

The Foot Commission to say UK's tax havens are he...

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The [Observer](#) reports:

Britain could be forced to bail out one or more of its offshore tax havens at huge cost, according to early drafts of a Treasury report, because the economic crisis has wrecked their finances.

Offshore expert Michael Foot will next month set out a number of options to government ministers in the report as anxiety grows within Whitehall over the health of Britain's overseas territories and crown dependencies.

Senior insiders say early drafts of Foot's report suggest that the government may need to make provisions for the financial failure of British tax havens. Experts suggest the failure of a major tax haven could potentially cost the UK tens, if not hundreds, of millions of pounds.

This does, of course, follow the news that [I broke that Cayman is bust](#).

The Observer continues:

Government officials say they are aware that some British overseas territories are facing serious problems which could get worse. In the event of further economic deterioration, they could become failed states and be dragged into the illegal drugs trade, Whitehall insiders warn.

Any suggestion that Britain will have to rescue offshore financial centres would be extremely controversial as tax havens drain the UK economy of an estimated £25bn annually through their role in aggressive [tax avoidance](#) and evasion.

Apparently:

The Foot report is likely to suggest that tax havens should boost their balance sheets with new taxes, though this would have to be carefully handled as it could drive away businesses that are valuable to them.

Foot will say that tax havens will require additional cash to abide by new international protocols, and that some do not have the expertise or staff to weather the economic crisis.

He is thought to be concerned at the accuracy of some islands' economic analysis and modelling.

Sources close to Foot suggest he is particularly concerned that tourism on Caribbean islands is also suffering which is compounding the downturn.

I've long forecast this. It gives me no pleasure to know I was right to do so.

It also gives me no pleasure to suspect that the control by the secrecy providers (bankers, lawyers and accountants) who use and abuse these places for their own purposes — and who drive their local populations into poverty in the process — will not be relaxed as a result. Their callous indifference to those local people, sovereignty (unless they can abuse it), poverty in the wider world, tax evasion and more besides will continue unabated, I am sure.