

Dear Sir Ronald and Nick,

I would like to thank you for your engagement over the last few months, with both the Government and the social investment sector, as you have worked to develop a proposal for the establishment of a 'Big Society Bank' as an independent private sector organisation.

As you know, I attach the greatest importance to this work, which represents a decisive opportunity to accelerate the growth of the social investment market. A thriving market in social investment will enable charities and social organisations of every kind to access new capital to help them to increase their impact, doing much to build a bigger, stronger society.

I am pleased to be able to say that the proposal which you have developed and presented to me appears to meet the Government's requirements for a 'Big Society Bank'. Under the terms of the Dormant Bank and Building Society Accounts Act 2008, in due course the Government would expect to capitalise your proposed organisation with money from dormant accounts subject to four main conditions:

1. Further development work on organisational design. This will include a broad discussion of the investment guidelines and selection process, as well as a more detailed financial model illustrating the institution's investment strategy, supported by engagement with the market and with the social sector. We will need to approve the founding legal documents – the Memorandum and Articles of Association – for the three entities you are proposing to incorporate: a company limited by shares, a company limited by guarantee and the company limited by guarantee for which you would seek charitable status. This will include ensuring that the arrangements you propose will appropriately safeguard public funds.
2. Satisfactory conclusion of discussions with the 'Merlin' banks (Barclays, HSBC, Lloyds and RBS) about the terms on which they will make a capital injection of £200m.
3. Approval from the Financial Services Authority (or successor organisation) for the proposed activities of the company limited by shares.
4. State aid approval from the European Commission. We are currently working to secure the state aid approvals that would be needed in order to capitalise an independent organisation with money from dormant accounts and to provide it with the flexibility it needs to grow the market.

Separately, as you know, we have been working with the Big Lottery Fund on interim arrangements that will enable investments to be made as soon as dormant accounts money becomes available in the summer, using existing state aid exemptions.

I would like to thank you again for working with the Government and the social sector to take forward this important project.

Yours sincerely,

FRANCIS MAUDE
Minister for the Cabinet Office and Paymaster General