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Statement to the House of Commons on Bank Lending

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HM TREASURY

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19 January 2009

Statement to the House of Commons on Bank Lending

CHECK AGAINST DELIVERY

Mr Speaker, with permission, I want to make a statement on today's announcements on bank lending.

The House will, I hope, understand that it was necessary to issue a market notice this morning, in the usual way.

In the last few months our priorities have been:

- First, to prevent the collapse of the banking system;
- Second, to support the economy;
- And third to ensure we get lending going again.

This is also a problem faced by Governments across the world – and it is therefore necessary to achieve the maximum degree of international cooperation.

Mr Speaker, we are taking steps not just to support the banking sector – but, importantly, to safeguard the millions of jobs that could be put at risk by the continuing difficulties in the international financial system.

Restoring the banks' ability to lend is an essential part of the economic recovery.

So today I am proposing further measures to meet two objectives:

- To begin to replace the lending capacity lost by the withdrawal of foreign banks and other institutions;
- And to remove the barriers that are preventing UK banks from expanding their own lending.

Mr Speaker, I want to set out these new measures in the context of the strategy we have put in place to steer the country through the worst global economic crisis for generations.

Over recent months, banks have faced increasingly difficult conditions – as we have seen everywhere around the world – with:

- Bank of America rescued last week,
- Citigroup – one the world's largest banks – broken up;
- Anglo-Irish nationalised;
- Commerzbank rescued in Germany;
- And today RBS reporting substantial write-offs.

Last October, faced with the potential collapse of the banking system, we recapitalised the banks, strengthening their position.



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