

Three budgets in nine days and Sunak still can't t...

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When Rishi Sunak sat down after delivering the first of his three budgets of the last nine days Jeremy Vine asked me live on Radio 2 what I thought of it, and I said it was a disaster because it showed absolutely no awareness of the scale of the crisis that was about to hit the UK. I was wrong, and I apologise for that: I understated my case.

His second budget statement, earlier this week, offered loans that the vast majority of businesses will not be able to access, and which will be provided on terms that ensure that almost no bank will want to supply them to any business actually impacted by coronavirus (which we might add well assume to be all of them for these purposes). [I explained why here](#).

So now he's had a third attempt, and with regret I have to report that the effort made is still staggeringly insufficient. I forecast that within a very short period of time Sunak will be back making further announcements because what he has proposed now is wholly inadequate.

Let me deal with the one good thing he did. In principle paying 80% of the wages of those who are furloughed by their employers during this crisis is useful.

I think it's fair to only pay 80% of normal wages because people's discretionary spending is going to be massively reduced at present.

But, thereafter, as is so often the case with announcements from recent Chancellors, everything begins to unravel.

Firstly, creating a pay limit of £30,000 per annum might seem like a good idea. It almost looks equitable to set the rate at around median pay. But, what this guarantees is a massive banking crisis. Those who still owe a mortgage based upon much higher earnings (and a large part of the population do have high earnings, and many will be laid off) will now be unable to pay all their debts, as surely as night follows day. Many of these people will then, completely unavoidably, go into mortgage default. And, as a result, what Sunak has prescribed is a full blown banking crisis that will emerge within months. Our banking system cannot survive his pay restraint. That is a simple,

straightforward, statement of fact. Something will have to give and it cannot be people.

Second, and utterly bizarrely, the only people to whom payment will be made all those who are laid off by their employer and told not to work. Now it is, of course, vital that these people get support, but this is completely perverse. That is because many companies could usefully still use the services of people who might otherwise be laid off, and who will now be paid, but they will not be allowed to make use of them to keep essential parts of their business or service going even though that may be vital if there are to be jobs to return to in due course. So, for example, charities will not be able to use people who are laid off because of the collapse in charities' incomes, even though these people might be paid. As a result charities will be paying people not to provide services, which is ridiculous. And, companies that need to keep essential services going (including their payroll operations to ensure that other staff can be paid) cannot claim for the costs of keeping those essential staff on board to ensure that there will be an operation for people to return to when lockdown is over. However hard you tried you could not create a more perverse situation than this if your aim is to preserve the supply side of the economy.

Third, matters will get worse if the government does not cover the employer's national insurance contributions on these wage payments as well: if that is not included then many companies will not be able to afford to make these payments to their laid off staff. At present there is no word on this.

These points being noted, it is then fair to say that the best of Sunak is still very poor.

As to the rest of his performance, it is dire. So, for example, there is still very little real help for renters. Although they cannot now be removed from the tenancies and there are minor changes to benefit rules vast numbers will be overwhelmed by rent arrears as this lockdown continues.

And the situation for the self-employed is dire. Although laid off employees will, effectively, get 80% of their income irrespective of their other circumstances e.g. their savings, the self-employed will get about £5,000 per annum at most, and then only if they have savings of less than £16,000. The contrast between the two situations is utterly incomprehensible, most especially when it has been put in place by a government that has been celebrating the rise in self-employment in this country, where more than one and five people now have this status. To presume, as the government appears to do, that these people have some form of financial resilience that employees do not is completely perverse when so many self-employed people have undertaken this activity in desperation to keep some income going despite the terrible economic environment of the last decade. As a matter of fact most self-employed people have seen their earnings steadily decline over that period, whilst employees have only seen their incomes stagnate. The scale of the financial crisis about to erupt in this sector is almost unimaginable, and will, again, lead to major knock-on affects, including impact for banks.

Sunak has, then, failed again. Whilst some employees are, thankfully, supported by this program, and I welcome that, it is wholly insufficient to supply the support that is required by the economy, to keep business is going, and to prevent a knock on banking crisis which will require vastly bigger bailouts in due course. This is a failure to exercise foresight on a staggering scale and we will all pay the price for it.