HSBC halts pandemic loans to new customers after 'huge demand'

By **Michael O'Dwyer**

HSBC has pulled up the drawbridge on pandemic lending to new business customers as it struggles to meet demand for Government-backed emergency loans.

The troubled bank stopped accepting applications for new business bank accounts on Wednesday so it can fight a backlog of existing applications for bounce back loans for small firms. Lenders have handed out about £38bn in bounce back loans, which are worth up to £50,000 each and are guaranteed by the Exchequer, to 1.3m businesses since the scheme launched in May.

The move is a blow to small firms seeking loans as they steel themselves for six months of possible Covid restrictions that are expected to squeeze businesses' finances. It also raises further questions about the viability of the Bounce Back Loan Scheme.

Taxpayers could be left with a £23bn bill for bad debts under the scheme and two business interruption loan schemes for larger firms, according to accounts published by the Department for Business, Energy and Industrial Strategy this week. Darren Jones, chairman of the BEIS select committee, wrote to Alok Sharma, the Business Secretary, yesterday asking what action had been taken to address risks that the schemes could lead to a surge in fraud and harm competition between lenders.

The British Business Bank, which administers the schemes, raised concerns with Mr Sharma in May before the launch of the bounce back scheme and the Future Fund, which helps start-ups.

HSBC has approved 194,000 bounce back loans so far with a total value of nearly £5.9bn and said it was approving a new loan every 20 seconds.

It will continue to process applications from existing customers and those made by non-customers before 9am on Wednesday Sep 30. New small business customers will not be able to open accounts until Dec 14.

An HSBC UK spokesman said: "As one of the only banks that remained open to applications from all UK businesses since the scheme's launch, we received a huge level of demand. With the scheme closing on Nov 30, we need to focus our resources on fulfilling existing applications."

Will the 'real' oversight board be able to rule on Facebook?

Time running out for the body of critics to make an impact before the election, writes *Laurence Dodds*

You know what it's like: you wait ages for Facebook to create its own independent supreme court to hear appeals against its censorship decisions, and then two come along at once.

As medieval Europe was split between two rival popes, Facebook's high priests now have an antipope. The confusingly-named "Real Oversight Board", launched only one month before the US presidential election, claims it will hold Facebook to account in the way the company's actual Oversight Board cannot.

The Antiboard has a left-of-centre bent and includes some of Facebook's most heavyweight critics, such as the philosopher of surveillance Shoshana Zuboff, early investor Roger McNamee, and Britain's own Damian Collins MP.

"Ours is an emergency intervention, aimed at Mr Zuckerberg and Facebook employees," said Zuboff yesterday. "We now approach the 59th minute of the 11th hour of this crisis...Facebook, America and the world look to you now for decisive action to protect democracy. History is watching."

Realistically, the two boards are little alike. The real Oversight Board is a rule-bound body granted the authority to judge, and potentially reverse, Facebook's decisions. The Antiboard is an attention-grabbing pressure group that admits its methods include "stunts".

Evelyn Douek, a Harvard law lecturer who has studied the real Board extensively, said Facebook's critics "should be wanting the Board to succeed, not undermining it", and concluded: "There's plenty to criticise about the Board's current form...but undercutting it doesn't help."

The Oversight Board is Facebook's attempt to fix what an audit panel once described as a "crisis of public trust". To achieve legitimacy, it must convince at least some critics that it is truly holding Facebook to account. The Antiboard threatens to delegitimise it before it gets the chance.

That might not be a credible threat if the Board were already operating. Yet almost two years after it was first announced, and despite originally being promised by the end of 2019, it will not be ready in time to issue rulings before polling day.

It was absent in June, when Facebook sparked an advertising boycott by declining to remove a post by President Donald Trump; absent in July, when millions of people were being sucked into the QAnon conspiracy theory; absent in August, when Facebook failed to act on a violence-inciting group in Kenosha, Wisconsin, which chief executive Mark Zuckerberg admitted had been an "operational mistake".

Even if the Board had been up and running, it would not have been much help. Facebook has controversially

Even if the Oversight Board had been up and running it would not have been much help

chosen to limit its powers to cases where content has been removed, excluding cases where content has been left online. By design, it would have been unable to prevent this summer's backlash.

