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WORKING LANGUAGE

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**Subject: State aid N 460/2009 – United Kingdom
Amendment to the scheme "Temporary aid in the form of subsidised
interest rate" (N 257/2009)**

Sir,

1. PROCEDURE

- (1) By electronic notification of 29 July 2009, the UK authorities notified an amendment to the existing scheme "Temporary aid in the form of subsidised interest rate" (N 257/2009). By e-mail of 7 August 2009 (A/17812) the UK authorities submitted further clarifications requested by the Commission on 5 August 2009 (D/53431).

2. DESCRIPTION OF THE AMENDMENT

- (2) The UK authorities stated that they wished to add the Housing and Regeneration Act 2008¹ to the list of Acts forming the legal basis of the scheme "Temporary aid

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<http://www.statutelaw.gov.uk/content.aspx?LegType=All+Legislation&title=Housing+and+Regeneration+&Year=2008&searchEnacted=0&extentMatchOnly=0&confersPower=0&blanketAmendment=0&sortAlpha=0&TYPE=QS&PageNumber=1&NavFrom=0&parentActiveTextDocId=3505242&ActiveTextDocId=3505242&filesize=997297>

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in the form of subsidised interest rate". The Housing and Regeneration Act 2008 was added to allow a new Government Agency, the Homes and Communities Agency, to give support. The UK authorities explained that it had always been their intention that as many sectors as possible should benefit from the scheme within the budget limits. It has always been open to Government Departments or Agencies to come forward with schemes to address the consequences of the financial crisis and that is why the original notification listed a wide range of legal basis. The Housing and Regeneration Act 2008 was missed from this list due to oversight.

- (3) The United Kingdom is concerned that the continuing financial crisis is having a significant impact on the ability of companies to access finance. This difficulty is well documented and is found in all sectors. Moreover, the Bank of England took further action on 6 August 2009 to intervene in the economy as they are concerned that the recession has not eased. The UK authorities therefore consider that the conditions for applying Article 87(3)(b) of the EC Treaty remain in place.
- (4) The proposed amendment will give the potential for targeted help to go to the housing sector which has been particularly badly affected. Prior to the credit crunch, a number of banks invested heavily in the property sector (including housing) and now consider themselves over-exposed to the sector and have already reduced and are looking to further reduce their lending to the sector. The UK Government wishes to maintain housing supply to meet housing need and to maintain employment in the construction sector. The lack of availability of loan finance is a key factor in the current slowdown in UK housing delivery.
- (5) Except for the legal basis, all other elements of the approved scheme remain unchanged. In particular, the overall budget of GBP 8 billion² is maintained and the estimated number of beneficiaries under the amended scheme continues to be within the range of 101 to 500 undertakings.
- (6) The UK authorities confirm that the monitoring and reporting obligations laid down in Section 6 of the Commission communication "Temporary framework for State aid measures to support access to finance in the current financial and economic crisis" (hereinafter referred to as the Temporary Framework)³ will be respected.
- (7) The UK authorities confirm that the notification does not contain business secrets.

3. ASSESSMENT

- (8) The Commission approved the scheme "Temporary aid in the form of subsidised interest rate" (N 257/2009) by Commission Decision C(2009)3982 of 14 May 2009. In that approval decision the Commission first established that the notified measure constitutes State aid within the meaning of Article 87(1) of the EC Treaty.

² As indicated in paragraph 10 of Commission decision C(2009)3982 of 14.5.2009 in case N 257/2009, a common budgetary ceiling of GBP 8 billion was set for the implementation of the measure N 257/2009 and the aid measures "Temporary aid in the form of loan guarantees" (N 71/2009) and "Temporary aid for the production of green products" (N 72/2009).

³ OJ C 83, 7.4.2009, p.1.

The Commission then considered that the scheme is in conformity with the Temporary Framework and with the Treaty on the basis of Article 87(3)(b).

(9) The notified amendment does not alter such assessments. The State aid character of the measure as established in paragraphs 24 to 28 of Commission Decision C(2009)3982 of 14 May 2009 is unaffected by the proposed amendment. The conditions for applying Article 87(3)(b) of the EC Treaty remain in place because the continuing financial crisis is still having a significant impact on the ability of companies to access finance. The amendment to the list of the legal basis makes it possible for targeted help to go to the housing sector which has been particularly badly affected. Finally, the amended scheme meets all the conditions of the Temporary Framework. In particular:

- The reduced interest rate subsidies do not go below the interest rate threshold defined (overnight rate plus 57.5612 basis points plus risk premium established according to the loan margin grid provided by the Commission reference rate Communication 2008), (section 4.4.2. of the Temporary Framework).
- The cumulation rules with de minimis aid and aid for other purposes are respected (section 4.7. of the Temporary Framework).
- Firms in difficulty (situation as of 1.7.2008) are excluded from benefiting from the scheme (section 4.4.2. (b) of the Temporary Framework).
- The benefit of reduced interest rates is limited to loan contracts concluded before 31 December 2010, and to interest rate payments due before 31 December 2012 (section 4.4.2. (a) of the Temporary Framework).
- The monitoring and reporting rules laid down in section 6 of the Temporary Framework will be respected by the UK authorities.

4. CONCLUSION

(10) For these reasons, the Commission considers that the notified measure is in conformity with the Temporary Framework and considers it to be compatible with the Treaty on the basis of Article 87(3)(b). The Commission notes that the notification does not contain business secrets.

5. DECISION

(11) The Commission has accordingly decided to consider the notified aid scheme as compatible with the EC Treaty under Article 87(3)(b).

Yours faithfully,
For the Commission

Janez POTOČNIK
Member of the Commission