

New business bank to support up to £10 billion of business lending

Tuesday 25 September, 2012

Business Secretary Vince Cable will announce today (24 September) the first steps in creating a Government-backed business bank, including new Government funding of £1 billion.

It will aim to attract private sector funding so that when fully operational, it could support up to £10 billion of new and additional business lending.

The Government will build a single institution that will address long-standing, structural gaps in the supply of finance, identified in Tim Breedon's report on non-bank finance. It will bring together in one place Government finance support for small and mid-sized businesses. It will also control the Government's interests in a new wholesale funding mechanism which will be developed to unlock institutional investment to benefit small businesses.

Vince Cable said:

"For decades British industry has lacked the sort of diverse, long-term finance that is quite normal elsewhere. We need a British business bank with a clean balance sheet and a mandate to expand lending rapidly and we are now going to get it.

"Alongside the private sector, the bank will get the market lending to manufacturers, exporters and growth companies that so desperately need support. It will be a lasting monument to our determination to reshape finance so it can finally serve industry the way it should. Its success will not be the scale of its own direct interventions but how far it shakes up the market in business finance and helps to ease constraints for high-growth firms.

"Having a functioning, diverse supply of finance is an integral part of the Government's industrial strategy. It is all about making the right decisions now to secure our long-term industrial success."

The bank will operate at arms-length from Government. It will be professionally run and commercially focused. It will facilitate the provision of loans, including long-term capital, to UK firms through banks and other financial institutions. By harnessing the power of capital markets, it has the potential to transform business finance in the UK.

The new institution will operate through the wholesale markets, it will not have any retail presence and will not displace or subsidise banks. Its role is to encourage the development of private sector solutions and enable the market to work properly, not compete with it.

More detail on the design of the bank and the types of interventions it will support will be provided in the autumn.

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