

RBS: a tale of George Osborne, the cowardly politician

Published: January 13, 2026, 7:34 am

If evidence is needed that we continue to be governed by cowardly politicians of the sort that [I described in The Courageous State](#) then George Osborne has done his best to provide it. [As many papers have noted this morning](#), he has said that he is determined to sell off The Royal Bank of Scotland as soon as possible after the election despite the fact that it has lost £43 billion since it was nationalised in 2008, a sum almost equivalent to the entire £45 billion cost of the bailout at that time.

Such an aspiration shows the poverty of Osborne's thinking. It remains his presumption that the state is unable to own or manage an economic activity, even when, as in this case, it has gone to extraordinary lengths to distance itself from management, seeking to appear to be a passive shareholder, which should have meant that its ownership would have no impact upon the outcome of the Bank's fortunes.

In practice everything about this policy has been a mistake. Firstly, there should not be any such thing as a passive owner of a substantial majority stake in a company. If you've invested at least £45 billion in an activity you have an absolute duty to let your opinion be known, and to make clear what outcomes you expect. Instead George Osborne, and in fairness, Alistair Darling before him, both let RBS be run in the interests of the minority shareholders, and that was always an absurd policy. There was a duty to manage this company on behalf the state, and both failed to do it.

Secondly, given that way back in 2008 it was known that the model of British banking was broken and in need of urgent reform then rather than be a passive bystander whilst happening to own a bank, the UK government should be an active leader in delivering the necessary process of change that was essential if the UK financial services industry was to be transformed. Again, Osborne completely failed to achieve this obvious objective.

Thirdly, by refusing to both buy out the remaining minority shareholders in the bank and at the same time refusing to change its modus operandi Osborne has to bear significant responsibility for the remaining losses of the bank. There were many, me included, who said that from the outset RBS should have been stripped of its peripheral

activities, including its investment bank which has consistently failed to make money, and all its non-core commercial activities, which could and should have been sold earlier than they were, and the remaining bank should have been transformed to be an engine for growth.

I always like the idea of RBS becoming the Real Bank of Sustainability, and being in effect the Green Investment Bank that we still so desperately need, and of which at present we have a mere charade.

And RBS was always, of course, the bank that should have lent green quantitative easing into the UK economy.

And it could still be the bank that is at the heart of refinancing small businesses, as well as being the bank that could be at the core of funding the new long-term infrastructure investment that is essential, and is another component of the Green New Deal.

But rather than have Courageous politicians willing and able to both see such opportunities, and take them, we have suffered cowardly ones who have walked away from their responsibilities, who have believed they are not as clever as the bankers when the latter had so obviously failed, and whose sole aspiration is to pass the functions of state to the private sector.

No wonder we are in trouble.

The saga of RBS proves it.