

RBS bail out: oh no, not again. This time nationalise

<https://www.taxresearch.org.uk/Blog/2011/10/07/rbs-bail-out-oh-no-not-again-this-time-nationalise/>

Published: January 12, 2026, 8:17 pm

The [FT warns this morning](#) that there are widespread fears the the government will have to bail out RBS, again.

RBS passed the so-called European stress test in July, but that test failed to take into account the likely failure of Greek and other debt. Now that failure is likely and the EU is demanding new stress tests then RBS may well need new capital.

Well, if need be the state should supply it, but on a condition. This time the remaining private shareholders will have to be taken out of the equation. The current market capitalisation of RBS is about £14 billion. Candidly as part of the QE programme now announced the remaining private capital of this bank could be bought in by the government for what will in the context of that programme look like small change and RBS could then become a state owned bank.

What could it then do? It could firstly lend direct to the government and remove the [costs of QE I wrote](#) about yesterday.

Second it could lend straight to the small and medium sized business sector and so get rid of the need for Project Merlin and the ridiculous credit easing programme.

Third, it could the basis of the National Investment Bank we so desperately need.

Fourth, its own PFI assets could be cancelled - more than paying for the buy out in the long tern, and it could become the hub for a general PFI buy back programme.

Fifth, its investment bank and other arms could be spun off as a sign of things to come. Breaking up this bank may well cover the costs of buying it.

And please don't tell me that this could not be done. Of course it can be done. [Mervyn King says this is the biggest crisis the UK](#) has ever faced. Not since the 1930s. Maybe ever. The normal rules are suspended - and we should say that's the case in the current state of emergency. And those offended should just go and whistle. They got us into the

mess. There is no way on earth they should be allowed to stop us getting out of the mess.