

A £10 billion cash grab or generosity beyond belief?

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Jolyon Maugham has [put forward an interesting argument on his blog](#). He has argued that the Coalition government's plan to restrict the use of losses by banks is a £10 billion cash grab over the years 2015 - 2020. He bases this idea on the fact that the losses are not foregone, but have simply had their use deferred. [That was explained in a government briefing, here](#). Jolyon says all the plan does is bring tax payment forward, and that's just a representational con-trick.

I see Jolyon's point, but think it's wrong. It's true that right now the government is forcing the use of banking losses to be spread over a longer period than would otherwise be the case but I do not think that the issue of concern.

In my opinion the real question is why the banks should be able to use all the losses they have accumulated during the recession. The fact is that without the state support all banks have already enjoyed (and all banks have enjoyed this support because all have benefited from depositor guarantees and all have enjoyed the benefit of effective counter-party guarantees to some banks) then their would have been no profits against which to offset the losses.

So why should these losses that have already had a state subsidy given to them now be given a second subsidy by being offset against profits that would otherwise be taxable? That is the question Jolyon misses that needs to be asked.

In other words, instead of deferring £10 billion of tax payment, why not just cancel the losses that give rise to it that will one day still prevent that tax being paid unless this happens? That to me seems the right answer in the interests of tax justice and social equity.