

Funding the Future

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The myth that there were just a few rotten apples in banking was shattered for good last week: fines exceeding \$5 billion on major banks, admission of criminal wrong doing, involvement of senior staff and even complicity in the Bank of England are now all on record.

So what would a sensible government do now with a sector that has proven to be systemically corrupt? Several obvious things can be suggested.

The first is the introduction of a financial transactions tax. This tax is designed and intended to reduce the volume of speculative trading by banks. If ever there was a time for its introduction in the UK now is it. The amount of revenue it would raise is almost irrelevant: the purpose of the tax would be to prevent the social harm that banks are causing.

Second, we need more transparency. The data available on banks is pitifully weak and the nature, extent and full extent of their potential liabilities on trading are very hard to assess, as is their continuing abuse of tax havens. Full country-by-country reporting, include separate disclosure of intra-group trading and full potential liability balance sheets by jurisdiction are now needed. Much of the data banks supply to the Bank of International Settlement should also be available for public inspection.

Third, the banks need to be split. Ring fencing is no longer enough. The banking activity that underpins our economy has to be split from that which is engaged in speculation.

Fourth, criminal liability has to be reformed. I am bemused why the Fraud Act cannot be used to prosecute those in the current admitted activities: if bonuses were inflated by them then it seems to me that *prima facie* that must be possible. But if it is not, now is the time to introduce such penalties.

Next? Sweep away the status given to banks. So, remove their power to vote in the City of London. Sweep away its power to be a state within a state. Bar banks who have undertaken criminal acts from state contracts. And reconsider the appropriate rate of corporation tax to charge on banks: it is absurd that it is now 20% when they impose such enormous costs on society.

Finally? Make UK banking wholly dependent on full disclosure of the beneficial ownership of all accounts maintained worldwide to the tax authorities that need to know, with information exchange arranged through HMRC is need be. There is no other way we can know they are not assisting systemic fraud here otherwise, and given their track record it remains probable that they are.

Is that all possible? In my opinion, yes. Of course the banks will fight back. And all we have to remind them of every time that they do is that many in their number are criminals; and we have to do so time after time after time. We would not tolerate systemic crime in anything but banking without appropriate reaction. Now it is time that we had that reaction in banking as well.

Wait to see if any of this is in the Queen's Speech. If not, ask why not.