

We need a National Wealth Service

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I really did mean to write the headline of this piece. For once, I have not misspelt. I think that the time has come for each country within the UK to have a National Wealth Service.

The logic is simple. Right now the government is pouring billions of pounds into support for UK businesses.

I stress that helping businesses is the right thing to do right now: we need to preserve peoples well-being, and that necessarily means that we must preserve those businesses that employ them, as far as is possible.

But there is a massive problem with the support that the government is supply. It is being delivered by way of loans. And there are three problems with loans.

First, they have to be repaid, and that means that the priority of businesses over the next few years will become the repayment of government-backed funding, rather than investment in our future, including making sure business can operate on a sustainable basis. This will suppress the recovery.

Second, because loans are liabilities they are used to calculate whether or not businesses are insolvent. Precisely because so many businesses will make substantial losses during the course of this crisis, which is why they require new funding, many now be insolvent, and these loans only compound these problems. That is not their desired outcome, and it is highly counterintuitive that this is their consequence.

Third, because little active consideration is being given to those receiving these loans many might be going to businesses which need have no place in what is coming to be called the 'new normal'. They are not part of the sustainable economy we need.

What this means is that the system of providing funding by way of loans is flawed, to the extent that it might actually be harmful to the recovery from the current economic crisis that we face. That makes no sense at all.

This is why [I have, since the time that this crisis developed](#), suggested that the support to be provided by the government to business should be on the basis of providing new equity capital and not by way of loans.

Equity capital is, of course, share capital in the UK.

There will be cases, for example with regard to all large loans, that specific conditions might be required to be attached to this new share capital. But in general I think the conditions are fairly easy to suggest. As I suggested in March:

- * Zero-hours contracts must be abolished in any company receiving government support, including equity.
- * Likewise, any such company must recognise trade union rights.
- * It must pay a living wage in the future.
- * It must publish its gender pay differential, and have a policy for reducing it.
- * It will have to put its full accounts on public record.
- * It may not use any tax avoidance schemes of any sort whatsoever.
- * It must never use a tax haven.
- * If it is a large company it must publish country-by-country reports.
- * And, quite critically, every large company involved must have a plan for becoming net-zero carbon and must include the cost of that plan in its accounts, and make annual reports about progress on this issue.

To enforce these conditions it may be reasonable to require that every single company must issue the government with shares that will represent 25.1% of its share capital in exchange for the package that guarantees its survival.

That proportion guarantees the government the right to block many shareholder actions in these companies but, again, to make sure that required actions happen the government should, by statutory right be permitted to appoint a majority of the board of directors in the event that the conditions of the funding are not complied with.

There are three advantages to this suggestion.

First, businesses will no longer be burdened with debt, which is fundamental to the future of companies needing support.

Second, such conditions should deter those seeking to exploit the arrangements.

But most importantly, the proposal provides an upside for the government when at present it only gets the downside risk that these loans will fail. To be precise, this

suggestion would ensure the government of a future income stream. And when, and if, the businesses that are being supported are sold (and some will be) the government will get its fair return for the support it supplied at a critical point in its development.

That's why I think that this is the basis for a National Wealth Service - a fund to support the future wellbeing of this country as a result of the support it is supplying now to keep our businesses going.

That support is happening.

I can see no reason at all why that government support to business should be unconditional.

And this proposal provides a return to everyone for the sacrifices that are being made.

It's had to imagine what the objections might be.

After writing this I noted that the [Financial Times seems to share many of my opinions](#) on this issue.