Funding the Future

# Banks don't give a toss about shareholders

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FT.com / Companies / Banks - RBS and Lloyds loan levels probed.

*The government is probing whether* **Royal Bank of Scotland** and **Lloyds** are failing to meet officially mandated lending targets by deliberately pricing loans to small and medium-sized businesses at artificially high levels.

“We don’t want them to make uneconomic loans but our research suggests they may be pricing credit at unrealistic levels,” said one person close to the government. In a sign Whitehall is tightening the screws on the two banks it part owns, the government has been scrutinising the banks’ loan pricing mechanisms over the past two weeks.

“They are giving us a bloody hard time,” said one banker.

These things to say:

a) I suspect this is happening

b) It shows why passive ownership is the wrong model for these banks

c) It shows why they should not be returned to full private ownership but be forced to come into line under state ownership

d) This blows apart the theory that companies act in the interests of their shareholders: here they are specifically acting against them

e) This is why the directors of **UKFI** **need to be changed - bankers can't deliver the required changes**

**f) This is why we need a new 'People's Bank'**

**To put it another way: the banking model remains broken and unfit for purpose. When will we learn that, and take action?**