

Unjust for Iceland to take sole responsibility

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From the FT today:

Sir, The president of [Iceland's refusal to approve repayment](#) to the British and Dutch governments should be welcomed (January 5). The pause gives the Anglo-Dutch governments an opportunity to withdraw their demand for full repayment from the government of Iceland, a country whose population at 317,000 is somewhat smaller than Leicester's.

The UK and the Netherlands, with a combined population of 76m, should cease to use economic *force majeure* on a tiny country, and accept the principle of co-responsibility for the crisis. Repayment of the nationalised losses of a private bank amounts to £12,000 per Icelandic citizen, and will inevitably impact harshly on their lives and public services. By contrast the cost to Dutch and British taxpayers of the bail-out will be about £50 per capita.

We understand the strong desire of the present government of Iceland to restore the country's tattered reputation.

But anyone reading the financial press in 2007 and 2008 (as opposed to the academic reports commissioned by Iceland's chamber of commerce) would have known that Iceland's banks were far from risk-free. That was why British and Dutch depositors enjoyed good rates of return on their deposits.

The British and Dutch governments have sound political reasons for protecting small savers lured into shark-infested financial waters. What is unjust is that the tiny population of Iceland should be forced to bear the full costs of the laxity of Icelandic, British and Dutch regulators and the reckless behaviour of private bankers and risk-takers.

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I agree.

We have to recognise small states cannot bail out banks.

But at the same time we have to demand openness, transparency, accountability and appropriate taxation cooperation from them as well. Which is precisely why the day of the tax haven / secrecy jurisdiction has to be over.