

The Treasury must mend its flawed fix — fast

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Sunday April 05 2020, 12.00am, The Sunday Times

Whatever it takes: that is what chancellor Rishi Sunak vowed to do to protect British businesses battered by the government's shutdown strategy. Over the past four weeks, he has announced a slew of measures to try to stop hundreds of thousands of small firms from going under, and taking millions of jobs with them. In particular, his wage guarantee has already made a big difference — and is being copied by governments around the world.

Unfortunately, the other well-intentioned policies haven't yet been nearly so effective — either because they haven't been implemented properly, or because they've been set up in the wrong way. This is understandable given how quickly these plans were developed, but it's vital that Treasury officials recognise things aren't yet working as they should and take urgent action.

I have a vested interest in Sunak getting it right: I run a small company. It's a creative workspace called Second Home, with locations in London, Lisbon and Los Angeles. We also operate a string of cafes, as well as two bookshops. Almost all our revenue comes from hundreds of small companies and self-employed people based in our spaces, working in every industry imaginable — so we have a ringside seat to see what's happening on the ground in real time.

The truth is that it's absolute carnage for small businesses. To borrow a line from the TV show *Veep*, it's as toxic as a urinal cake in Chernobyl. Revenues are plummeting as companies stop paying suppliers to conserve cash, with ripple effects cascading through the economy, hitting small businesses and freelancers hardest of all. In a typical recession, economic activity slows bit by bit, so well-run companies have time to find ways to survive. But the drastic action taken by the government to enforce social distancing means businesses have seen revenues drop to nothing overnight — through no fault of their own. I've seen so many firms at Second Home go out of business already, such as the cosmetics company that couldn't get its inventory out of China, or the events business that had spent heavily on large-scale productions that all had to be cancelled.

That is why it's such a big problem that the government's policies aren't working as they're supposed to be — because every day that goes by without this help materialising, thousands more enterprises like these are dying.

Look at the £330bn small business loan scheme announced in the budget almost four weeks ago. I've been trying to apply for funding but I haven't even been able to submit an application yet, let alone receive any money. We contacted HSBC and NatWest, only to be told they were accepting applications only from existing customers. We then tried some of the other financial institutions certified by the Treasury for handing out these loans, to find that they covered just certain parts of the country — or were allowed to lend only relatively small amounts of money.

Entrepreneurs at Second Home tell me banks are refusing to offer state-guaranteed loans to loss-making firms, which is crazy, as almost all successful businesses lose money in their early years as you have to invest to grow.

But there's an even bigger problem. Why should companies be saddled with debt as a result of an official shutdown they could do nothing about? This will be an additional burden that many simply won't be able to bear — and for the ones that can somehow find the extra cash needed for the repayments (plus interest), this is money that would otherwise have been spent expanding and hiring people. So we're dooming enterprises that manage to survive to lower growth for years to come.

In America, the new stimulus package includes \$350bn (£282bn) of government loans for small businesses — but these debts will be fully written off as long as a company uses the money to rehire staff or pay rent. That's a far more pro-growth approach, and one that should be implemented here.

It's the same story with business rates relief. My company leases buildings in four London boroughs. We've emailed and called them repeatedly, but not one has yet provided any information about how to apply for the relief. All we've had are automated emails demanding payment, which isn't exactly helpful.

The chancellor's moratorium on commercial evictions is another policy that is yet to have the desired effect on the ground. In practice, landlords are typically demanding that any rent not paid this quarter be immediately repaid as soon as the crisis is over, which, in effect, means commercial tenants having to pay double rent. That is obviously unfair, as the shutdown has meant that buildings have been empty for this period. It's also completely untenable, as businesses have missed out on revenues, so there's no extra cash to pay the additional rent.

The key players in all this are the banks. If they give flexibility to commercial landlords on repaying loans, this can be passed on to tenants. The government must make this happen, or we'll face an avalanche of bankruptcies in the months to come.

Small-business owners will have endured many sleepless nights over the past few weeks, worrying whether the countless hours they've put into building something from scratch will be for naught. I know this, because I'm in exactly that boat. If Sunak can fix his policies — and fast — entrepreneurs will be on the streets applauding him. If not, they'll be awake for many nights to come.

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