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Committee urges gov't action on bank lending

The Treasury select committee has urged the government to promote access to finance for small firms and to stimulate better competition in the UK banking sector.

By Marc Shoffman | Published Apr 25, 2012 | 0 comments



ARTICLE TOOLS

Recommend 1

A report by the committee welcomed the launch of the National Loans Guarantee Scheme and increased funding for the Business Finance Partnership, but warned these measures may not address the root issue of the lack of lending by banks.

It said: "Access to finance for small and medium-sized businesses remains a significant problem. While these exceptional market conditions continue, the government should regularly publish its own estimate of the degree of dysfunctionality of the market, with proposals for remedy."

The report said the government should implement the recommendations of an industry review of non-bank lending, chaired by Tim Breedon, chief executive of Legal & General, that included opening up the retail bond and peer-to-peer lending markets.

Henry Ejdelbaum, managing director of London-based corporate adviser ASC Finance for Business, said: "These schemes can be complex, expensive and riddled with red tape. It is a civil servant developing a business scheme and just forcing banks to lend more.

"There are two conflicting theories in the economy. One is that banks are still being restrictive and expensive, There is some truth in that. The other is that the outlook is not positive so businesses do not want to expand and invest. When banks say they do not have enough demand, there is some truth.

"Instead of doing quantitative easing to banks, the money should be put straight into the economy."

ARTICLE TOOLS

Recommend 1

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