staff Growth | <= -20% | 1.4% | 0.0% |
| Staff Growth | >-20% but less than 0% | 2.0% | 0.0% |
| Staff Growth | 0% | 7.9% | 0.0% |
| Staff Growth | >0% but less than 20% | 1.2% | 0.0% |
| Staff Growth | >=20% but less than 50% | 0.3% | 0.0% |
| Staff Growth | >= 50% | 5.9% | 0.0% |
| Region | East Midlands | 1.6% | 1.1% |
| Region | East of England | 1.1% | 0.5% |
| Region | West Midlands | 0.3% | 3.3% |
| Region | London | 3.1% | 2.2% |
| Region | North East | 1.2% | 0.5% |
| Region | North West | 0.5% | 2.2% |
| Region | Yorkshire and The Humber | 1.1% | 1.6% |
| Region | South East | 5.7% | 5.5% |
| Region | South West | 3.9% | 5.5% |
| Region | Scotland | 2.6% | 5.5% |
| Region | Wales | 0.4% | 1.6% |
| Region | Northern Ireland | 1.3% | 0.0% |
| Sector | Production | 3.6% | 2.7% |
| Sector | Construction | 3.2% | 3.3% |
| Sector | Distribution | 2.0% | 3.3% |
| Sector | Business Services | 4.2% | 0.5% |
| Sector | Other Services | 9.0% | 2.2% |
| Age | Unknown | 0.4% | 0.0% |
| Age | 9 years or less | 14.6% | 4.9% |
| Age | 10 to 20 years | 6.7% | 6.0% |
| Age | More than 20 years | 20.9% | 1.1% |
| Average |  | 5.8% | 2.5% |

Source: London Economics’ analysis of survey data

#### Difference-in-differences estimation

Under the difference-in-differences approach, outcomes are compared both before and after RLS 1.0 was introduced in order to account for the pre-existing differences in performance (as measured by turnover and employment) between the treatment and control groups that may not have been eliminated in the propensity score matching process.[[66]](#footnote-67) This is demonstrated in the figure below, showing differences in outcomes between treated businesses (Group A) and untreated businesses (Group B). In the example, prior to RLS 1.0 loans being extended, untreated businesses outperform treated businesses (i.e., there is a pre-existing difference in outcomes), though this is not necessary for this method to be valid. After RLS 1.0 loans are extended, treated businesses reduce their margin of underperformance, and this is the impact of RLS 1.0: the difference between treated and control businesses after receiving their RLS 1.0 loan, minus the corresponding difference before receiving the loan (the difference-in-differences), which is positive.[[67]](#footnote-68)

##### Figure 18: Difference-in-difference framework illustration



The core specification for the difference-in-differences model is described by the following equation:

……………………………………………………(1)

* denotes the outcome variable (i.e., either log employment or log turnover). The two years included in the analysis are the first financial year of the pandemic (i.e. 2020-21) and the last financial year (2022-23), allowing a comparison before and after the effects of RLS 1.0 were realised.
* is a constant term.
* is a dummy variable indicating whether a given business was part of the treated group or not.
* indicates whether the observation is pre- or post-treatment
* are a set of dummies controlling for participation in other support schemes. Further details on these variables can be found in the discussion of the data that follows.
* denotes unobserved time invariant factors which may influence the outcome variable. The use of the fixed effects estimator accounts for this unobserved heterogeneity.
* is the idiosyncratic error term. This captures factors which are not observed, and which change both across businesses and across time. Standard errors are clustered at the sector level to account for potential correlation in error terms across businesses in the same industry.
* *,* and are individual scalars/vectors of coefficients. is the estimate for the effect of RLS 1.0.

### Data

The quantification of the direct and indirect impacts of RLS 1.0 uses survey data collected from participants and non-participants. This section discusses the data processing and describes the variables used in the propensity score matching and subsequent difference-in-differences analysis.

