

Why the Budget let banks off the hook



Banks don't vote and citizens don't love them, so they'll always be the Chancellor's target of choice,' I wrote in September when one of this autumn's many false Budget trails pointed towards a left-pleasing extra surcharge on bank profits. But it didn't happen: partly because Rachel Reeves was love-bombed by Goldman Sachs chief David Solomon and JP Morgan chairman Jamie Dimon, promising new investment in the UK if she held off; partly because she had evidently figured out that a raid on banks that already pay higher tax rates than in any other major financial centre – many of whose bosses are already packing to move to Dubai – would make them even less eager to help boost growth by lending more to British businesses.

Another rumour said Reeves had asked banks to praise her Budget as a quid pro quo for escaping the tax grab she probably never planned anyway. But other than the most slavish apparatchik, who could praise a Budget that was a botched political contrivance rather than any sort of blueprint for economic progress? This week will also see a relaxation, blessed by Reeves, of Bank of England capital rules for banks that could in theory also unleash extra billions for lending. But what risk manager, reviewing the damage she has done on all fronts, will say: 'Come on, guys, let's balloon the corporate lending book to thank Rachel for sparing us?'

With stronger balance sheets, choices as to how and where to lend, and no new taxes, the banks are, for now, masters of their own fate, un beholden to the Chancellor. No wonder the share prices of Barclays, Lloyds and NatWest shot up between the beginning and end of her Budget speech.

Hong Kong tragedy

The fire that claimed at least 151 lives in a high-rise Hong Kong housing estate last week is a tragedy and almost certainly a scandal of bad maintenance and flammable material – including the tinder-dry bamboo scaffolding in which the blocks were encased. But com-

parisons to London's Grenfell Tower disaster will swiftly fade. The territory's Beijing-puppet government has ordered an independent committee to investigate the fire's causes but given authorities have also arrested, on suspicion of inciting sedition, the first person to launch an online petition demanding accountability, I have my concerns.

While the human toll mounts and public anger rises, much less has been said about the Wang Fuk Court development itself. Completed in 1983 at Tai Po in the New Territories, for 4,600 residents in eight tightly-packed 32-storey towers (seven were ravaged by the fire), it was a product of one of the world's most dynamic social housing policies. When Sir Murray Maclehoose took office as Hong Kong's governor in 1971, vast numbers of mainland refugees were living in squatter huts and squalid resettlement camps, more arriving daily. The housing authority he founded eventually built nine new towns including Tai Po, to rehouse 2.5 million people. Funding came from land sales rather than the minimal taxes which fuelled Hong Kong's stellar economic rise in that era. And Wang Fuk Court was one of many estates offering tenants a heavily discounted right to buy.

In short, a model of bold development by benign British rulers which offered escapees from the brutal poverty of communist China a path to a better life – now, in every sense, reduced to ashes.

Not safe as houses

'My customers have all gone,' said a Chelsea restaurateur, waving at empty tables. The terrace of £5 million houses visible through the window was half-empty, he said, because so many owners have moved abroad; and now their single side-street will end up contributing £500,000 in mansion tax.

The restaurant (which on this occasion will remain nameless) gradually filled with cheerful lunchers, so let me not overdo the pathos: SW3 can afford it and a wealth tax would have been worse. But the new levy

will clobber the already moribund London property market for the rest of this decade. Stagnation will bring an uptick in affordability – but given so much of the capital is foreign-owned, it will also signal the death of London's reputation as a global investment destination that used to be safe as houses.

Energy in the hall

At our gala dinner for *The Spectator* Economic Innovator of the Year Awards (see p24) I joked that one empty seat was for Rachel Reeves in case she showed up, having misled us by RSVP-ing yes, no and maybe, but that she'd sent word she may have more free time if we invite her next year.

For the gathering of high-growth business-builders, her Budget offered little beyond a bit more support for capital-raising through venture capital trusts and enterprise investment schemes. The separate scrapping of the worst parts of the new workplace rights bill will help too. But what's joyful about the entrepreneur community is their resilience, whatever the politics; their obvious enjoyment of what they do; and their thirst for networking. The energy in the Hansom Hall of the St Pancras Renaissance Hotel could have powered London's Christmas lights.

Festive tippie

The sight of farmers furious about inheritance tax, blocking London with their tractors on Budget day, reminded me that I met one admirable Innovator Awards entrant who didn't make the cut for our Midlands regional final because the judges felt his venture was more of a farm diversification than a technological breakthrough.

James Singlehurst repurposed a barn on his pheasant-breeding estate near Market Harborough in Leicestershire as the Revival Rum distillery, based on traditional Jamaican methods. Having judiciously sampled the entire product range, I declare his Honey and Anise Rum the perfect tippie for the festive season that, despite all, starts here.