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There was a comment posted on this blog overnight, which might reasonably be called a tirade about the temerity of my suggestion that we might need to reform banking in the UK, included in my Alternative Budget.

Posted by someone who had only appeared here once before, called Donald Syme, if I summarise the complaint, it is as follows:

Your proposals would, in effect, dismantle the existing UK banking model. By capping savings interest at or below inflation, freezing ISAs, and forcing pensions to invest only in the UK, you would remove the main competitive functions of private banks. Savers would see deposits lose value and move money abroad, into crypto, or into non-bank assets — weakening domestic banks further.

Meanwhile, a state-backed National Network Bank and government-directed investment funds would take over core lending and savings allocation. Private banks would remain in name only, reduced to basic payment utilities while the state controls credit flows. This amounts to de-facto nationalisation of finance, likely breaching international rules and making any return to the EU impossible. The implication: you want the end of private finance altogether.

This was my response:

You accuse me of wanting to "destroy the banking sector" because I suggest that banks should not be allowed to extract unearned gains from people's savings, and that those savings should instead fund productive investment in the UK.

Let me be very clear: what I want to end is the part of banking that extracts wealth from society while giving little back.

First, consider the reality of UK banking:

• Banks do not use our deposits to fund lending: they create new money whenever they make loans.
• Most savings earn "returns" only because someone else has to pay them – often through speculation on second-hand property or shares.
• The banking sector has not delivered investment in the UK economy for decades.

Productive lending has collapsed.

So when I say that interest on savings should broadly match inflation, that simply recognises the truth: savings are already not funding growth. A fair return that maintains purchasing power is enough. Extra reward for doing nothing is not.

Second, redirecting savings – from speculation into socially useful investment – strengthens the economy rather than undermining it. Our pensions and ISAs overwhelmingly fund property bubbles or assets abroad. That is a colossal waste.

Third, the idea that this is "nationalisation in disguise" ignores where we already are. Without government guarantees – on deposits, liquidity, and the payments system – the private banking sector would collapse within 24 hours. It is not a free market. It is a public utility currently run to maximise private gain.

There is also the not insignificant issue of the massive subsidy provided by the state to private banking via tax reliefs to make its otherwise inadequate products attractive to the public. No other UK business sector enjoys such a level of subsidy whilst offering such inadequate products and services in exchange.

All I propose is that:

- *Banks focus on payments and essential credit provision*
- *The state supports housing finance people actually need – including secure lifetime mortgages*
- *Long-term savings fund the future of this country, not speculation in someone else's*

If that means banks become boring, stable utilities that serve society rather than exploit it, then good. The alternative is what we have now: a rentier-dominated finance sector that drains the life out of the real economy.

I am not trying to destroy banking. I am trying to save it – from itself.

I could have added three further thoughts, but did not.

First, if my suggestions contradict international banking regulations, it is the regulations that are wrong, and not my proposals. Regulation that preserves privilege and failed business sectors needs reform, not preservation.

Second, if my suggestions would cause friction with the EU, so be it. We are not going back any time soon. EFTA is the closest we will get, and by taking back control, we should, in any case, be showing the EU the way.

Third, if I upset bankers by saying this, so what? They have, for decades, made it their supposed job to undermine the UK state and its democracy by seeking to hold it to ransom with their claims that they might withhold funding unless their interests and not those of the people of this country are served. If all they can claim in defence of their privilege is that state regulation should protect them from attack, they really do want the argument for their rights to be made both ways: they both hate the state, and all it stands for and simultaneously want to use it to maintain their privileges. The time for that hypocrisy is over.