

# Rishi Sunak's business support package fails at almost ...

Published: January 12, 2026, 10:50 pm

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Rishi Sunak [has announced new support for businesses this afternoon](#).

I welcome his additional rate support relief.

His tiny grants for some smaller businesses are welcome, but wholly inadequate. These will go to 700,000 businesses. There are more than 5 million in all. What about the rest? And as yet no one has the slightest idea who will qualify for these grants, how to apply for them or when they will be paid. So as a business confidence booster they are utterly hopeless.

And after these points have been noted, all he has had to say showed not the slightest comprehension of the needs of business, or an understanding of how business works, or of how company law worked. But it did reveal desperation on his part that none of the impact of this crisis should increase the government's deficit. I will explain.

First, businesses that are making losses do not need loans. They either need new capital, or grants. When they are haemorrhaging cash and losses are piling high a loan does nothing for them. That is because loans have to be repaid, and a business in crisis cannot offer any assurance that it can do that. As such, by definition it does not qualify for a loan.

In addition, given the very low capital base of most UK businesses many that now need support will already be facing insolvency. In that case, it is illegal for a company director to take on a loan because they cannot guarantee repayment: it would be fraud for them to take the loan in that situation, and so they cannot do so. Sunak has completely failed to take into account the requirement of UK company law when offering this absurd package.

And what Sunak does not seem to appreciate is that taking on a loan in this situation only increases the pressure on a business: its focus then has to be on repaying bankers rather than supporting staff, and it is supporting staff that has to be the highest priority now.

In other words, everything is wrong about offering loans now. They do not meet the businesses needs. In many cases businesses will not qualify for them. And even if they do, this creates a perverse incentive to ignore the needs of staff at the precise moment when that has to be the priority.

So why has Sunak gone down this route when it is so obviously wrong? There is one very simple, and obvious explanation. What he is very obviously seeking to do is keep this business support package off the government's spending account, and instead is seeking to describe it as a loan, which the means that he can put it on its balance sheet. As a result he can pretend that the deficit is not going to be impacted by coronavirus, which no doubt this Tory government is desperate to do so that it cannot be compared with Labour in 2008. But for this, petty and deeply misguided political reason he is failing to supply the package that UK business needs at this moment. This is utterly unacceptable at this point of time and the cost to the country, to businesses and especially those businesses that fail, and to those whose livelihoods depend upon them, will be enormous.

It is very hard to imagine a Chancellor who has ever so dismally failed to rise to the challenge with which they have been presented. Sunak managed to be that failure today.