

UK banks will go bust because of climate change

<https://www.taxresearch.org.uk/Blog/2024/05/06/uk-banks-will-go-bust-because-of-climate-change/>

Published: January 12, 2026, 8:20 pm

I posted this video on YouTube this morning:

https://youtu.be/2lwCUe15P_I?si=oBRCm2PZyRoDSHsi

The transcript dealing with this pretty big, and vital claim is:

UK banks are going to go bust because of climate change. Now, that's a big claim to make, but I think it's right. And let me explain.

When you borrow money from a bank, at least when you borrow a lot of money from a bank, the bank will normally want what they call security from you. In other words, they want some form of guarantee that you can repay.

Well, you don't wholly blame them, do you? But let's explain the most common form of security that they ask for. It's your house, or if you're a business, it's your business property. In fact, 85 per cent of all loans made by UK banks are for the purchase of houses or business properties, or are at the very least secured on the value of houses and properties.

So why are banks going to go bust because of climate change? Well, because as a very senior risk officer of a very large UK bank explained to me not so very long ago, the vast majority of the properties that they are using for the purposes of security could be underwater in the next 30 years.

They know, for example, that the Thames barrier is not going to protect London from flooding. It's just not tall enough.

They also know that if you live in the area of the country where I do, which is in the Fens, just south of the Wash in Norfolk, there's a real risk that you will be flooded at

some time over the next 30 years. Well, unless you happen to live in the Isle of Ely, as I do, which is a hundred feet above sea level - in which case, you'll just be back on an island again.

They know that means that Cambridge will be underwater.

It means that Bedford will be underwater.

No, not all the time. But enough of the time that those properties will not only be uninsurable, but they will also be subject to such frequent damage that their value will be impaired and they will be no use as security for repaying the loans that the banks have lent out. on the basis of those properties.

Now, if the banks know that, why are they still lending? Well, they all pretend that they'll be able to shove their loan books - secured against the value of these properties which they know are going to flood, unless we take action to prevent it - onto some other bank in the next few years, and therefore they won't be on their books when it comes to the glorious day when the waters have risen and these properties are underwater.

But that doesn't work. They're all making that assumption. And of course, if they all make that assumption, they won't be able to pass on the loans to somebody else because that somebody else won't take them because they'll know that the property is at risk of flooding just as the ones already on their books are.

So we're heading for a banking crisis unless we deal with the risk of flooding in the UK.

Oh, by the way, this is also true of much of the USA as well, and large parts of Europe, and other places. But, let's just worry about the UK for now.

Unless we take action to control flooding in the UK, our banks will fail because the debts that are owing to them, secured on property, will not be worth the value that they have, because those properties cannot be sold. And, therefore, the banks will go bust. In which case, the most important thing we need to do to preserve UK banking from failing completely and utterly, in a way that will make 2008 and the Global Financial Crisis look a mere picnic, is to build flood defences.

But nobody's talking about doing it. And that is an act of gross irresponsibility. Not just by our government, but by the banks who are not demanding it, because they know they need it, just as much as you and I do, because it's our houses that could be flooded.