Zuboff's invocation of an "emergency" was not just election-year panic. The coronavirus pandemic has created an unprecedented role for postal voting, and ballots could take days or weeks to be counted. That would create a febrile interregnum in which President Trump is likely to dispute the results, potentially triggering civil unrest. Zuckerberg admits he is worried about this happening.

Perhaps by then, the real Oversight Board will finally be ready to make judgments.

But will there still be time for it to make any difference?

SHOEDAZZLE/PM

Sole music Rita Ora has launched a new footwear line in partnership with ShoeDazzle. The singer said: "I felt that it was really important to partner with someone I knew who understood the importance of accessibility, especially given the times that we live in."

Almost half of businesses struggling with plunge in sales

By **Tim Wallace**

ALMOST half of all businesses are still suffering from depressed sales, with companies comparing the strain on their cash flow to the pressure felt during the financial crisis.

The British Chambers of Commerce found 46pc of companies had UK sales fall in the third quarter, almost double the proportion that found turnover recovering.

This is an improvement on the steeper decline at the height of lockdown, but shows normal trading conditions are far from being restored.

Andy Haldane, the Bank of England's chief economist, warned against an excessively downbeat "Chicken Licken" attitude harming the recovery.

"Underlying economic conditions remained exceptionally weak in the third quarter," said Suren Thiru, the business group's head of economics. "While the declines in indicators of activity slowed as the UK economy gradually reopened, they remain well short of pre-pandemic levels with little sign of a swift 'V'-shaped recovery."

A YouGov poll found 69pc of people thought the economy would get worse

8.7pc

A Bank of England survey of bosses found they expected employment to be down by this amount in the final months of the year

over the coming months. At the same time, the Bank of England found bosses were increasingly gloomy over the future prospects for the economy.

Its survey of business decision-makers found executives expect employment to be down 8.7pc in the final months of this year and 6pc by mid-2021, worse than their predictions a month ago of falls of 8pc and 5.4pc.

Bosses in administration and support firms said they think employment will be down by about one-sixth due to Covid, while food and accommodation industry leaders estimate a fall of around 13pc.

Meanwhile, analysts warned that Covid and Brexit may complicate the Government's task of "levelling up" the regional economies. "This year's spending review would be a natural place to start fleshing out some of the detail of the 'levelling-up' agenda," said Ben Zaranko at the Institute for Fiscal Studies.

The Confederation of British Industry said there was a "golden opportunity" to revamp the nation's infrastructure, as commuting patterns change.

Peer-to-peer lenders face huge losses after bet on Yorkshire coal mine

By **Rachel Millard**

LEADING peer-to-peer companies are facing heavy losses after lending to business financiers who ploughed cash into a Yorkshire coal mine.

ArchOver and Assetz Capital provided millions in loans to UK Exim Finance and UK Exim respectively, but appointed administrators over the borrowers in 2018. UK Exim was moved into dissolution this week, and administrators said Assetz Capital had received £1 out of the £2.5m owed.

ArchOver was owed £4.74m by UK Exim Finance and administrators warned in July it would suffer a "substantial shortfall". ArchOver told *The Daily Telegraph* this week it was confident of recovering about 80pc.

UK Exim and UK Exim Finance, in turn, provided funding for other businesses. Both were owned and co-directed by Mark Runiewicz, a trade and export finance figure who has given evidence on the topic to the House of Lords. He cut his stake in UK Exim to 49pc in August 2018.

Most of UK Exim's loan book is made up of £3.2m owed by Packaged Water, a company part-owned by Mr Runiewicz's business partner Mary McErlain and of which he is a co-director.

In 2017, Packaged Water had paid £4.25m to buy European Coal Products, owner of the Eckington coal mine near Sheffield, out of administration. ECP owed £4.25m to UK Exim when it collapsed. This was paid back through the Packaged Water deal.

Records show that Funding Your Business, a company owned by Mr Runiewicz, had taken a majority stake in ECP in 2015.

UK Exim Finance got into financial difficulties "principally due to bad debts and the failure of some clients to repay their debts", administrators said in 2018. Its lending included £2m to UK Exim.