##### Table 30: Variables used in the PSM

| Variable | Explanation | Source |
| --- | --- | --- |
| Whether a business accessed finance under RLS 1.0 | The outcome variable for the PSM. | BBB management information and survey data |
| Region | Businesses operating in the same part of the UK will be more likely to be similar and experience similar local economic conditions to each other than businesses in different parts of the UK. As a result, it would be expected that the region a business is based in may influence its decision to participate in RLS 1.0. | BBB management information and survey data |
| Sector | Businesses operating in the same sector will be more likely to face similar challenges and trading conditions.[[68]](#footnote-69) | BBB management information and survey data |
| Size prior to RLS 1.0 | Businesses of different sizes will have different considerations in terms of the kinds of challenges they face and their response to the pandemic. Two different measures of size were used (turnover and employment), measured in the end of the first financial year of the pandemic.[[69]](#footnote-70) | Survey data |
| Turnover and employment growth | The change in turnover and employment between the financial year before the pandemic (2019-20) and the first year of the pandemic (2020-21).[[70]](#footnote-71) This captures the trajectory of the business prior to RLS 1.0 as well as the impact of the pandemic on the business. | Survey data |
| Age | More established businesses are likely to be impacted differently than nascent businesses and similarly are likely to have different responses to the adversity of the pandemic. As part of the survey businesses were asked how many years[[71]](#footnote-72) their business had been trading.[[72]](#footnote-73) | Survey data |
| Business obstacles | The different kinds of obstacles faced by businesses because of the pandemic are likely to have affected their response strategy and business performance. As a result, it is useful to include these obstacles in the PSM to help ensure that the trajectory of the treatment and control groups absent the intervention is the same (common trends). The obstacles included are market demand, supply chain disruption, late payment, access to external finance, availability of staff, changes needed for Covid-19 compliance and increased debt levels.  These responses were then converted into a series of dummy variables indicating whether each obstacle was identified as major. | Survey data |
| Use of other support | Businesses that made use of the same types of government support are likely to have faced similar challenges during the period. This data was collected as part of the survey, in which each business was asked whether their business used a number of different types of support. Dummy variables are included in the PSM indicating whether the business used each type of government support. The support dummy variables included in the PSM relate to the Covid-19 Loan Guarantee Schemes, the CJRS, deferral of VAT payments and Other Support Schemes.[[73]](#footnote-74) | BBB management information, survey data |

##### Table 31: Variables used in the difference-in-differences regression

| Variable | Explanation | Source |
| --- | --- | --- |
| Business outcomes (turnover[[74]](#footnote-75) and employment) | These were collected related to the last completed financial year and the first year of the pandemic[[75]](#footnote-76). A log transformation was then applied to these variables for the difference-in-difference regression. | Survey data |
| Whether a business accessed finance under RLS 1.0 | The differentiator between borrowers and non-borrowers. | Survey data |
| Use of the Covid-19 Loan Guarantee Schemes | Control variable related to other kinds of support businesses may have accessed. | BBB management information, survey data |
| Use of other support | Use of the Covid-19 Loan Guarantee Schemes and the CJRS. See Table 30. | Survey data |

## Econometric results

The “Post-intervention” variable in the model measures the change in turnover (or employment) among non-borrowers in the 2022-23 financial year relative to the 2020-21 financial year. The “Borrower, post-intervention” variable reflects the additional change in turnover (or employment) experienced by the borrowing business sample only. They are the coefficients of interest as they isolate the impact of receiving an RLS 1.0 loan on turnover (or employment).

The variables “Used CJRS” and “Used Covid Loans” are included in some of the models to assess the robustness of results. These variables are intended to minimise the risk that impacts of these business support measures are incorrectly attributed to RLS 1.0.

*Turnover*

As discussed in the main report, the econometric analysis finds a statistically significant impact of RLS 1.0 on borrowers’ turnover in 2022-23, which is robust to the inclusion of controls. Indeed, the coefficients for the variable “Borrower, post intervention” are positive and significant to the 5% significance level in both models.

