



Big Society Bank

Facts and figures

What do we know?

- The Big Society Bank is not a charity
- The Big Society Bank will operate independently of government
- It will not make grants
- It will act exclusively as a wholesaler meaning it will not put money directly into social enterprises, or businesses with some kind of social purpose
- It will invest in funds and organisations that in turn make the direct investments
- It won't have that much capital to play with (at least not initially)
- It expects to receive up to £100 million in its first year of money from dormant bank accounts at UK banks and building societies
- The figure from dormant accounts is expected to rise to £400 million over some unspecified period
- As part of Project Merlin, it will receive around £200 million of additional capital in the form of some kind of loan or investment from Royal Bank of Scotland, Barclays, HSBC and Lloyds.
- One of the things that is holding back its launch is that it needs state aid approval from the European Union, because it or the ventures it backs will be competing directly with commercial businesses and it could be seen to have an unfair advantage thanks to its access to the money in dormant bank accounts

What does the public think?

- The £200 million from the four banks will not be free
- The banks investing or loaning will expect to be rewarded for the money at commercial rates
- It is not clear whether the banks finance will be in the form of some kind of secondary debt or equity
- The Big Society Bank will have to make some kind of meaningful return on the money it invests, in order to meet its aim of covering costs
- We have absolutely no idea what kind of interest rate the Big Society Bank will charge or what kind of dividend it will demand from those who take its finance
- We don't know whether it will have a preference for lending or taking equity stakes.
- It is not clear what freedom it will have to expand its own balance sheet
- It will be prohibited from taking deposits, but whether it will be allowed to issue bonds and raise additional wholesale finance is not specified
- We don't really know what kind of social enterprises it will favour.
 - Will it try to back conventional businesses in areas of serious deprivation and conflict, that have been all-but abandoned by mainstream banks and investors?
 - Or will it back ventures whose purpose is explicitly social, such as those providing advice and services to the very poorest?

For more information on Big Society or Big Society Bank, contact CAVOS on 01388 811115 or visit the Big Society Network website at www.thebigsociety.co.uk