

# The problem of the corporate and personal debt mountain..

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David Buik is a stock broker / wealth manager with whom I have occasionally debated during broadcasts on LBC. I like him. As a person he's charming, intelligent and fun. But he does suffer from the blindness that afflicts those in his line of business. Take this tweet as example:

<https://twitter.com/truemagic68/status/1260092414083190784?s=21>

David does not ask if that is gross or net of QE.

But much more importantly, he's blind to the basic fact within the economy that for every credit (which the debt that he refers to is) there must be a debit. In other words someone must own that debt.

David says that this level of debt is unsustainable. With regard to the debt of many governments that is nonsense. And their debt is, anyway, simply them providing a savings facility for the world's wealthy who want to deposit funds with them despite incredibly low interest rates. There is no problem with that.

But there is debt we do need to worry about.

There is the massive pile of corporate debt that has been very largely created to fund share buy backs and excessive dividend payments to drive share prices ever higher over the last decade, which has now left large numbers of companies deeply vulnerable to corporate failure, but made David's job so much easier during that period. That debt is an absolute scandal.

And then there is the personal debt that carries exorbitant interest rates and has accumulated because far too many people in average wages saw no improvement in their position since the crisis of 2008 when those with wealth very definitely did, not least from enjoying the benefits of these interest charges via the shares that they own in the financial institutions that levy them.

David is right to say that there is a debt crisis.

But he should have criticised financial capital for overburdening both companies and so many of their employees with that debt with the goal of increasing, enormously, the wealth of a few. That is the crisis. And the legacy of those failings are the issues that we face.

The problem is not then so much the one David, so typically, spotted. The problem is the other side of the accounting. And that he ignored. And that, in itself, is an indication of the problem that we face.