The estimated coefficient for the variable “Post-intervention” is positive in the first model and negative in the second model, and is not statistically significant in either model. This suggests that there is not a statistically significant difference in turnover between 2020-21 and 2022-23 among non-borrowers in the sample. This may suggest that business turnover had begun to recover from the pandemic by the 2022-23 financial year. For context, DBT business population statistics suggest that total business turnover was £4.48 trillion at the start of 2023, which is greater than total business turnover at the start of 2020 (£4.35 trillion).[[76]](#footnote-77)

##### Table 32: Estimated impact of Recovery Loan Scheme 1.0 on turnover

| Variable | [1] | [2] |
| --- | --- | --- |
| Post-intervention | 0.117  (0.080) | -0.075  (0.185) |
| Borrower, post-intervention | 0.150\*\*  (0.046) | 0.153\*\*  (0.035) |
| Used CJRS |  | -0.204  (0.160) |
| Used Covid Loans, pre-intervention |  | -0.047  (0.118) |
| Constant | 13.333\*\*\*  (0.032) | 13.523\*\*\*  (0.165) |
| Observations | 506 | 506 |
| R-squared | 0.097 | 0.117 |
| Business fixed effects | Yes | Yes |

Note: Standard errors clustered at the sector level in parentheses. \*\*\* p-value<0.01, \*\* p-value<0.05, \* p-value<0.1. Source: London Economics’ analysis of survey data.

*Employment*

As discussed in the main body of the report, the econometric analysis does not identify a statistically significant impact of the schemes on borrowers’ employment in the 2022-23 financial year. Indeed, the coefficient on the variable “Borrower, post intervention” is not statistically significant in either model.

The estimated coefficient for the variable “Post-intervention” is positive and significant, indicating higher levels of employment in 2022-23 compared to 2020-21. However, this is not robust to the inclusion of control variables.

The inclusion of variables related to participation in other business support schemes such as the Covid-19 Loan Guarantee Schemes and the CJRS do not change the statistical significance of the estimated impacts (i.e. the coefficient on the variable “Borrower, post-intervention”). The estimated coefficient on both the CJRS and the Covid-19 Loan Guarantee Schemes is statistically insignificant.

##### Table 33: Estimated impact of Recovery Loan Scheme 1.0 on employment

| Variable | [1] | [2] |
| --- | --- | --- |
| Post-intervention | 0.137\*\*  (0.047) | 0.191  (0.105) |
| Borrower, post-intervention | -0.062  (0.038) | -0.064  (0.042) |
| Used CJRS |  | 0.050  (0.128) |
| Used Covid Loans, post-intervention |  | -0.019  (0.050) |
| Constant | 2.034\*\*\*  (0.016) | 1.996\*\*\*  (0.106) |
| Observations | 542 | 542 |
| R-squared | 0.079 | 0.083 |
| Business fixed effects | Yes | Yes |

Note: Standard errors clustered at the sector level in parentheses. \*\*\* p-value<0.01, \*\* p-value<0.05, \* p-value<0.1. Source: London Economics’ analysis of survey data.

# Annex 5 – Lender mapping

The table below presents the classification of lenders into banks and non-banks used in the analysis of additionality by lender type in the impact evaluation.

