

# Banks and that wilful blind eye to tax evasion

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The Observer has talked this morning on many pages about the wilful blind eye banks take to tax evasion. They have done so in response to reports about HSBC and in response to TJN's new report on £13 trillion being held offshore to evade tax and regulation.

Banks and tax havens will of course deny this but I know their denials are not true from personal experience.

Earlier this year I sat in the boardroom of one our leading banks, opposite the Chairman and told him and his co-directors that their bank wilfully ignored tax evasion in Jersey and failed to report reasonable suspicion as required by Jersey law that their customers are money laundering.

I knew I was right. The bank in question has a major operation in Jersey. It handles the accounts of many people from the UK who bank in that island. And Jersey deliberately and wilfully refuses to cooperate in full with the European Savings Tax Directive so that banks working there - including the bank in question can operate two systems with regard to disclosure of interest paid to their UK based customers. Under one system the customer can opt for the interest earned to be declared to HMRC in the UK as would happen if the account were maintained by the bank in the UK mainland. They then get paid their interest gross. Under the other system tax is deducted at 35% - less than all the UK higher rates of tax - and the UK HMRC are not told anything about the account - they just get part of the 35% that has been deducted.

Jersey still operates this second system for just one reason - that it meets the needs of those using the island for tax evasion. I know that is true. The only purpose of the European Savings Tax Directive is to tackle tax evasion so the only reason not to fully comply with it as Jersey does not is to help tax evasion.

I do not know how many customers of the bank in question opt not to tell HMRC of the income they earn, but they have confirmed some. On average the split seems to be about 50/50 now.

Now suppose you are bank money laundering officer in Jersey. Your job is to report any transaction where you have suspicion that tax evasion and money laundering is taking place. A customer declines to have information on their earnings sent to HMRC even though you know they are resident in the UK. Must you in that case at least suspect they may be tax evading? Of course you must at least suspect it - it would be impossible not to do so without categoric proof that the customer is declaring the income - which the bank does not ask for you could not apid that suspicion except by ling. And since suspecting tax evasion in the UK is specifically a reason for reporting suspected money laundering in Jersey then every bank in Jersey that has a UK customer who declines to have the details of the interest they earn sent to HMRC must primarily facie send, without exception, details of the customer in question to the Jersey authorities as a suspected money laundering case. I follows like night does day.

Except that never happens. The banks deny that this is required. And the Jersey authorities turn a blind eye to it.

There is wilful neglect by UK banks based in Jersey to report money laundering based on very obvious simple cases of tax evasion through their banks. It must be so much easier to get away with blatant money laundering as a result.

No wonder there is £13 trillion held offshore. The banks turn a wilful blind eye to it.

As did the bank in whose board room I sat. They wrote to me after the meeting and said they could not see an issue to address, believing their systems fully compliant. Well, I don't agree. Just as I never thought HSBC's were, even though only three years ago they won awards for being an ethical bank.

But then, as [Ed Vulliamy suggests in the Observer today](#) - if the banks are part of the criminal money laundering system - and that looks increasingly likely - the denial is hardly surprising. Certainly it was all I expected of the bank in question.