BBLS: fraud made simple

Niall Hearty assesses the statistics for directors being struck off over abuse of pandemic support schemes

Official figures show that more than half of all UK company directors who have been struck off in the past 15 months faced allegations of abuse of the Covid-19 financial support schemes.

Between 1 April 2022 and 30 June this year, 611 of the 1,200 director disqualifications related to how they used Covid-19 schemes, with the majority of allegations relating to the taxpayer-funded bounce-back loans. The news comes in the wake of more than £1 billion in Covid loan payments having been identified as involving fraudulent behaviour or being paid in error.

The Covid-related disqualification of directors will prove a professional, and probably financial, burden to them as they seek to earn a living in the future. But the sheer numbers of those disqualified in such circumstances is a testament to the lack of professional and financial competence of those in government who orchestrated the schemes.

Fraudulent gains

The £46.6 billion Bounce Back Loan Scheme was one of the largest parts of the government's financial response to the pandemic. The idea of giving small and medium-sized businesses the chance to borrow between £2,000 and £50,000 at a low interest rate from accredited lenders, with the government acting as guarantor, was lauded by many at the time. But the lack of proper vetting of loan applications led to abuse of the scheme on a massive scale. The chance to apply online, tick boxes and not have to sign any form of personal guarantee was too appealing for those looking to make easy, fraudulent gains.

If that seemed a stretch of the imagination too far for those devising the schemes, then it appears that truth was stranger than make believe. There is no shortage of verified accounts of such loans being used to fund everything from Class A drugs and heavy gambling through to cars, camper vans and even a barge.

It was a situation that the government had not foreseen. Ironically, for a government that was at pains to emphasise how focused it was on stopping the proliferation of coronavirus, one aspect of its strategy enabled fraud to spread like wildfire. The fact that last year saw the counter-fraud minister Theodore Agnew resign, while talking about the government's schoolboy errors and desperately inadequate efforts to prevent such fraud, is perhaps as damning – if not more so – than the figures that illustrate the scale of the hole the government dug for itself.

And it was a pretty huge hole. A quarter of all UK businesses received a bounce-back loan, with a total of 1.5 million being made. Many of these were made to small businesses. The veracity of such applications would, arguably, not have been too time consuming, and yet due diligence was poor or non-existent.

Consolation

If there is one consolation: it is that the original £5 billion estimate of losses from fraud and error in the scheme was way over the top. But there can be little satisfaction to be taken from knowing that the revised figure – according to the 2021-22 annual accounts of the former Department for Business, Energy and Industrial Strategy – is £1.1 billion.

The Insolvency Service, which has published the figures on director disqualifications, has so far prosecuted nine directors for offences related to bounce back loans. A large part of the Insolvency Service's enforcement work is tackling Covid loan abuse. It was given an extra £100 million as part of the 2021 spending review for strategic investment and investigation initiatives.

One wonders if it would have received this money – or if it would have even been necessary – if the government had not been so short-sighted in its rush to devise and implement a system of Covid loans. A system that has arguably caused more problems than it solved.

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