##### Table 34: Lender type mapping

|  |  |
| --- | --- |
| Lender name[[77]](#footnote-78) | Lender type |
| Bank of Scotland plc | Bank |
| Barclays Bank Plc | Bank |
| Clydesdale Bank Plc | Bank |
| HSBC UK Bank Plc | Bank |
| Lloyds Bank Plc | Bank |
| NatWest Group plc | Bank |
| Santander UK | Bank |
| AIB Group (UK) Plc | Bank |
| Aldermore Bank Plc | Bank |
| Arbuthnot Latham & Co Ltd | Bank |
| Atom Bank plc | Bank |
| Close Brothers Ltd | Bank |
| Cynergy Bank Ltd | Bank |
| Danske Bank | Bank |
| Hampshire Trust Bank Plc | Bank |
| Investec Bank PLC | Bank |
| Leumi UK Group Ltd | Bank |
| Metro Bank PLC | Bank |
| OakNorth Bank plc | Bank |
| Paragon Bank PLC | Bank |
| Secure Trust Bank plc | Bank |
| Shawbrook Bank Limited | Bank |
| Starling Bank Ltd | Bank |
| Triodos Bank UK Ltd | Bank |
| United Trust Bank Limited | Bank |
| ABN AMRO Asset Based Finance N.V. | Non-bank |
| Arkle Finance Ltd | Non-bank |
| ART SHARE Limited | Non-bank |
| Assetz Capital Lending Limited | Non-bank |
| BCRS Business Loans Ltd | Non-bank |
| Business Enterprise Fund | Non-bank |
| Business Lending Group | Non-bank |
| Capitalise Business Support Ltd | Non-bank |
| Compass Business Finance | Non-bank |
| Conister Finance & Leasing Ltd | Non-bank |
| Coventry & Warwickshire Reinvestment Trust Ltd | Non-bank |
| DSL Business Finance | Non-bank |
| Ebury Partners UK Ltd | Non-bank |
| Enterprise Answers | Non-bank |
| Enterprise Loans East Midlands | Non-bank |
| EVBL (General Partner NPIF Y&H Debt) Limited | Non-bank |
| Fiduciam Nominees Limited | Non-bank |
| Finance for Enterprise | Non-bank |
| FSE GLIF LD LP | Non-bank |
| FSE GLIF SD LP | Non-bank |
| FSE MEIF LP | Non-bank |
| Funding Circle | Non-bank |
| GC Business Finance | Non-bank |
| Genesis Asset Finance Ltd | Non-bank |
| Growth Lending Group Ltd | Non-bank |
| Haydock Finance | Non-bank |
| Independent Growth Finance Ltd | Non-bank |
| InterBay Asset Finance Limited | Non-bank |
| Iwoca Limited | Non-bank |
| Kingsway Finance group | Non-bank |
| Kriya Finance (Formerly MarketFinance) | Non-bank |
| MEIF - ESEM SBL LP | Non-bank |
| MEIF - Maven East and South East Midlands | Non-bank |
| MEIF - Maven West Midlands | Non-bank |
| MEIF - WM SBL LP | Non-bank |
| NE Growth (ERDF) General Partner Ltd | Non-bank |
| Newable Business Loans Ltd | Non-bank |
| North East (ERDF) Small Loan Fund Limited | Non-bank |
| North West Loans NPIF GP Limited | Non-bank |
| Novuna | Non-bank |
| NPIF - NW MF LP | Non-bank |
| NPIF - YHTV MF LP | Non-bank |
| Nucleus Cashflow Finance Ltd | Non-bank |
| RM Funds | Non-bank |
| Scania Finance Great Britain Limited | Non-bank |
| Shire Leasing plc | Non-bank |
| Simply Asset Finance Operations | Non-bank |
| Skipton Business Finance Ltd | Non-bank |
| Social Investment Business Foundation | Non-bank |
| SWIG Finance | Non-bank |
| ThinCats Ltd | Non-bank |
| Time Finance plc | Non-bank |
| Tower Leasing Ltd | Non-bank |
| TVC Loans NPIF GP Limited | Non-bank |
| UK Steel Enterprise Ltd | Non-bank |

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Conduct Authority (FRA). A complete legal structure chart for the group can be found at   
www.british-business-bank.co.uk

