

King's right on banks - and if they say they'll leave O...

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As the [First Post Daily reports](#):

Bank of England governor Mervyn King has provoked a furious response from the City after saying yesterday that many banks' only concern was to "maximise profits next week".

Warning that lessons of the 2008 crash have not been learned and the banks could now face a second collapse, King told the Daily Telegraph they are still obsessed with bonuses and said that "imbalances" in the sector "are beginning to grow again".

He added that he intends to find ways of clamping down on banks who seek to make money out of "gullible or unsuspecting customers".

King is right, of course.

But the [CBI's reaction](#) and [bankers' reaction](#) is to say they'll quit the UK.

But the odd thing is - it doesn't matter because of what George Osborne is seeking to do with UK corporation tax. After all, if we have territorial tax then we won't make anything extra by having head offices here. They employ almost no one - and often make losses in the UK tax system as it is at present. And the reality is that HSBC and all other banks will still trade here - and still have vast numbers of people here because they have to be in London and they want to service the UK economy. And we can still operate transfer pricing rules. to ensure profit is recorded - without fear of losing head offices as a result of doing so

Because Osborne has now let us say 'so what' to this threat - it costs us very little or virtually nothing in tax if companies go if we have a territorial tax system.

In which case that threat has gone - because it is now irrelevant. We can call their bluff and now without the loss of tax revenue as a an impediment move on to deal with regulation and the risk that not regulating all banks - any bank that trades here - pose to to the UK - of the type [Larryt Elliott explores](#) this morning.

I still think Osborne is wrong - but the unintended consequence of his folly is we can move on the issue of bank regulation without risk. And you have to search for silver linings.