

Sunak's rearranging deckchairs as small business in the...

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The government has this morning announced reform to the business loan schemes that have, [to date, been so hopelessly inadequate](#). They [have noted that](#):

- * £90 million of business interruption loans approved for nearly 1,000 firms and £1.9 billion corporate finance provided to firms hit by COVID-19

I think (and trust that you will excuse the language) that this is technically called 'pissing in the wind'.

So they've now said:

- * current loan scheme extended so more small businesses can benefit
- * lenders banned from requesting personal guarantees on loans under £250,000
- * new scheme announced to bolster support for larger firms not currently eligible for loans
- * Chancellor emphasises importance of banks moving quickly to support the economy, jobs and businesses

Let me pull out the usual list of problems.

First, banks still have no incentive to lend if a business is bust under this revised scheme, and hundreds of thousands are. This scheme will not keep the UK SME sector alive in that case. If the government wants to do that it has to offer 100% loans.

Second, if there are no guarantees for banks they're going to stop lending. Why would they do otherwise? So far they've passed the buck back to the government. Now the government has thrown it back to them. I guarantee they won't catch it. Loans will still be as rare as hens' teeth.

And, third, banks are simply not geared up to do this. The pretence that banks are in

the business of lending to small business is one of those charades of respectability that they like to assume but which has little truth to it: 85% of their lending is for property deals; most of the rest is personal finance and a tiny proportion is business loans. They don't have the skills to deliver.

Sunak has been taken in by the hype but the reality is that British banking is not fit for purpose. He's rearranging deckchairs again. Given it another week and he'll need another go at this.

Only 100% loan guarantees will achieve his aim. I said so on 11 March - his budget day. Now he needs to deliver. But it may well be too late by then.

This man is incompetent: procrastination is the surest sign of that and he delivers it by the bucket load. And so far he's delivering almost nothing else.