1. Still, borrowers and non-borrowers differ even after this screening process, for example 62% of borrowers experienced a major interruption to their business as a result of changes in market demand between March 2020 and March 2021 compared to 51% of non-borrowers. Therefore, the econometric analysis aims to minimise the risk that any differences in outcomes between both groups are due to factors other than participation in RLS 1.0. The approach is described in more detail in Annex 4. [↑](#footnote-ref-2)
2. British Business Bank. (2023). Year 2 Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme, Table 13. [↑](#footnote-ref-3)
3. Table 28 and Table 29 compare the incidence of various characteristics across the borrower and non-borrower samples both before and after this matching exercise, and show that the matching substantially reduced differences across both samples. It should be noted that an important limitation of this method is that it does not match borrowers and non-borrowers based on unobserved characteristics (e.g., attitudes to risk etc.). [↑](#footnote-ref-4)
4. Office for National Statistics. (2022). Business Insights and Conditions Survey Wave 63 ad-hoc tables: Research and Development. Available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/adhocs/15084businessinsightsandconditionssurveywave63adhoctablesresearchanddevelopment> [↑](#footnote-ref-5)
5. British Business Bank. (2022). Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme. [↑](#footnote-ref-6)
6. CBILS was launched in March and CLBILS in April. [↑](#footnote-ref-7)
7. This means that there is less than a 10% chance that the observed difference in additionality between borrowers obtaining finance from banks vs. non-banks could be caused by sample variability if there were actually no underlying difference in additionality between these groups. [↑](#footnote-ref-8)
8. CBILS was launched in March and CLBILS in April. [↑](#footnote-ref-9)
9. British Business Bank. (2023). Year 2 Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme, Table 18. [↑](#footnote-ref-10)
10. OBR (2022) Pandemic risk scenario: the emergence of a vaccine-escaping variant. [Online] Available at: <https://obr.uk/box/pandemic-risk-scenario-the-emergence-of-a-vaccine-escaping-variant/> [↑](#footnote-ref-11)
11. This is based on the total value of lending reported in RLS 1.0 Management Information and total business lending estimates from BBB Small Business Finance Report 2021 [↑](#footnote-ref-12)
12. BBB analysis of ONS data, January 2021. [↑](#footnote-ref-13)
13. A British Business Bank programme providing a portfolio guarantee to cover a portion of a designated lending portfolio’s net credit losses exceeding an agreed ‘first loss’ threshold. [↑](#footnote-ref-14)
14. The Undertaking in Difficulty test was an assessment of whether a business faced insolvency, and was defined by whether a business had: accumulated losses greater than half their capital; entered into (or fulfilled the criteria to be put into) collective insolvency proceedings; previously received rescue aid or restructuring aid; fallen below the required solvency ratios for the previous two years. See <https://www.british-business-bank.co.uk/press-release/british-business-bank-confirms-changes-to-undertaking-in-difficulty-guidance/> [↑](#footnote-ref-15)
15. The revised Undertaking in Difficulty test was applicable in Great Britain. However, due to the NI Protocol, for medium and large businesses in Northern Ireland where the proposed facility was £30,000 or above, the same Undertaking in Difficulty test from CBILS was used. For micro and small businesses in Northern Ireland, the Undertaking in Difficulty test was slightly different than for medium and large businesses, and assessed whether a business was: in collective insolvency proceedings; in receipt of outstanding rescue aid; or in receipt of restructuring aid whilst still subject to a restructuring plan. [↑](#footnote-ref-16)
16. For example, if a scheme has a guarantee rate of 50% and also a portfolio cap of 20%, then the maximum a lender could theoretically claim against £100m of lending would be £10m (20% portfolio cap x 50% guarantee rate). [↑](#footnote-ref-17)
17. ENABLE Funding is a BBB programme which provides funding to lenders who successfully apply to participate in the scheme; accredited RLS lenders can then use that funding for lending under RLS. [↑](#footnote-ref-18)
18. For CBILS and BBLS, borrowers did not pay any interest for the first 12 months, so faced an effective rate of 0%. However, lenders still received the interest payments for the first 12 months, and these were paid by the government via the BIP. [↑](#footnote-ref-19)
