

If you ask for banks to fail please realise you are ask...

Published: January 14, 2026, 1:57 pm

A [commentator on this blog](#) has said today in response to my suggestion that RBS be nationalised that:

the reason we find ourselves in the position we are, is because at the start of this crisis a simplistic approach was not taken, Harsh though it may be bad business should be allowed to fail.

May I reiterate a simple point? This may be true in the case of corner shops. It might even be true of retailers like Woolworth's. And even much of the manufacturing Thatcher set out so callously to destroy. But if you let a major bank fail you ensure the following will result:

- 1) Massive cost to government to pay off depositors, certainly much higher than the cost of nationalising;
- 2) A domino effect of bank failure since banking is a system, not a series of unconnected companies, so one failure leads inevitably to other failures unless stopped by government support;
- 3) The failure of the bank payment system for individuals and companies that would be so disruptive that the entire retail system could fail for weeks leading to the collapse of the food supply chain and much, much more besides;
- 4) The breakdown of normal constraints in society resulting in social chaos.

Of course it can be argued that banks should not be so big and integrated that this might happen. The reality is that they are. And no one, least of all the current government that is taking no steps to address these issues, seems to have appreciated the risks that inaction creates even though this government, in particular, could be taking action now to address it.

So the comment made is, regrettably, naive and simplistic and would result in national disaster. Which is why it has to be ignored and like it or not any bank failing right now

would have to be rescued.

Which does not mean for a moment that I then suggest that the rescue mean they be allowed to continue as now. That's the last thing I suggest. Radical reform is needed - but nationalisation is simply the cheapest and most effective way to achieve that. Which is why I endorse it.

So, respectfully, to all those who say 'let the banks fail' - please either realise what you are asking for or be explicit that you are seeking to bring down the entire economy and in all likelihood democracy with it. Because that is what would happen if you had your way.