

Consequences of improperly obtaining bounce-back loans

Press release

Loan fraud amongst reasons why operator licence revoked.



The traffic commissioner for the West Midlands, Nick Denton, recently held a public inquiry into Mafuwer Logistics Ltd. The company was granted a standard international licence for three vehicles in December 2020.

The traffic commissioner found that almost all of the company's financial resources had been provided by a £50,000 bounceback loan (BBL) in May 2020. However, the company's turnover was far below the £200,000 necessary to qualify for such a loan – the maximum permissible BBL being 25% of turnover or £50,000, whichever is the lower.

Mr Denton also saw that the company's bank statements, provided as evidence of financial standing, contained an unusually large number of items which seemed to constitute personal use of funds by the director.

The company also had a very poor maintenance record and numerous tachograph infringements. The commissioner concluded that the business did not have good repute or financial standing and therefore revoked its licence.

Commenting on the case, Mr Denton said: "this is not the first case I have come across where a bounce back loan appears to have been improperly obtained. I know that at the height of the pandemic banks did not always have the opportunity to check whether applicants qualified for the level of loan applied for. Nevertheless, if I find that companies or individuals have been untruthful about their turnover when applying for a loan, I will draw adverse conclusions about good repute."

"I also warn against the tendency I have seen in some companies to fund personal expenditure from the company's accounts. Directors may withdraw money from the company in only three ways: salary, dividends or a properly documented director's loan (which must be repaid). They can't just use the

company debit card to fund personal shopping, holidays etc. This is tax evasion and will harm good repute.”

Further details can be found [here](#).

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