Unite calls for windfall tax on banks, as interest rate rises help them hit a second year of extreme profits

- The UK's banks are on course for a second year of extreme profits since the end of COVID-19 lockdowns. This is helped by high interest rates, which boost the money they make from lending – at the expense of households and businesses.
- In 2021 the Big 4 banks (HSBC, Barclays, Lloyds and NatWest) made a record combined profit of £26.2 billion after tax. This beat the previous record profit of £24.8 billion they made in 2007 just before the financial crash.
- In the first nine months of 2022 alone they made £19.8 billion. This is slightly down on the same period in 2021 – but still higher than in any other year since 2007.
- The big contribution to these high profits comes from lending income – boosted by high interest rates. While other sources of income have fallen as economic downturn hits, across the Big 4 UK high street banks net interest income has increased by 37% since the end of 2021.
- And high bank profits go beyond the Big 4. ONS figures show that, for the first 9 months of 2022, bank profits rose twice as fast as profits for all companies and three times faster than workers' incomes.
- As banks benefit from interest rate rises, the case is stronger than ever for a windfall tax on their excessive profits – as argued by former BoE deputy governor Charles Bean.
- In addition the Bank Corporation Tax Surcharge (an additional rate of tax beyond corporation tax) has been reduced from 8% to 3%.

Sharon Graham, General Secretary of Unite the Union, said:

"It's time the truth was told. Interest rate rises are not just killing household incomes, they are helping to deliver billions in excess profits to the big banks. Our economy is broken.

Nothing symbolises that better than the spectacle of politicians demanding pay cuts from nurses whilst doing nothing to get City noses out of the trough.

Post pandemic the top banks have made more money than at any point since the financial crash. Bank's profits have grown three times more quickly than workers' incomes since the Bank of England chose to start raising interest rates.

That's why I am calling for a windfall tax on the excess profits of the big banks. Workers did not create this crisis and they should not be the ones to pay. It's time the profiteers and their friends in the City were told to pay their fair share."

- Notes:
  - Profit figures from CapitalIQ.
  - ONS: Total profits for the ‘financial corporations’ sector have risen nearly three times as quickly (14.5%) as employee compensation or non-finance profits.
    Cumulative per cent increase in aggregate since 2021Q4:

	Compensation of Employees	Total GOS	Financial corporations: GOS
2022 Q1	2.2	3.5	7.5
2022 Q2	3.4	4.9	10.5
2022 Q3	5.0	6.6	14.5

    Source: UK Quarterly National Accounts 2022 Q3 (Worksheet D)
    https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/uksecondestimateofgdpdatatables
  - Interest rates are expected to reduce inflation in the medium-term but have immediate cost-raising consequences for many. Latest RPI inflation: Table 45 shows Housing contributing 2.8pp to RPI inflation. Table 41 shows 37.8% inflation in mortgage interest payments
    https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation

	All items percentage change over 12 months to December 2022
ALL ITEMS	13.4
of which:	
Food	1.95
Catering	0.30
Alcoholic drink	0.24
Tobacco	0.11
Housing	**2.80**
Fuel and light	4.38
Household goods	0.99
Household services	0.25
Clothing and footwear	0.39
Personal goods and services	0.27
Motoring expenditure	1.27

Fares and other travel costs	0.04
Leisure goods	0.15
Leisure services	0.29