

Funding the Future

The government has not in any way got its head around t...

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The government announced five schemes in the budget to help small business face the challenge of coronavirus. They are:

- * Business rates exemptions;
- * Repayment of statutory sick pay;
- * Payment of £3,000 grants to maybe 700,000 small business;
- * Extension of time to pay for taxes;
- * New 'risky loans' scheme to be underwritten by government.

Not one of these is close to addressing the real needs of business at this moment.

The business rates exemption only applies to smaller businesses. It also assumes that a smaller business pays business rates. Many do not, especially in the north. And in most areas fewer than 15% of properties are covered by the scheme.

The repayment of statutory sick pay sounds like a good arrangement, but there are massive problems with it. Firstly it only covers 14 days and many employees might, quite reasonably, self isolate more than once, and if they do get the coronavirus, be ill for much longer than that. Therefore, the scheme is wholly inadequate. Worse, no one knows how repayment will take place as yet. And it is going to be an application process for which there is no administrative arrangement in place at present. It could take months to get this money back, by which time businesses will have collapsed.

Again, the £3000 grant sounds generous, except that once more it will have to be applied for, and there is no mechanism to do this as yet, and as a consequence the prospect of it being paid at any time before it is needed would appear to be remote.

Similarly, tax payments can only be postponed after an application has been made and each will be subject to a separately negotiated deal. The chance that HMRC will have sufficient staff available, and not self isolated, to arrange many of these deals will be remote, in the extreme.

Finally, the risky loan scheme is also subject to an application process, with no guarantee of success, and with it being stressed from the outset that this is still subject to significant bank discretion. As a consequence there is no guarantee that a company will get support, and there will also be no guarantee that resources will be available to process any application by the time the funding is needed.

Add this up and what we have is a government announcing arrangements for a crisis that assume that normal times will be in operation. They will not be. The civil service, banks, small businesses, and everyone else will be impacted by sickness, self isolation, and crises. Processes that require an application, and involve significant delay in payment, are then hopelessly inadequate to address the cash flow issues that are going to cripple smaller businesses in the UK.

I do then reiterate what I said well over a week ago now, which is that there now needs to be an automatic bank loan repayment holiday granted to anyone who does, for any reason now default on a payment, with that loan repayment lasting for at least three months and with the loan term being extended at its conclusion by the same period, with the interest that is now being avoided being added on as a final payment due at the end. This should also apply to all mortgages and personal loans.

I am also absolutely certain that we need rent holidays, but that these will represent an absolute loss to the landlords because they have the strongest lines of credit available to anyone in the UK economy. The landlords would also enjoy bank loan repayment holidays for the reasons noted in the previous paragraph, meaning that the cash flow implications for them of this are fairly marginal in most cases.

And finally, during the course of the next three months any small business that has declared a tax liability and cannot pay it should simply be allowed to defer doing so, with an automatic spreading of the payment due over the following two years being permitted because the government can afford this, and small businesses cannot.

Only if steps like this are taken can small business have a hope of surviving this crisis. At present, what Rishi Sunak has offered is hopelessly inadequate.