

“It’s an inescapable fact that some of the debt that businesses have incurred in the crisis will turn out to be unaffordable,” said Charles Randell, Chair, Financial Conduct Authority, at a recent virtual UK Finance event. “Tackling this overhang of debt quickly and fairly will be essential; it must not become a drag on the recovery.”

Where consumers are concerned, it’s important to note that not everyone has been affected equally by the crisis. Many people have been able to reduce their debt during the crisis as their commuting, holiday and other costs have fallen. Indeed, Bank of England figures revealed that consumers repaid a record £7.4bn on their credit cards and personal loans in April.

The picture is, of course, different for others, including furloughed workers experiencing reduced income, and those facing job losses. “If we look at the worst-affected segments of the UK population, which I call the ‘financial survivors’, who equate to almost a quarter of the population, 76% of those people are worried about not being able to pay the bills,” comments Nicole Huyghe, founder and CEO at Boobook. In contrast, she says, the ‘comfortable optimists’ that make up around a quarter of Brits, have no financial worries at all. “So, what we see is a very unequal impact of COVID-19 across UK society, and an impact that could potentially create an even bigger division between the haves, and the have-nots.”

With the industry preparing for the end of deferrals, Leenders says the focus will be on making sure that customers are brought back onto repayment schedules – and that when this is not possible, customers are provided with different types of support. “Customers will continue to be supported – it’s just that the manner in which they will be supported after October 2020 and into 2021 will be through more traditional forbearance measures,” he comments. “In the case of a mortgage, this might mean a period of interest-only payments or an extension of terms. We’re now in a situation where we need to see what should be done in a more bespoke or individual way.”

Fundamental questions

In the meantime, some are considering whether a societal shift is needed, particularly in terms of consumer debt. In his UK Finance speech, Randell underlined the need to “look to the future and ask ourselves some fundamental questions about the role of debt and saving in our society”.

These are questions that had already been under consideration before the crisis began. Trevor Williams, former Chief Economist at Lloyds Bank Commercial Banking and Visiting Professor at the University of Derby, cites measures taken by the Bank of England to ensure that customers understand the implications of repaying minimum amounts on credit card balances.

“Those things are still there – the technical things that are driving people to pay off loans more quickly, and ensuring there’s more sustainability in the level of indebtedness that’s being carried,” he says. Looking forward, Williams predicts there will

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Charles Randell,
Financial Conduct Authority

be more caution around lending: “Moreover, the ‘precautionary’ reason to save will override the desire to borrow as unemployment rises, bankruptcies increase and others at risk seeing this will save more in case the same thing happens to them.”

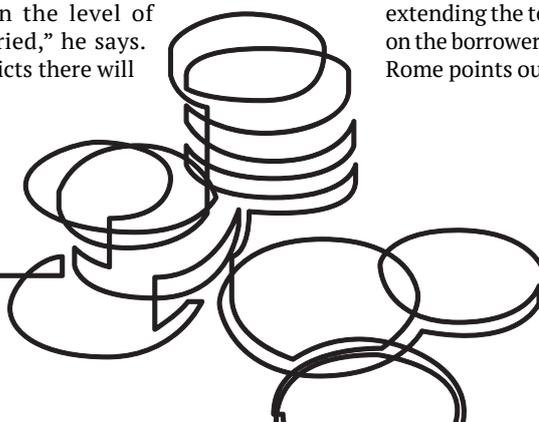
Where saving is concerned, meanwhile, there is something of a balance to strike. Boobook’s Huyghe points out that while a key challenge for the industry and government during a recession is to stimulate spending, the “vast majority of consumers in the UK are geared towards reviewing spending, saving where possible, and looking to future security”.

Bigger picture

Some creative options have been mooted when it comes to supporting both consumers and small businesses. Professor Emilius Avgouleas, who holds the International Banking Law and Finance Chair at the University of Edinburgh, argues that the government needs to “identify infrastructure projects that are of national necessity and progress those fast in order to create new jobs, especially in the semi-skilled sector”. He also notes the possible application of technologies such as blockchain to facilitate borrowing for consumers, citing a consumer credit platform he is currently developing with a colleague.

