

Funding the Future

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In an extraordinarily mistimed move the strongly pro-Brexit billionaire Sir James Dyson has made a demand that the UK join the world's tax havens in abolishing the requirement that private companies (like his) must place their accounts on public record. Little could better indicate the planned tax haven, race to the regulatory bottom, trajectory of those supporting Brexit than such a demand.

As [the FT has reported](#):

James Dyson has slammed UK rules that force privately owned companies to file accounts that can be viewed by the public, describing them as “anti-competitive” and handing an advantage to overseas rivals.

It's true that the US does not require this. Nor do many tax havens. But the EU does, of course. The FT added:

The billionaire inventor, famous for his bagless vacuum cleaners, said he saw “no reason” why private concerns such as his own should have to make the financial disclosures. “It’s not so much the cost of it – although there is a huge cost – it’s the fact that our competitors in foreign countries can see exactly what we’re doing and we have no sight of what they’re doing,” said Sir James.

So let me remind Sir James why we might require this. The list is not hard to understand.

First, it's because of limited liability. No one is asking for the accounts of unlimited companies to be placed on public record, just as I do not ask for private tax returns to be put on public record. So if Sir James wants privacy he has the option of enjoying it. All he has to do is agree to pay all his debts in full, come what may.

But, if he wants protection from his creditors if, for example, his £2 billion electric car scheme fails, which limited liability would most likely provide, then he has to make use of a limited liability company.

That choice is, however, not costless. It imposes a real burden on society. BHS proved that, as have so many others, including no doubt Toys'r'Us and Maplin, only yesterday.

And the cost falls on a wide variety of people, including providers of loan capital, suppliers, customers, employees, tax authorities, regulators, host communities in the form of local authorities and civil society at large who bear the externalities of business activity. All these groups need to know the risk they take when dealing with a business that may not pay its debts, and require the information to make sure that their downside is managed as far as possible.

I would argue that stakeholders do not get all the information they need to do this at present. Country-by-country reporting is one obvious case where there is an exception. Sir James clearly thinks they get too much. But this is not the point. The point is to ask why Sir James thinks he should get all the gain and those who pay the price get all the cost? The answer is not clear.

Nor is it clear that, secondly, Sir James is really that clued up when it comes to what is an anti-competitive measure. If he had the slightest understanding of economics then he would know that competitive markets are only efficient at allocating resources when all those working in them have perfect knowledge of what their competitors are doing.

Now, I know that perfect knowledge is not possible, of course. But we need to approximate to it. Unless we do the claim that markets allocate resources efficiently really cannot be sustained. What we get instead is market abuse, monopoly, and anti-consumer activity as well as practices where large companies (of which Sir James' is one) tend to exploit smaller ones because there is an unlevel playing field, not least with regard to information. This is what anti-competitive means. Being exposed to the risk that the market might not decide to deal with you because they do not like the risk of doing so, which is what Sir James is worried about, is about creating a competitive environment. Maybe, and I can only guess, it is that which he does not like?

Whatever the reason though, what Sir James does is reveal the true reason why those business persons backing Brexit did so. They wanted to race regulation to the bottom for their own gain at cost to others. This is, of course, the classic tax haven model.

Sir James is, of course, welcome to go to such a place. But he will find there are problems. There will be almost no trained employees, and little industrial infrastructure. There will be barriers to trade. And there are remarkably few customers. That's because the places that permit the kind of secrecy to which he thinks the UK should aspire are far removed from the realities of commerce. There is a world of make believe where all that matters are the rights of the wealthy and their companies to hide from the view of those on whose backs their wealth is made.

I'm sorry Sir James, but that's not the type of country that I, or the vast majority of the people in the UK, want to live.

As I have pointed out, you have options to secure your privacy, and you can afford to take them. But we cannot afford to grant them. You may leave if you wish. But we want

a strong, competitive and informed economy, which is not what you would appear to aspire to. If that means there has to be a parting of the ways, so be it. But the UK cannot afford your deeply anti-competitive aspirations.