19. For BBLS, DBT required Ministerial Direction and BBB needed a reservation notice due to the risks associated with the scheme. See BEIS (2020) Bounce Back Loan: Request for Ministerial Direction and Changes to Coronavirus Business Interruption Loan Scheme: Request for Ministerial Direction; and British Business Bank (2020) Reservation Notice for the Bounce Back Loan Scheme [↑](#footnote-ref-20)
20. The estimated default rate was subject to a high degree of uncertainty, and throughout RLS 1.0 BBB have worked to refine these estimates. [↑](#footnote-ref-21)
21. BBB (2022) Small Business Finance Market 2021/22: Based on research undertaken by BVA BDRC - SME Finance Monitor. [↑](#footnote-ref-22)
22. The AER on a facility is the actual interest rate on a loan, accounting for the compound effect. [↑](#footnote-ref-23)
23. An API is software which supports two applications to interact. In this case, it would allow data to be shared directly from a lenders database to BBB, which would reduce administration costs associated with manually compiling data to be sent to BBB. [↑](#footnote-ref-24)
24. Technical details related to the primary data collection are provided in Annex 2. [↑](#footnote-ref-25)
25. The UK Standard Industrial Classification (SIC) sections are grouped as follows to boost base sizes: Production: SIC Sectors beginning with A-E (e.g. A-Agriculture, B-mining etc). Construction: SIC Sectors beginning with G, H and I. Business Services: SIC Sectors beginning with J-N. Other services: SIC Sectors beginning with P-S. [↑](#footnote-ref-26)
26. Department for Business and Trade. (2021). Business population estimates 2021. Available at: <https://www.gov.uk/government/collections/business-population-estimates> [↑](#footnote-ref-27)
27. To ensure a direct comparison between the borrower and non-borrower samples and the wider business population, only registered businesses with between 1 and 249 employees are included in the analysis of the Business Population Estimates. [↑](#footnote-ref-28)
28. Specifically, whether borrowers expect that they would probably or definitely have applied for other sources of external finance. The study also considers whether businesses applied for other external finance in addition to funding via RLS 1.0 (prior to applying for funding via RLS 1.0 but after 6 April 2021), but, for the purpose of concision, the text refers only to other funding in the conditional, and to businesses’ expectations rather than realised outcomes. [↑](#footnote-ref-29)
29. Specifically, whether borrowers expect that they would probably or definitely have been successful in their application. It should be noted that, in order to limit the survey length, when respondents said that they had/would have applied to multiple types of external finance, they were only asked about their success/the likely success of their application to one of those types of external finance. [↑](#footnote-ref-30)
30. Specifically, whether or not borrowers expect that these other sources of external finance would probably or definitely have covered their cash flow needs. [↑](#footnote-ref-31)
31. Specifically, whether the finance obtained under RLS 1.0 had a lower interest rate, better terms and conditions or a more suitable repayment period and as a result a larger amount of funding was obtained. [↑](#footnote-ref-32)
32. The 95% confidence interval was estimated to be 77%-88%. [↑](#footnote-ref-33)
33. British Business Bank. (2023). Year 2 Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme. [↑](#footnote-ref-34)
34. CBILS was launched in March and CLBILS in April. [↑](#footnote-ref-35)
35. This includes both main and other banks. [↑](#footnote-ref-36)
36. This finding is statistically significant at the 10% level. [↑](#footnote-ref-37)
37. Some borrowers received their finance shortly after the closure of the scheme. [↑](#footnote-ref-38)
38. OBR (2022) Pandemic risk scenario: the emergence of a vaccine-escaping variant. [Online] Available at: <https://obr.uk/box/pandemic-risk-scenario-the-emergence-of-a-vaccine-escaping-variant/> [↑](#footnote-ref-39)
39. It should be noted that it may be challenging for businesses to estimate the extent to which the production of similar output (e.g., by competitors) would continue if it were to cease trading. Likewise, it may be difficult for businesses to fully consider the extent to and ease with which their customers would switch to alternative providers, especially under monopolistic competition. Therefore, there is a risk that businesses may under-or over-estimate the extent to which other businesses would take up their sales if they were to cease trading. Also, while businesses should, in theory, take their expectations regarding their competitors’ survival into account when answering this question, there is a risk that businesses implicitly assume survival of competitors when in fact their mortality may be correlated with that of their competitors. This could lead to an overestimation of displacement. [↑](#footnote-ref-40)
40. Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme. Process evaluation and early impact assessment June 2022. [↑](#footnote-ref-41)
41. British Business Bank. (2023). Year 2 Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme, Table 18. [↑](#footnote-ref-42)
42. As mentioned above, the aggregate displacement estimate is obtained by taking the product of displacement factors at the business-level, before averaging. As a result, the estimates in the second column of Table 9 cannot be derived from the subsequent three columns. [↑](#footnote-ref-43)
43. CBILS was launched in March and CLBILS in April. [↑](#footnote-ref-44)
44. Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme. Process evaluation and early impact assessment June 2022. [↑](#footnote-ref-45)
45. Ibid. [↑](#footnote-ref-46)
46. Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme. Process evaluation and early impact assessment June 2022. [↑](#footnote-ref-47)
47. Ibid. [↑](#footnote-ref-48)
48. The use of self-reported data carries limitations – for instance, businesses may not recall precisely how their financial situation was during the reference period, and may remember it as having been worse or better than it was in practice. [↑](#footnote-ref-49)
49. Two counterfactual death rates are estimated – a lower bound and an upper bound. For the lower bound, survey respondents classified as businesses that would have closed in the absence of RLS 1.0 include only those which answered that they would definitely have closed. The upper bound of the counterfactual death rate also includes businesses which said it is very likely or fairly likely that they would have closed. The base used in calculating the counterfactual death rates is made up of all respondents that were asked the relevant survey question excluding those which answered that they did not know or preferred not to say. [↑](#footnote-ref-50)
50. British Business Bank. (2023). Year 2 Evaluation of the Bounce Back Loan Scheme, Coronavirus Business Interruption Loan Scheme, and Coronavirus Large Business Interruption Loan Scheme, Table 13. [↑](#footnote-ref-51)
51. See Figure 9 for details on the obstacles faced by borrowers and non-borrowers. [↑](#footnote-ref-52)
52. Table 28 and Table 29 compare the incidence of various characteristics across the borrower and non-borrower samples both before and after the PSM, and demonstrate that the matching reduced differences across both samples. [↑](#footnote-ref-53)
53. This means that there is less than a 5% chance that the observed difference in turnover between borrowers and non-borrowers could occur if there were no underlying difference in turnover associated with using or not using the scheme. [↑](#footnote-ref-54)
54. ONS. (2023). *Labour Market Overview,* November 2023. [↑](#footnote-ref-55)
55. Office for National Statistics. (2022). Business Insights and Conditions Survey Wave 63 ad-hoc tables: Research and Development. Available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/adhocs/15084businessinsightsandconditionssurveywave63adhoctablesresearchanddevelopment> [↑](#footnote-ref-56)
56. This is based on the total value of lending reported in RLS 1.0 Management Information and total business lending estimates from BBB Small Business Finance Report 2021 [↑](#footnote-ref-57)
57. Although the fee payable to HMT is zero for businesses, there is a fee payable by lenders (the Scheme Lender Fee). [↑](#footnote-ref-58)
58. This is sample where the number was in valid format, but which turned out to be wrong numbers, fax numbers or disconnected. [↑](#footnote-ref-59)
59. This includes sample where there was communication difficulty making it not possible to carry out the survey (including language difficulty) and numbers called multiple times over fieldwork without ever being picked up. [↑](#footnote-ref-60)
60. This includes sample that had a working telephone number but where the respondent was unreachable or unavailable for an interview during the fieldwork period, so eligibility could not be assessed. [↑](#footnote-ref-61)
61. This includes non-borrowers who did not face any financial challenges. [↑](#footnote-ref-62)
62. The cooperation rate has been calculated as: (completed interviews) / (completed interviews + refusals). This is the proportion who took part in the survey, among those who were reached and screened. [↑](#footnote-ref-63)
