

The courage to tackle banks and related crime

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Over the last decade I and my Tax Justice colleagues have suggested banks are corrupt.

We have suggested that the tax havens they support are corrupt.

We have suggested that banks have turned a blind eye to corruption and money laundering, and have facilitated tax evasion.

And we have suggested that the auditors of these concerns have failed to address these issues.

It is now obvious that we were justified in raising these concerns. HSBC may be the bank that's been pilloried in the US but let's be clear, it is no bad apple acting in isolation in facilitating massive money laundering. Other UK and US banks have been or are in the firing line.

So it is time to recognise now that the warnings we gave were right. This failure was systemic. And it was deliberate. And it was not possible without the secrecy that these banks both promoted and exploited through their tax haven operations in captured states that have rented their legislatures to these banks to ensure that corruption can occur.

The US investigation has highlighted Cayman - supposedly one of the better regulated places. This is no Panama. But it is wholly reasonable to extrapolate Cayman to all the other supposedly well regulated territories just as it is wholly reasonable to extrapolate HSBC to all the other supposedly well regulated major banks.

And it is wholly reasonable that all auditors of these banks - themselves deeply implicated in, and major supporters of, tax haven abuse - have turned collective blind eyes to what has gone on.

It's reasonable to assume that a criminogenic environment has and does exist in international banks, tax havens and amongst those meant to regulate them if such failures have happened.

There is now one way to tackle this issue. It is to demand complete transparency of these banks, their auditors and their regulators. But that transparency is complex and the demand is therefore multi-faceted.

It requires country by country reporting by all banks.

It requires that they file the individual accounts of every single one of their subsidiaries, wherever it trades, on line in their country of head office incorporation and on their web sites, without exception.

It requires that they proactively cease to support banking secrecy and demand the right to undertake full automatic information exchange on all income credited to an account they maintain in one place for the benefit of a person who lives in another so they can give data on that income to that person's home state.

It requires that banks demand all their limited liability and trust customers provide the bank with accounts of their trading and other activities and that the bank demand those accounts be put on public record as a condition of providing banking services.

It requires that accounts for those who refuse to comply be closed with automatic reporting for money laundering.

It requires that the real warm bodied beneficial owners of all companies, trusts, partnerships and foundations serviced by the bank be on public record as a condition of the supply of banking services.

It requires that bank activities in tax havens be regulated from the head office location of the bank.

It requires that no bank can have a head office in a tax haven.

It requires that a bank that refuses to do this reporting in any jurisdiction be refused a banking licence in all other jurisdictions.

It requires that bank directors be personally liable for upholding these arrangements.

It requires that auditors audit these obligations, and report on them and that they be personally responsible for failure to comply with them if that failure is not disclosed by them.

It requires that auditors give up the sale of all other services bar audit.

It requires that lawyers be placed under the same obligation to ensure disclosure by all their clients or be placed under an obligation to report the client for money laundering.

it requires the dedication of the resources needed by states to enforce this money

laundering - but the tax collected will more than pay for it so this is not an issue.

And it requires willing to take on this corrupt elite, here, in other countries and most especially in tax havens.

Which means that the time has come to stop believing bankers, auditors, lawyers and politicians who populate these places directly and indirectly, with all their claims and protestations that all that goes on there is well regulated. That game is over. HSBC has shattered that myth for good. These banks and the operations they support behind veils of secrecy corruptly turn a blind eye to what is required of them by regulation because that is what that veil of secrecy is designed to facilitate.

So it's game over. If we are serious about this crime it is time to tackle it. That can be done. But that requires elimination of the channels through which such crime is facilitated. And that is only possible if all the above happens.

Now who will have the courage to take this on? Because the politician who fails to do so is also supporting crime.