Bouncing back badly

Syed Rahman examines the fraud-friendly faults that have been highlighted in the government's Bounce Back Loan Scheme.

As an end-of-year report, the National Audit Office's assessment of the government's fraud prevention measures for its Covid-19 Bounce Back Loan Scheme has a very strong "could do better'' tone about it.

The NAO has branded the government's measures inadequate and has made it clear that improvements need to be made if there is to be any chance of recovering the estimated £5 billion that has been stolen. It has pointed to a current focus on organised crime's attempts to abuse the programme, which it says will mean that many lower-level fraudsters will go undetected or at least unpunished.

There have been accusations of too little being done too late. For a scheme that guaranteed bank loans of up to £50,000 to help businesses during the pandemic, its emphasis was on delivering the money as swiftly as possible with the bare minimum of checks being made.

This was always going to attract fraudsters like bees to the honey pot. So there can be little surprise that the NAO has now made it clear that the fund was vulnerable to fraud and losses – and this was still the case when it had been in operation for seven months.

In its defence, the government has used the National Crime Agency and the National Investigation Service (Natis) to combat this type of fraud. Natis has been charged with recovering at least £6 million of fraudulent Bounce Back Loans over three years. Yet the NAO says Natis is only capable of working on 50 cases a year. With the number of reports of such fraud now past the 2,100 mark, we have a clear case, to continue the analogy, of far too few beekeepers and way too many illegally-enriched bees.

This is a point that has been made in the starkest of terms by the NAO, which has referred to the government needing to improve on its track record on fraudulent loans.

But however critical the NAO is of the government, the fact is that the anti-fraud awareness now being exercised by the government is coming into effect far too late. It almost defies belief that the compliance teams now monitoring the loans were not in place at the time the loans were being handed out. Simple logic tells us that it there is less chance of being left out of pocket due to fraud if proper, worthwhile checks are made before any money is given out. Scrambling around afterwards trying to get back money that should never have been given out in the first place is a much more time consuming and costly way of doing things.

HMRC will now have to plough significant resources into efforts to recover the losses. This will mean a raft of fraud investigations and the setting up new units and departments specifically targeting these types of fraud. It will also mean scrutiny of regulated professionals, with HMRC and other enforcement agencies looking to assess whether reporting obligations have been met.

There is no doubt that the picture painted by the NAO is a depressing one.

It depicts a situation where the authorities are now scurrying to regain cash that should never have been paid out.

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