

NHS money heading to a tax haven not far from here

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The BBC has [reported](#) that HSBC set up a Guernsey-based company to reduce tax on profits from funding National Health Service hospitals provided under the notoriously opaque private finance initiative.

What can one say? This happened on the watch of HSBC's former chairman [Stephen Green](#), a Church of England minister and also trade minister in the British coalition government.

Now of course HSBC's defence is that the private equity operations in the UK that are owned by the Channel Islands' subsidiary of HSBC will be taxed in the UK and so all will be fine. But that's 10% of the story.

First, the PFI operation will probably be funded using loans from offshore, so its cost of borrowing may well flow out of the UK to a tax haven. It would hardly be difficult for HSBC to arrange that. This will represent a significant part of any profit.

Then the UK operation may suffer charges from the offshore parent, so shifting more profit offshore. Subject to transfer pricing, of course, but still a shift - and hard and expensive for HMRC to challenge. Even harder as PFI is consistent with government policy.

And of course the sale of the PFI contract will be stamp duty free (and these sales happen - it's how PFI companies seem to really make money) and capital gains free as well.

And so the exploitation of the NHS to enhance the banking sector goes on, and on, and on.

[I've said this is equivalent to the enclosure of the commons](#) by the aristocracy in the late 18th century before now. I'll do so again. This is the enclosure of public money for the benefit of a financial elite. And that's at cost to 99.5% of us. Who have to stop it.

Disclosure: I advised the BBC on this story