

Spain had the first ever run on a eurozone bank this we...

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Amidst the post-election crisis, concern about the DUP, Brexit and anguish about the tragedy at Grenfell Tower it has been easy to miss other events, but the rest of the world has gone on.

In [Spain there has been a bank failure](#). The seventh largest bank, Banco Popular, failed this week after a bank run of €3.6bn. The hints at shades of Northern Rock, and was the first ever run in the eurozone. The result was that the EU organised a bail out by Santander, which will require a €7bn rights issue to provide the capital to cover the cost. It does not take a very long memory for the panicked takeover of HBOS by Lloyds to come to mind.

Does this matter? Yes, not least because the eighth largest Spanish biggest bank, itself a combination of three other previously failed banks, is now also apparently teetering on the edge.

Please note, I am not saying this is the start of the next financial crisis. No one could be that bold or unwise. Partly that's because Spain has never got over the 2008 crisis, and nor have its banks. The problem could be local in that case. But that is what everyone said when French banks ran into a crisis in 2008 and that was not true, of course.

With luck a Spanish banking crisis can be contained. But a wary eye is required on what might be a fast developing situation precisely because banking risk is contagious. And if there is a crisis coming we need to be ready. It is, however, not at all clear that we are precisely because the Conservatives have spent most of their time wallowing in nostalgia for 2006 and earlier years rather than preparing for such an eventuality. So UK banking still has not got a ring fence around High Street operations in place, despite having had eight years to do so. And whilst bank reserves are undoubtedly better than they were in 2008 toxicity could still spread remarkably quickly. If it did we would have to bail out all banks again and that would only be because this government has refused to act with appropriate speed.

Does that sound familiar?

The [cowardly state is all around us](#). We have no idea what the cost of it will be is yet, but I have little doubt that we have seen the end of the burdens it will impose.

Hat tip: Andrew Dickie