

The NEF / Compass letter on banking threatens Coalition...

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According [to the Observer, tomorrow:](#)

Senior Liberal Democrats are demanding drastic action to break up UK banks into separate retail and investment divisions, as banking reform threatens to cause a new rift in the coalition.

*In [a letter](#) to the *Observer* on the eve of the deadline for industry groups to respond to a government-commissioned report on reform, peers, MPs and senior figures in the national party insist that chancellor George Osborne's suggested approach falls short of what is needed.*

The Lib Dems join a list of more than 50 politicians, academics and economists to demand that the party honours its commitments — most recently made at its spring conference — to achieve a full breakup. The group, drawn together by the centre-left pressure group Compass and the New Economics Foundation, says that the Greek financial crisis, and the exposure of British banks to it, highlights the urgent need for action to promote financial stability.

I am a signatory to that letter.

I am delighted some Lib Dems wanted to join with us on this issue.

This is not an attempt to split the Coalition. This is a demand for the banking the UK needs and that Osborne is not promising.

The ball is in his court.