63. An introduction to PSM can be found in Caliendo, M., & Kopeinig, S. (2008). Some practical guidance for the implementation of propensity score matching. *Journal of economic surveys*, 22(1), 31-72. [↑](#footnote-ref-64)
64. An introduction to difference-in-differences can be found in Fredriksson, A., & Oliviera, G. (2019). Impact evaluation using Difference-in-Differences. *RAUSP Management Journal*, 55(4), 519-532. [↑](#footnote-ref-65)
65. The combined effect of the calliper and the restriction on the propensity scores of the borrowers is to exclude 21 borrowers from the main model. [↑](#footnote-ref-66)
66. Ideally, the treated and control samples would be similar to the extent that their turnover and employment before the pandemic would be identical. However, given that it is not possible to observe all relevant characteristics and incorporate these into the PSM process and because the analysis is based on a (limited) sample, it is possible that differences in outcomes remain between both groups even after the matching. [↑](#footnote-ref-67)
67. In this example, the difference between treatment and control businesses is negative (as treated businesses have lower outcomes than non-treated businesses), but, because the pre-treatment difference is more negative than the post-treatment difference, the impact of the intervention is positive: the margin of outperformance of non-treated businesses was reduced by the intervention. [↑](#footnote-ref-68)
68. The possible values for this variable were Primary/Manufacturing (SIC section A, B, C, D and E), Construction (SIC section F), Distribution (SIC section G, H, and I), Business Services (J, K, L, M, N) and Other Services (P, Q, R, S). [↑](#footnote-ref-69)
69. To allow for the possibility that the relationship between the Loan variable and size is not strictly increasing or decreasing, these variables were coded into bands for the Propensity Score Matching. For the number of staff, the bands were 1, 2-4, 5-9, 10-24, 25-49, and 50 or more. For turnover, the bands were less than £100,000, at least £100,000 but less than £250,000, at least £250,000 but less than £500,000, at least £500,000 but less than £1 million, at least £1 million but less than £5 million and more than £5 million. [↑](#footnote-ref-70)
70. As with business size, these variables were also coded into bands for the Propensity Score Matching. For staff growth, the bands were less then or equal to -20%, greater than -20% but less than 0%, 0%, greater than 0% but less than 20%, at least 20% but less than 50% and at least 50%. For turnover growth, the bands were less than or equal to -50%, greater than -50% but less than -20%, at least -20% but less than 0%, 0%, greater than 0% but less than 20%, at least 20% but less than 50% and at least 50%. [↑](#footnote-ref-71)
71. It was specified that this referred to all ownerships and legal statuses, the acquiring enterprise in the case of acquisition and the largest enterprise as measured by employment in the case of a merger. [↑](#footnote-ref-72)
72. Responses were split into bands for the PSM of 9 years or less, 10 to 20 years and more than 20 years. [↑](#footnote-ref-73)
73. The “Other Support Schemes” dummy variable equals one if the business used any of the following support schemes: deferral of Self-Assessment payments, HMRC Time to Pay, the Self-Employment Income Support Scheme, the 12-month business rates holiday for hospitality, leisure, retail businesses, cash grants related to the Covid-19 pandemic or cash grants unrelated to the Covid-19 pandemic. [↑](#footnote-ref-74)
74. In order to reduce the likelihood of outliers and possible misreported values influencing the results, some observations were excluded from the analysis. In the turnover model, businesses were excluded if their turnover was found to decrease by more than 90% or increase by more than 800% between 2020 and 2021, and if their turnover was found to decrease by more than 98% or increase by more than 2000% between 2021 and 2023 (such businesses accounted for approximately 2 percent of observations). In the employment model, businesses were excluded if their employment was found to decrease by more than 95% or increase by more than 2000% between 2020 and 2021 or between 2021 and 2023. [↑](#footnote-ref-75)
75. Number of employees were provided for the end of the relevant years. [↑](#footnote-ref-76)
76. <https://www.gov.uk/government/collections/business-population-estimates> [↑](#footnote-ref-77)
77. It should be noted that some lenders have multiple accreditations, but these are not duplicated here. The total number of accredited lenders under RLS 1.0 is 84, of which 82 provided finance. [↑](#footnote-ref-78)