

Thames Water is bust: our politicians need to deal with...

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This morning, [the business media](#) is obsessed with the fact that Thames Water has failed to make a payment due on debt owed by its parent company, with intense speculation about what this might mean for the company's future.

The discussion focuses on how that company's debt might be repaid and whether temporary nationalisation might be required to reorganise it so that it might be preserved within the private sector.

However, as I noted on Twitter, last night:



Richard Murphy ✓
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You'd think from comments being made about Thames Water that the choice facing us is either repay its debt or turn the taps off. But what about we just say that the debt can't be repaid because the company wasted the money it borrowed? That is an option. So why not talk about it?

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I put the option forward in all seriousness. As I demonstrated in the [report that I wrote on the water industry last year](#), quite literally every penny that this sector has borrowed this century has been used to make payment of dividends to shareholders. Even more money was used to pay interest to those from whom funds had been borrowed to finance these dividends. The sector's own net investment in new capital to provide water to the people of this country over the period that I reviewed was precisely nothing.

My point is a quite straightforward one. If I could work this out, then so could anyone. In that case, any institution lending money to these companies or providing them with their capital clearly knew the risk that they were taking, which was that the industry that they were providing with funds was not using those for gainful purposes but was instead exercised in undertaking financial engineering for the benefit of financiers, but

not for the country as a whole.

Given that this risk was always apparent, known about, and widely talked about, the fact that loans have now failed can come as a surprise to nobody. This whole industry is environmentally insolvent, as I have described it, but is also now tottering on the brink of financial insolvency as well.

In that case, obsessing about how debt might be repaid is absurd. That debt never funded useful activity. As a result, the means to make its repayment do not exist. It is not repayable, as a matter of fact. That is why insolvency happens, and these companies are bust.

The pro-market extremists in the Tories will try to avoid this issue, desperate to make sure that renationalisation of this company takes place on Labour's watch, for which they will then give it the blame.

Labour's own pro-market extremists will refuse to recognise that they will have renationalised this company when they will, inevitably, be forced to do so. Instead, they will say that it is quite impossible for the state to take on the debts of Thames Water and that the company must be returned to the private sector for these debts to be repaid, which can only happen at cost to consumers who will not see any benefit from the charges that they will have imposed upon them to ensure that such repayment can be made.

Both parties are pursuing policies that are extreme. Both want to impose the cost of failed financial engineering on the people of this country when the reality is that they have a duty to acknowledge that this company has failed, that water privatisation has failed, that the sector can only work in the future under state control. In that case, they should be organising planned insolvencies under laws that recognise the economic reality of the financial failure that has happened, which those in place at present do not do because they are inherently biased in favour of the owners of capital in this sector.

Thames Water is bust. Its shareholders need to accept that they have lost their money. Most, if not all, of its debt financiers need to do the same thing. They took the risk of losing their money. They have done so. That's how markets work, unless you are a pro-market extremist, of course, when the idea that the market might fail cannot be tolerated.

It is only because we have pro-market extremists in charge of this country that we are debating whether the debts of Thames Water should be repaid or not. It should be obvious to anyone with the slightest sense that doing so is impossible. What we should be doing now is working out how to deliver clean water, rivers and beaches. Instead, our politicians are obsessing about how to save financiers who were stupid with their funds from embarrassment. You cannot get a clearer indication of the failed priorities of all those at the top of our political system than that.