

Will the Big 4 fight back?

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I liked an article by [Ian Fraser](#) in the [Sunday Herald](#) this week. In it he said:

The “Big Four” accountancy firms, whose complacency and dereliction of duty were major contributors to the banking crisis that tipped the UK into recession, could be getting their comeuppance at the hands of the European Union.

The story of Deloitte, Ernst & Young, KPMG and PWC and their obliviousness to malfeasance and fraud in the banking sector in the bubble years has not been sufficiently told. They didn’t raise any red flags about the massive risks that were building up in the financial system. And they gave a clean bill of health to numerous diseased brands including HBOS and Royal Bank of Scotland weeks before the undertakers arrived.

And as he notes:

[Proposals](#) from the EU’s internal market commissioner Michel Barnier would [seek to] put a stop to all this. He wants to force accountancy firms to choose between being consultants or auditors. As already happens in France, audit firms would have to work jointly with other audit firms and face time limits on how long they could act as auditors to the same company.

I’ve [already commented on this idea](#), warmly welcoming it. Unsurprisingly Ian Fraser thinks the Big 4 might not share that view:

The Big Four are aghast at these proposals. Their lobbying machine is already getting into gear and they’re warning of “unintended consequences”.

He thinks they might win support for their view too:

In the UK, the Big Four may gain some traction. The firms enjoy an entrenched position thanks to the revolving door between the Big Four and the civil service via secondments and government contracts.

And as he concludes:

The outcome of Barnier's plan remains uncertain. However policymakers need to set aside their cronyism and ask themselves a simple question. Can the UK really afford to maintain an accountancy profession which, by its own actions, has proved itself to be a danger to capitalism itself? Barnier's proposals would not fully address the problem, but they are a sensible start.

I wholeheartedly agree.

The reform of finance does not begin and end with the banks.