Funding the Future

The time bomb ticking under banking

Published: January 16, 2026, 8:59 am

My friend and colleague Pro Prem Sikka has a great artcile in the Guardian today. At its core is this paragraph:

The UK's GDP is about £1.5 trillion. Just three UK banks — Barclays, HSBC and Royal Bank of Scotland (RBS) — alone have a derivatives portfolio, with a face value totalling nearly £100 trillion. Barclays leads the way with £43 trillion. It has recently reported a third-quarter loss of £47 million, but its balance sheet points to a more serious position. Barclays' last full-year accounts show assets of £1.56 trillion and capital of only £65bn, meaning that its gross leverage is nearly 24 times its capital base. A decline of just 4% in asset values would wipe out its entire capital. Barclays' balance sheet shows gross exposure to derivatives of £539bn, though the bank could argue that this is offset by hedges of £528bn, leaving a net exposure of £11bn. The difficulty is that the hedges, as Lehman Brothers, Bear Stearns and Northern Rock have learnt, do not necessarily work in the desired way and always depend on the position of the counter parties in a highly unpredictable environment.

There's a time bomb sitting under banking. The problem is no one knows how long the fuse is, or how to stop it burning.

It's only time until the next crash; that it will happen is certain at present.