

The bankers think we are in trouble

Published: January 13, 2026, 1:52 am

The FT needs decoding this morning to understand the message being sent by the financial markets.

Two messages suggest that central bankers think that the banking sector is in crisis, whatever is being said in public. First, there is this:

Andrew Bailey raises prospect of increased UK bank deposit protection

Bank of England governor suggests British guarantee scheme does not function as intended, particularly for smaller lenders

The [article says](#):

Andrew Bailey has said the Bank of England is working on reform of Britain's bank deposit insurance guarantee scheme, raising the prospect of increased protection for customers.

Speaking in response to high-profile bank failures on both sides of the Atlantic, the BoE governor suggested the UK might need to increase its limit for guaranteed deposits above the current £85,000 — which is far lower than the \$250,000 level in the US.

Then there is this:

Brussels prepares to strengthen regime for struggling banks

Move aims to safeguard taxpayers' money in event of lenders failing

The [thinking in Brussels is different](#): it is more about how to assist depositors locked into accounts with failing banks to get their money out when there is a threat to the

bank's solvency. But the basic concern is the same as that the Bank of England has noted: banks are at risk of falling over and saver protection is required.

I then [noted another article](#):

Investors shun riskier US corporate debt as recession fears loom

Lowest-rated 'junk' bonds miss out on rebound from last month's banking crisis

Guess whose debt is being shunned? Smaller banks, of course. Not entirely, but that is the big issue. It's easy to see why the Bank of England and European Central Bank are worried.

Finally, [there was this](#):

Flows into exchange traded funds almost trebled to \$62.1bn last month, with the bulk heading into safe assets like government debt as investors sought shelter from the recent banking crisis.

Developed market government bond ETFs soaked up a record \$33.2bn of the money, eclipsing the previous monthly peak of \$27.4bn set in May 2022, according to data from BlackRock.

Exchange traded funds are explained in a new glossary section published this morning.

The key issue to note from the FT article is that money is flooding out of the corporate sector and into government bonds.

Why would all these events be happening simultaneously? The only explanation is that there is much more of a banking crisis going on than bankers (including Andrew Bailey from the Bank of England, speaking at the International Monetary Fund) wish to admit is happening.

We are not out of the threat of a banking crisis as yet. And the usual state-backed bailout for bankers is already being lined up.