Ian Anderson, co-founder of ArchOver, said: "ArchOver has continually pursued this case and is currently confident it will recover in the range of 80pc of the capital."

A spokesman for Assetz Capital said: "We do not comment on individual loans. Since 2017 we have been exclusively a property-secured lender."

Mr Runiewicz did not respond to a request for comment.

Retailers spooked by lack of spending on Hallowe'en

By **Laura Onita**

RETAILERS, bars and restaurants are facing further financial strain this month as Britons plan to shun Hallowe'en.

Almost two thirds of Britons are not interested in attending Hallowe'en events and parties this year, even if social distancing measures are eased.

Furthermore, almost half of parents have said they will not let their children go trick-or-treating to prevent them from catching coronavirus, market research from Piplsay showed.

Zoe Mills, a retail analyst at GlobalData, said that subdued festivities at the end of the month due to coronavirus will have a significant impact on the Hallowe'en market.

She added: "Where people can, reusing old costumes will be more prominent, but also fewer are expected to be dressing up at all. For grocers that are key stockists of costumes for children and sweets, this is expected to have an impact on revenues."

Britons typically spend half a billion pounds to celebrate All Hallows' Eve and Bonfire Night.

The pandemic has already torpedoed holidays including Easter and Mothering Sunday for retailers. Angus Thirlwell, the co-founder and chief executive of Hotel Chocolat, said this week that losing trade on those key days had contributed to the chocolatier plunging into the red.

Last year, Hallowe'en was not the treat retailers had hoped for either, with sales plateauing because of Brexit. Many shoppers reused decorations, costumes and bought cheaper items.

In recent years, Britons have been spending more on the festival, but they are now likely to limit their spend again, Mills added. Some retailers, however,

'Where people can, reusing old costumes will be more prominent, but fewer are set to be dressing up at all'

still hope to capitalise on the event. Tea seller Whittard of Chelsea has decided to diversify and launch a new limited edition hot chocolate flavour as part of its Hallowe'en campaign.

A string of retailers have come out and said that Britons have begun planning for Christmas early including John Lewis and Hotel Chocolat.

This could provide a boon for retailers if people spoil themselves to make up for a winter of restrictions and worries over the pandemic. However, early Christmas planning could also take the shine off Hallowe'en sales.

SIMON DAWSON/BLOOMBERG

All quiet Enlarged spaces for walking and cycling remain deserted in the City of London thanks to home working.

H&M to shut hundreds of stores amid shift to the web

By **Laura Onita**

FASHION conglomerate H&M is to close hundreds of branches worldwide next year after the pandemic sent more shoppers online.

The world's second-largest clothing seller said that about a quarter of its 5,000 shops had leases that were coming up for renewal, which allowed it to exit some stores.

The company said it was "too early for us to give any details on this; the numbers will differ from market to market".

It posted better-than-expected third-quarter results, despite profits halving due to the impact of temporary store closures at the peak of the crisis.

The Swedish giant was forced to shut 80pc of its sites and 3pc have not reopened yet.

"Our recovery is going better than expected... With more full-price sales than expected and strict cost control, we returned to profit already in the third quarter," Helena Helmersson, chief executive of H&M, said.

The fashion retailer's pre-tax profits fell to SEK2.37bn (£206m) for the nine months to Aug 31, but this included a return to the black in the third quarter and was better than analysts had expected. Sales fell by 16pc to SEK50.8bn for the quarter to the end of August compared with a year earlier. The UK retail sector saw online sales peak during lockdown, accounting for a record 33.4pc of all transactions in May.

H&M said it had taken "rapid and decisive action" to mitigate the impact of the virus, by making changes to purchasing, investments, rents, staffing and financing.

The company is boosting its digital investment to meet increased demand

80pc

Proportion of its stores that H&M was forced to close due to the pandemic, with 3pc of them not yet back open

through its websites. Ms Helmersson said: "Although the challenges are far from over, we believe that the worst is behind us and we are well-placed to come out of the crisis stronger.

"Demand for good-value, sustainable products is expected to grow in the wake of the pandemic and our customer offering is well-positioned for this.

"We are now accelerating our transformation work so that we continue to add value for our customers."