

Three steps to banking reform, all needing action now

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I note the British Bankers' Association, which has one of the most extraordinary records in blocking any progress towards a modern value added economy in the UK, has said that if George Osborne even threatens to take powers to split up banks that do not comply with ring-fencing requirements he might produce sometime later this decade then the cost of capital for banks will increase and so the amount of money they might lend will fall.

Very politely the one thing to do now with the BBA is to do what has always been the right course of action with the BBA, and that is ignore it.

As a matter of fact BBA members are not lending to business, and won't do so. If they'll lend on anything its for mortgages for those already on the property ladder, which does nothing for growth at all. But to argue that the banks are even a component in a crisis of their making is almost absurd.

The answer on banking now is threefold. First RBS must be nationalised.

Second it must become the Green National Investment Bank we so badly need. Until we have such a bank, willing to both lend and take equity, business will not get the funding it needs.

Third, other banks must suffer the regulation they've always needed and deserved, and that would include mandatory splitting. The concept of a ring fence is absurd: it can't and won't work. Anyone will be able to work round, under and over it. Pretending otherwise for a few years is a lie. Let's get on with creating the banking system we need now. There is no need to wait.