Funding the Future

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I am not a fan of most banks: the worlds illicit financial flows pass through their branches. Their tax haven operations have fuelled corruption. Their dealing rooms have distorted whole economies. Their lending has been prejudicial to many and sucked the lifeblood out of a great many businesses. Their predatory consumer lending has created personal crises. Despite which their backroom, day-to-day operations are essential, which is why they get away with all this.

Without exception, banks survived the 2008 crisis because they were bailed out. Since they work as a system they are only as good as the weakest link, and many of those failed so it is entirely safe to say that the rest would have done too. But they have clearly forgotten that. Not only has the clamour for the relaxation of regulation on them already begun within their boardrooms, they now want to continue taking risk knowing that they can do so without consequence, believing that another government bailout is only just around the corner for them whenever it might be needed.

HSBC is a bank I have always disliked. I loathed its secret Swiss banking. I spent a lot of time looking at the activities of its CEO and then chair, the Rev (yes, I kid you not) Stephen Green, who ended up as a Tory peer and government minister despite his heavy involvement in its Swiss operations.

And now his successors are at it again. As the FT reports today:

The Bank of England's pressure on HSBC to cancel its dividend for the first time in 74 years has reignited a debate at the top of the bank over whether it should redomicile to Hong Kong.

Several people familiar with the matter said the BoE's intervention had prompted anger among some board members and executives, with calls to reopen the question of whether the group's legal base should move from London.

HSBC was one of five UK-based lenders that agreed on Tuesday night to withhold 2019 dividends, bowing to pressure from the BoE's Prudential Regulation Authority, the UK's top financial supervisor.

The advantage is, I suspect, that the UK would then not have to bail out this rotten bank. But that's not the point. That point is that there are those in this bank - and I am quite sure that this story is well-sourced - who think they can still do what they wish, taking risk underwritten by society are large.

And then they wonder why there might be calls for reform, knowing that they can spend fortunes fighting those of us who make them.

This time we cannot go back to the way we were in 2007. This time our largest companies - including banks - have to really be changed. We literally can no longer afford them the way that they are.