

Funding the Future

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We're told that competition makes everything better — cheaper, fairer, more efficient. But when it comes to banks, that's a myth. Six giant institutions dominate the UK market. They are all charging high fees, paying low interest, closing branches, and abandoning communities. But banking shouldn't be a marketplace engaged in a race to the bottom in service levels and to the top in charges; it's a public utility. It's time for a publicly owned Basic British Bank to make banking fair again.

<https://www.youtube.com/watch?v=rwPoacsflql?si=gKPOUbbFnQaFFSig>

This is the audio version:

https://www.podbean.com/player-v2/?i=j92qj-19a443e-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Some people say that competition fixes everything.

There are right-wing economists in think tanks in Tufton Street near the Houses of Parliament who worship competition as if it were a God. But when it comes to banking, competition doesn't work.

The fact is that we are told that private banking reduces the cost to us all of the provision of banking services, and that's a myth. The claim that markets will deliver efficiency, innovation, and fairness is all just a pile of bunk.

Look around. The fact is, banks exploit us. They charge us excessive borrowing costs. They pay tiny amounts on sums deposited with them. And their fees are remarkably high and also remarkably consistent, as if there is some sort of arrangement going on between them. And all the while, banks are closing down branches and abandoning communities as if their customers do not matter to them .

And the fact is, banking is vital. It's not a normal market. Banking provides what is called a public utility, something upon which we are utterly dependent. Most people in the UK have to have a bank account. It's thought that at least 92% have, and the others are frankly marginalised within society as a consequence of not having one.

You need a bank account to claim benefits, for example, and yet it's quite difficult if you have no permanent address.

You can't choose not to bank, but if you can't bank, you are forced beyond the reaches of well-being.

So, banking is not a privilege. Banking has to be a right in the society in which we live, and that's why I make the point - banking is a public utility. But that means that private profit-seeking inevitably exploits necessity within this market. And the consequence is, and let's be blunt about it, rent extraction from the people who are least able to pay because banks are taking money from people with very little for a service that they should have as a matter of right.

And there is, anyway, an illusion of choice within our banking market. The big four banks dominate with about 70% of the market as a whole.

Barclays have around 20 million UK retail customers.

Lloyds are thought to be the biggest UK retail bank, with up to 26 million UK customers.

NatWest, formerly Royal Bank of Scotland, has 19 million customers.

Nationwide has 16.3 million.

Santander has 14 million at present, but will actually leapfrog up the scales when it finally acquires TSB, and will end up with around 19 million customers.

And HSBC, well, we don't know the precise figure for HSBC because they don't publish it, but we do know that it has around 39 million customers in all, and a fair number of those are in the UK, so it probably sits in the middle of all those other banks.

So six banks with between them around 120 million accounts, when there are only 68 million people in the UK. But remember, many people, me included, because I have businesses, have many more than one account. So in reality, those 120 million accounts are split unevenly across society.

And although there might appear, as a consequence, to be a fair amount of choice, all these banks provide a service which is remarkably similar. Even the so-called challenger banks, the tiny ones which governments have been trying to promote, look just the same as the big banks when it comes down to it. Competition in this market is then an illusion. What we have is cartelised capitalism, a bunch of large organisations that can split up the market between them and pretty much take us all for a ride.

What we know is that when markets fail, the state should step in. The NHS, after all, was created to keep private health honest. The BBC was created to keep private broadcasters honest, even if some would say it's not doing a great job of that at the present point in time. And what we need, I suggest, is a Basic British Bank, the BBB, to keep private banks honest as well. And that BBB would, of course, be owned by the UK state.

What would it do? It would offer basic, current and savings accounts to everyone, in the way that those old enough to remember it will recall that the Girobank once did, and it operated through the post office.

There would be no extortionate overdraft rates.

There would be fair interest on savings, entirely in line with bank base rate, or maybe a per cent or so less, but nothing like the penal and very low rates offered to small savers now.

And this Basic British Bank would have local branches, either of its own or in partnership with post offices and councils, and hubs of that sort are now becoming more common and are really important.

Why does this matter? It matters enormously. Access to money is about access to society. And financial exclusion is about social exclusion. And large numbers of people in this country are effectively excluded from both, but they're also now, because of the absence of bankers on the high street, excluded from advice as well. And the advice of an honest bank, which is not driven by profit, but has at its core an obligation to serve the customer, would be immensely valuable to those who need help with managing their money. Private banking has no incentive to do that. Private banks profit from instability and not service. A state-backed Basic British Bank could end that.

We could, with such a bank, restore trust in the financial system.

We could create downward pressure on the fees charged by private banks.

We could handle government payments more effectively, taking them out of the private banking system and ensuring that they're paid securely and efficiently by the British Basic Bank.

We could open the doors to what should be a public payment infrastructure, which is a

measure of resilience. I talked about this in 2008, when I thought that the biggest threat arising from the financial crisis, at least in its very early stages, was that there was a chance that the payment mechanism which ensured that British households could pay their supermarkets for food might fail. And that risk still exists at this moment, and it could present us with a crisis again, because if people can't buy their food because there's no payment mechanism to let them do so, then they will riot.

The fact is that payment infrastructure is not in public hands. We've learned nothing from 2008, yet. 17 years later, we still do not have a state-owned payment system within this country. And this British Basic Bank, Basic British Bank, whichever way around you wish to put it, the BBB could build that mechanism on which all other banks could be built, so that we would have a payment infrastructure in this country which would work whatever happened to our banks, because the state would own it.

In other words, I'm talking about building resilience, doing what is essential to ensure that banks can always work when the private sector quite simply cannot guarantee that.

And that's the fundamental reason why counterarguments against this proposal have to fail. We are already allowing the state to compete with the private sector in health, in education, and in public infrastructure. The argument that the state shouldn't compete is nonsense when it comes to banking because it, too, provides essential public infrastructure. And that's why we need the state to be involved in banking in a way that it is not at present. Banking is, as I've said several times in this video, and I will repeat now, a public utility and not a private playground.

Competition has not worked. It has not served us. Banks are, in fact, ignoring all our needs as they wave goodbye and walk out of our communities.

The solution is not deregulation, but a change in the design of banking.

The Basic British Bank would be fair, inclusive, and accountable, and that's critical. We need that core nationalised underpinning for our banking service to guarantee that whatever happens in our society, it will work.

Once upon a time, we needed the post office to deliver this. We nationalised the Royal Mail to deliver letters because that was core infrastructure. We've sold it now. We got that wrong. It's failing in the private sector. But the point is, we now know that state ownership works partly because we sold the Royal Mail and saw what a mess the private sector could make of it.

If we were to nationalise banks, we could avoid that risk. We could keep the private sector out of our society when it comes to the risk of payment failure, and that's critical.

And we built the NHS on this basis, of course, as well. We built it because we knew that

competition in healthcare could not work.

So let's build the Basic British Bank now, to deliver fairness, to deliver resilience, and to make sure that we can bank on Britain again because we can't do that right now.

Hat tip: My thanks to Clive Parry for some of the details in this video, which he supplied in a comment on this blog.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [**here**](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

Comments

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