Better that banks make billions than go bust

Is the fact of our banks being hugely profitable an outrage, deserving of government intervention?

Well, we might think that them making money is a lot better for us than them all going bust, as they did in 2008.

Back then, bank CEOs were something approaching cartoon villains. Fred Goodwin at RBS was a bully as well as a reckless banker, once declaimed as the worst in the world.

Bob Diamond at Barclays was a hard charging investment deal maker who was all about Wall Street rather than good mortgage deals for ordinary UK folk.

Today’s bunch – let’s start with Charlie Nunn at Lloyds and Alison Rose at NatWest – are much nicer. It is possible to look past their huge pay deals and see humans looking to do the right thing by customers.

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Net interest margins – the gap between what the banks charge for loans and pay for savings – are rising and are the most obvious measure of profits. It does look mean that banks don’t immediately pass on higher interest rates to savers.

But the banks are far from entirely funded from the savings they have on account, They borrow from money markets to lend to us, and the margins are tighter than the NIM numbers suggests.

Moreover, knee jerk political reactions, such as when the Bank of England demanded banks cancel investor dividends in 2020, tend to undermine investor confidence. Which in turn increases bank costs.

And banks already do pay a huge amount of tax – there are surcharges and VAT bills that far exceed other sectors. Maybe we don’t need to bash the banks too much.