

State aid: Commission approves prolongation of UK financial support measures to banking sector

The European Commission has approved, under EC Treaty state aid rules, the prolongation of the Credit Guarantee and Recapitalisation Schemes, which form part of the UK's support measures to the banking industry during the current financial crisis. The original measures were approved by the Commission on 13 October 2008 and modifications were approved on 23 December 2008 (see [IP/08/1496](#) and [IP/08/2057](#)). The UK notified an extension of the schemes until 13 October 2009 because of the severe stress in the global and UK financial markets that required the original Credit Guarantee and Recapitalisation schemes to continue to exist. The Commission's investigation found that the circumstances on the financial markets justify the extension which aims at underpinning lending to the UK real economy. Banks who benefit from the schemes have to agree in turn to provide loans to companies in the real economy and to individuals. The Commission therefore concluded that the UK support measures, as amended, are compatible with Article 87.3.b of the EC Treaty as explained in the Commission's Guidelines Communication on the application of state aid rules to banks during the financial crisis (see [IP/08/1495](#)).

Competition Commissioner Neelie Kroes said: "Excellent cooperation with the UK authorities and our streamlined procedures have once again allowed for a quick and effective Commission decision. The prolongation of the Guarantee and Recapitalisation Schemes should provide sufficient credit to the UK economy and help business and households affected by the current credit crunch without undue distortion of competition".

On 27 March 2009, the UK notified that it intended to prolong its support measures to the banking industry, originally approved on 13 October 2008 and modified on 23 December 2008 (see [IP/08/1496](#) and [IP/08/2057](#)). The UK also provided the Commission with a report on the operation of the Credit Guarantee Scheme, demonstrating the success of the scheme in its early stages and the need to extend the window for issuing new debt under the UK Government guarantee to 13 October 2009.

The UK considered that the original limit on guaranteed issue of £250 billion remained appropriate. The amount set aside for recapitalisation remained £50 billion.

The eligible beneficiaries remained fundamentally sound banks, with eligible liabilities of above £500 million. A capital injection into a bank that has already accessed the recapitalisation scheme, however, will be subject to individual notification and approval.

The Commission concluded that the amendments comply with the conditions laid down in its Guidance Communication on state aid to the financial sector during the crisis (see [IP/08/1495](#)). In particular, the Commission found that the amendments are well targeted to remedy a serious disturbance in the UK economy, proportionate to the challenge faced and designed to minimise negative spill-over effects on competitors, other sectors and other Member States. The modifications are non-discriminatory, limited in time (six months) and scope and with a market-orientated remuneration.

The non-confidential version of the decision will be made available under the case number N 193/2009 in the [State Aid Register](#) on the [DG Competition website](#) once any confidentiality issues have been resolved. New publications of state aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).