

Cutting through the crap - Moody's think UK banks are d...

Published: January 13, 2026, 1:13 pm

Moody's rating agency has just reported:

Moody's Investors Service has today downgraded the senior debt and deposit ratings of 12 UK financial institutions and confirmed the ratings of 1 institution. This concludes its review of systemic support assumptions from the UK government for these institutions initiated on 24 May 2011.

The downgrades have been caused by Moody's reassessment of the support environment in the UK which has resulted in the removal of systemic support for 7 smaller institutions and the reduction of systemic support by one to three notches for 5 larger, more systemically important financial institutions. According to Moody's, announcements made, as well as actions already taken by UK authorities have significantly reduced the predictability of support over the medium to long-term. Moody's believes that the government is likely to continue to provide some level of support to systemically important financial institutions, which continue to incorporate up to three notches of uplift. However, it is more likely now to allow smaller institutions to fail if they become financially troubled. The downgrades do not reflect a deterioration in the financial strength of the banking system or that of the government.

The rating actions include a one-notch downgrade of Lloyds TSB Bank plc (to A1 from Aa3), Santander UK plc (to A1 from Aa3), Co-Operative Bank plc (to A3 from A2), a two-notch downgrade of RBS plc (to A2 from Aa3) and Nationwide Building Society (to A2 from Aa3); and downgrades of one to five notches of 7 smaller building societies. The ratings of Clydesdale Bank were confirmed at A2 (negative outlook). As outlined in the May press release, we have reviewed the standalone ratings of all entities prior to concluding on the debt ratings. A separate announcement today covers the upgrade of the standalone rating of Co-Operative Bank to C- (mapping to Baa1 on the long-term debt scale) from D+ and earlier announcements cover the upgrades of the standalone ratings of Santander UK, Nationwide, Yorkshire, and Principality Building Societies.

On the day when a bail out of RBS looks necessary, and no one doubts it will happen, there's a certain paradox in these comments and candidly I do not believe Moody's

claims. The reality is that these banks are weak and the capacity to support them is uncertain. That's what's really behind this.

The rest, as some say, is BS.