Where the debt incurred by small businesses is concerned, Avgouleas suggests the government should create a special purpose vehicle and turn some of the loans issued into equity. “What businesses need right now is fresh capital, rather than even more credit and loans,” he comments. Former Chancellor of the Exchequer George Osborne recently went one step further, telling the Treasury Select Committee that the government should write off coronavirus loans taken out by micro and small businesses

Citing the Recapitalisation Group initiative spearheaded by TheCityUK, Ashurst’s Rome adds: “Various institutions including banks, advisers, accountants and lawyers have been trying to suggest various ways of mitigating this situation – whether it be the government taking equity stakes, or the establishment of a bank which deals with these kinds of situations. Then there’s talk of extending the terms of the BBL or CBIL schemes to ease the burden on the borrower.” But while different solutions are being considered, Rome points out “there is no definitive agreement yet”. **CB**



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Positives from the pandemic

In this issue, banking and finance professionals reflect on their experiences during this extraordinary time.

What is the most important thing that you have learned during lockdown, either personally or professionally?



EMILIOS AVGOULEAS
Chair of International Banking Law and Finance, The University of Edinburgh

Like most working parents with young children, I initially saw the lockdown as a very unwelcome trial. The first thing I had to change was constant travelling, the second was working round the clock.

While anybody in the same circumstances had to be immediately armed with endless patience and resilience, thanks to a young child I also reacquired a love for the outdoors. Moreover, work became more structured, leading to the rationing of endless Zoom calls and media interviews to the most impactful. This way I also had some time to think about the world after COVID-19, even though my daughter sometimes complained that I was drifting off while reading her a story. Said mind-wandering led to the production of several well-reviewed papers.

So, while I remain a mediocre cook and a frequently overwhelmed worker, I have, at least, become the 'Master of Roar!' – which certainly means something to connoisseurs of fine children's literature.



MARK CURRAN
Business Banking Director, TSB

One of the main learnings I've taken from this is a new awareness of people's phenomenal capacity to respond in a crisis. For example, willingly giving their time to work exceedingly long hours to get the Bounce Bank Loan Scheme (BBLs) and Coronavirus Business Interruption Loan Scheme (CBILs), and the technology around them, up and running.

We doubled our loan book in 36 hours; at our busiest, we did £96m of lending in one day. The commitment to customers has been huge. It's always been there, but I've never seen it laid bare to this extent.



LAUREN FULLER
Customer Journey Developer, NatWest

One important thing I've taken from this time is that our circumstances are all different. It sounds obvious, but one solution for payment holidays, for example, will not be the right one for everyone.

I spoke to the Young Women's Trust, which really opened my eyes as to what was going on around me. Young women have been the most impacted by COVID-19 because they are more likely to be on zero-hour contracts. Many were working in industries in which high numbers were furloughed, but they weren't eligible because they worked part-time hours to fit around their young families. The Young Women's Trust ran a campaign and government petition to raise awareness of the support these women need, but I think there is still some work to be done in that space.

One of the things we really pushed for in my team was to do some charity fundraising. We weren't travelling, paying for lunches or doing the things we used to do, so we wanted to put our money towards supporting those who were really struggling. Something I want to continue doing is keeping that mindset, and knowing that whenever we do anything in the bank, we need to consider our wide range of customers and their circumstances.



NICOLE HUYGHE
Founder and CEO at Boobook

One of the things I've learned from the lockdown experience is that people are much more adaptable and open to change than I would have ever imagined. This pandemic, and the resulting changes to our day-to-day lives, have tested all of us, forcing people to stop and

breathe. This, in my opinion, is one of the few (but significant!) positives of the pandemic: without it, not many of us would ever have had the chance to slow down and reset.



ERIC LEENDERS
Managing Director, Personal Finance,
UK Finance

I think, along with other sectors and industry, the financial services sector has demonstrated a phenomenal ability to flex the way that it works, far beyond anyone’s expectations six months ago. That includes supporting customers, working from home and becoming very efficient in a completely different way.

Moving forward, we’re now going to have to learn a third way of working – we’ve experienced everyone working in the office, we’ve experienced everyone at home, but we’re now going to be looking at a hybrid environment with some people working in the office and some at home.

The industry has really faced into its responsibilities and has demonstrated how it is a force for good in customers’ lives. It’s difficult to put into words people’s gratitude when the worry that they might not have a house in six months’ time has evaporated.

That’s not to diminish the tragedies and difficulties that many of us have been touched by. But if the industry has alleviated some of the stresses and pressures that people have faced, that’s certainly a story worth telling.



