

Lord Agnew: a case where resignation was the only option...

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Lord Agnew quit as the government minister responsible for tackling fraud, with a brief crossing the Treasury and Cabinet Office, yesterday. He had given no prior warning, doing it quite literally from the Lords Dispatch Box when supposedly there to answer questions on the issue:

https://twitter.com/Alain_Tolhurst/status/1485641389861912576?s=20

As [Hansard notes](#), he said:

The oversight by both BEIS and the British Business Bank of the panel lenders of the BBLS has been nothing less than woeful. They have been assisted by the Treasury, which appears to have no knowledge of, or little interest in, the consequences of fraud to our economy or society.

Things got worse from there:

Much store has been given to the extra money allocated to HMRC, but it took a year to happen, and this department was already the most competent and well-funded in that discipline; whereas at the beginning of Covid, BEIS had the grand total of two counter-fraud officials on its staff, neither of whom were experienced in the subject. They refused to engage constructively with the counter-fraud function that sits in the Cabinet Office, has considerable expertise and reports directly to me.

And, as he noted, the errors were based on a refusal to understand:

Schoolboy errors were made: for example, allowing more than 1,000 companies to receive bounce-back loans which were not even trading when Covid struck. They simply failed to understand that company formation agents hold in stock companies with earlier creation dates. I have been arguing with Treasury and BEIS officials for nearly two years to get them to lift their game; I have been mostly unsuccessful.

And as he notes, there is already evidence of systemic failing, including amongst the banks

We move now to a new and dangerous phase: banks' ability to claim on the 100% state guarantee for non-payment. We do this without implementing a standard bar of quality assurance on what we expect as counter-fraud measures; we know that we have serious discrepancies. For example, three out of the seven main lenders account for 87% of loans paid out to companies already dissolved. Why is the ratio so skewed? Two of the seven account for 81% of cases where loans were paid out to companies incorporated post-Covid, as I referred to a moment ago. One of the seven accounts for 38% of the duplicate BBL application checks that were not carried out after the requirement was enforced. Bizarrely, it took six weeks to get the duplicate check into place, during which time 900,000 loans, or 60% in total, were paid out, bearing in mind that some £47 billion has been paid out.

And the failure is ongoing:

If only BEIS and the British Business Bank would wake up, there is still time to demand data and action on duplicate loans. Why will they not do it? Despite pressing BEIS and the BBB for over a year, there is still no single dashboard of management data to scrutinise lender performance. It is inexcusable. We have already paid out nearly £1 billion to banks claiming the state guarantee. The percentage of losses estimated to be from fraud rather than credit failure is 26%; I accept this is only an early approximation, but it is a very worrying one. I will place in Hansard a copy of my letter to the chairman of the British Business Bank, sent on 16 December, addressing some of these points. I have still not received an answer.

I genuinely believe he has tried:

I have at least four differences of opinion with Treasury officials: first, on urgent improvements in lender performance data, I simply want the bar to be set at what the best of the panel banks can deliver—to repeat, there is not even a common definition of fraud to trigger the payment of the guarantee; secondly, far greater challenge of lender banks when we uncover inconsistency in data; thirdly, educating Treasury officials as to why reliance on audits is far too reactive and generally happening well after the horse has bolted; fourthly, a failure by Treasury or BEIS officials to understand the complete disjunction between the level of criminality—probably hundreds of thousands of pounds—and enforcement capability. For example, NATIS, a specialist agency, can handle around 200 cases a year; local police forces might double that.

I understand him going:

Noble Lords can see that it is my deeply held conviction that the current state of affairs is not acceptable. Given that I am the Minister for counter-fraud, it feels somewhat dishonest to stay on in that role if I am incapable of doing it properly, let alone of defending our track record. It is for this reason that I have, sadly, decided to tender my resignation as a Minister across the Treasury and Cabinet Office with immediate effect.

I would be grateful if my noble friend would pass this letter to the Prime Minister at his earliest convenience.

Yesterday he did a good job.

I will have more to say on this today.