

Penalising JP Morgan \$6 billion is only good news if th...

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The [FT brings welcome news this morning](#), noting that:

US authorities are demanding [JPMorgan Chase pay more than \\$6bn to settle allegations](#) it mis-sold securities to government-backed mortgage companies in the run-up to the financial crisis, according to people familiar with the discussions.

The Federal Housing Finance Agency, a government regulator, sued JPMorgan and 17 other banks in 2011. It said the bank falsely claimed that loans backing \$33bn of mortgage-backed securities complied with underwriting guidelines and that it “significantly overstated the ability of the borrowers to repay their mortgage loans”.

Holding banks to account for their misbehaviour is the first stage to making them realise that they cannot do whatever they wish. That's why I welcome this.

That said three thoughts follow. The first is that welcome as this is unless the penalties levied are used for the focussed supply of new capital to the productive economy - through green investment banks, for example - such behaviour will have a negative impact on the credit available within the economy as a whole, and that would not be helpful. I hope the US government makes clear its intended use of these funds and that they are not simply lost into the US deficit.

Second, the question obviously arises as to why such action has not been replicated by demands for compensation in the UK.

Thirdly, if actions of this scale occurred it cannot have been without board consent. The inevitable question of why prosecutions have not followed does, of course, arise.