DAVE ROME
Strategy Director, Corporate Lending,
Ashurst

I think it’s difficult to separate personal and work, given we have all spent five months at home...working. Creating a distinction between work time and down time has been a challenge in itself, with my main tactic being to make sure the day has structure – for example, my commute has been replaced with a walk, then work takes over at the same time as it would have in the pre-COVID world.

Added to that, we have all learned the importance of regular and quality communication, both personally and

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Mark Curran, TSB

professionally – while pre-COVID one might take for granted the fact that one can contact a friend, relative or colleague, the pandemic created a situation where communication options were limited. Family Zoom quizzes, virtual team drinks, keep-in-touch calls, and increased WhatsApp traffic about any and every subject have all been key to helping keep people upbeat, focused and in contact with each other.



LUKE NORTON
Relationship Manager, Santander
Corporate and Commercial Banking

Professionally, I have learned that so much more is possible working remotely than I ever envisaged. I will be very interested to see how day-to-day working changes in the longer term once lockdown restrictions are lifted.

Personally, I have learned to not take ‘little experiences’, such as going out for a coffee, or lunch, or seeing friends and family for granted. It’s been great to finally start experiencing some sort of normality once again.



LEWIS SHAND SMITH
Executive Chair of the Board of Directors
at the Business Banking Resolution
Service

To begin with it all seemed scary, saying goodbye to everybody and wondering if we would see each other again. I’ve been very fortunate because my official home is in the Shetland Islands and I got here before the start of lockdown. My house looks on to an internationally

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Emilios Avgouleas, The University of Edinburgh

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acclaimed beauty spot, and, apart from not seeing anybody, life has gone on as normal, for example walking the dog.

Professionally, what I've found is that everything has become incredibly intense using Teams and Zoom. There are no longer natural breaks to divide the day, such as walking to a different building for a meeting or an informal, but very valuable, conversation with a colleague while making a coffee. Now that's gone, everything is much more channelled and sometimes issues that would normally be defused quite easily with a conversation become formalised.

The easing of lockdown has felt quite scary too. It's a strange world out there and social norms have changed. Do I wear my mask in the street? Do I press myself against the wall when I pass someone? On the Shetland ferry meals were delivered to the cabins and the disembarking process was strict. Adapting to the new etiquette and social norms is taking time.



CHRIS SKINNER
Author and commentator,
TheFinanser.com

Work-life balance has been refreshed. Before COVID-19, all work and little play. Now, a bit of work and a lot play. Balance restored.



SIMON THOMPSON
Chief Executive, Chartered Banker
Institute

Professionally: how being further apart can actually bring us closer together. Colleagues, families, friends – and the Institute's members and Fellows.

Personally: how to play the drums to Cannonball, by The Breeders! I've been wanting to learn that for years.



DR RUTH WANDHÖFER
Partner, Gauss Ventures, NED and adviser

What at first seemed incredibly difficult was actually very feasible. Turning a large part of our industry into working from home would have been seen as impossible two weeks before lockdown, but in reality, it worked.

Culturally this shift is irreversible. Technology is now truly being employed to improve the home life-work

“People are much more adaptable and open to change than I would have ever imagined.”

Nicole Huyghe,
Founder and CEO at Boobook

balance. As everything moved to video calls, I met more people than ever and developed great business relationships, even if I still haven't met them in person. All digital business models have been performing, in some cases beyond any expectation.

From a personal and family point of view, it was the best thing that could happen to me. Home schooling enabled me to be part of my daughters' growth and successes – something that we normally don't get to experience that directly. My two children bonded more than ever and are now inseparable.



TREVOR WILLIAMS
Former Chief Economist for Lloyds Bank
Corporate Markets and Visiting Professor
at the University of Derby

On the personal level, it was lovely to have quiet streets and hear nature. When you're rushing around being busy, you don't get the space to contemplate and enjoy some of these things.

Professionally, where remote working is concerned you don't necessarily need to go to physical meetings any more and it's absolutely possible to do some of this online – although I think the limitations are showing up as well. It's still important to meet people in person.

There has been a huge increase in demand for information, so for those of us who are in the information analysis business it has been good to see the value this brings.

Another point is how important it is that systems are able to adapt quickly, and the need to upgrade our technology. We need better, faster connectivity around the country – systems went down in some places as they were overloaded. I think they coped admirably, but we need to prepare for a future where the level of demand for internet services will not only remain high but increase as driverless cars, for example, come on stream and new online products are developed. We therefore need 5G as a matter of urgency to drive the next stage of the digital revolution. **CB**