



Investment Fraud & Fairer Financial Services

**PRESS STATEMENT WITH ATTRIBUTABLE STATEMENTS FROM
PARLIAMENTARIANS - FOR IMMEDIATE RELEASE**

Parliamentary Debate on Hidden Credit Liabilities and the Role of The Financial Conduct Authority

Calls for Fully Independent, Judge-Led Statutory Inquiry

Issued 13th April 2026, London.

On Tuesday 14th April 2026, John McDonnell MP, Chair of the All-Party Parliamentary Group (APPG) on Investment Fraud and Fairer Financial Services, will open a Westminster Hall debate on Hidden Credit Liabilities and the Role of the Financial Conduct Authority - a subject chosen by the Backbench Business Committee and one that the APPG believes represents one of the most serious and under-investigated financial scandals to have afflicted thousands of small and medium enterprises (SMEs) and their owners across the United Kingdom.

The Scandal of Hidden Credit Liabilities

The APPG has gathered extensive evidence - from victims, specialist advisers, and from [BankConfidential](#), a whistleblowing service for banking staff - revealing that large numbers of SMEs seeking straightforward loans were instead sold complex derivative products such as interest rate swaps. These were presented as protection against interest rate risk. In reality, they concealed significant undisclosed credit line liabilities booked against the customer's assets from the outset.

Lorraine Morris, a derivatives and capital markets lawyer and expert turned whistleblower to the Irish Banking Inquiry, told the APPG:

"These instruments were deliberately engineered to transfer significant, undisclosed, and uncapped risk directly onto the customer. The mechanism was the concealed creation of a credit-line liability, booked against the customer's assets from day one. This contingent obligation was not a notional figure; it was a hard liability that directly impacted the customer's credit grade."

Ian Tyler, a former senior banking executive with decades of experience in derivatives, explained the mechanism in detail to the APPG: when a bank executes an interest rate derivative, prudential regulation requires it to mark a counterparty credit risk limit against the customer. This limit constitutes a hard credit liability - yet it was routinely concealed. When the Bank Rate fell to 0.5% following the Lehman Brothers collapse in 2008, these hidden exposures surged, pushing many SMEs into technical breach of their loan-to-value covenants - covenants that the customers had no idea were affected.

Businesses were then transferred, often without warning or justification, to so-called Business Recovery Units, including RBS' notorious Global Restructuring Group. Evidence obtained by the APPG indicates that these units frequently operated as asset-stripping mechanisms, with viable companies manoeuvred into administration for the profit of the banks.

The Banks' Motivation and Conduct

The APPG has found evidence that the hidden credit liabilities generated substantial upfront revenues, commissions and bonuses for bank staff. Worse still, when the financial crisis struck, these concealed liabilities became instruments for destroying otherwise viable businesses - some of which were placed in technical breach of their lending covenants from the very day the derivative was sold.

Whistleblowers have revealed that staff at state-controlled NatWest Group including Ulster Bank were reportedly encouraged to send so-called "victory emails" when they had successfully brought down a business, when the recovery of the customers assets went direct to its own West Register companies. West Register was Natwest Group's property arm - it bought customers properties and businesses at fire-sale prices which contributed to GRG as a whole, adding nearly £1.2 billion to the bank's bottom line in 2011 alone.

Catastrophic Consequences for Victims

The human consequences have been devastating. The APPG has heard evidence of widespread forced insolvencies, thousands of repossessions, broken families, and - most tragically - suicides and premature deaths.

Two cases illustrate the human cost:

Steve and Joan Finch took out a fixed-rate loan from Lloyds Bank to purchase Bredbury Hall Hotel. Unbeknown to them, the bank attached an interest rate swap carrying a Hidden Credit Liability beginning at £1 million and rising to £3 million. The undisclosed

arrangements generated £179,000 in secret upfront commissions. The hidden liabilities pushed the loan-to-value ratio to 136% against a permitted maximum of 70%, triggering the business's transfer to Lloyds' Business Support Unit. Despite being a thriving enterprise, Bredbury Hall was manoeuvred into administration. Stephen Finch was bankrupted, and the family was forced to raise £600,000 to recover their home from vulture fund Cerberus. When Greater Manchester Police investigated, they were presented with evidence of potential offences under the Fraud Act 2006 - but closed the case citing the FCA's refusal to provide technical assistance, insufficient resources, and concern that investigating one case might require them to investigate many similar ones.

Mr McDonnell has also read the final letter of a business owner who took his own life following the seizure of his assets - including an attempt to repossess the family home - through Personal Guarantees signed without knowledge of the hidden liabilities. He died believing payments from his life insurance was the only way he could provide for his family and allow them to keep the family home.

Regulatory and Treasury Failure

The APPG's evidence points to a pattern of systematic regulatory failure by the FCA - and its predecessor, the FSA - in consistently siding with the banks rather than the victims.

In November 2022, Lord Prem Sikka, Steve Middleton of BankConfidential and derivatives expert Ian Tyler met with the FCA to present detailed evidence of the Hidden Credit Liabilities scandal, including financial and accounting fraud involving Ulster Bank Fixed Rate Loan customers. Hard evidence was shared. Rather than launching an inquiry, the FCA allowed the NatWest Group to investigate itself. When the bank concluded it had done nothing wrong, the FCA took no meaningful action - even deploying the extraordinary argument that the fraud alleged was not criminal in nature, whilst never disputing it was a fraud.

The FCA's own Financial Lives survey records that fewer than half of the public trust the financial sector and its regulatory framework. This represents a profound threat to the confidence that SMEs - the lifeblood of the British economy - require to access finance and grow.

The Treasury, meanwhile, turned a blind eye. Its motivation is understood to be that following the Global Financial Crisis and the taxpayer-funded bank bailouts, the State required banks to do whatever was necessary to shore up their balance sheets. The victims and thousands of SME's businesses were the price paid.

Catastrophic regulatory failure is not a new concern: In February 2016, Conservative MP Guto Bebb led a Commons debate on the proposition that the FCA was not fit for purpose. A decade on, the APPG's evidence suggests that proposition remains as relevant as ever.

The APPG's Call for Action

Previous attempts to address these failures - through the Foskett Panel, the Swift Review, the Cranston Review, the Tomlinson Report, the Parliamentary Commission on Banking Standards, and numerous Treasury Committee inquiries - have had little lasting effect.

Victims remain uncompensated. Each Review starts with the assurance that it intends to put the customer 'back into the position they would have been in had the mis-selling and/or fraud not occurred' but this never happens, most just recover a fraction of their losses, many nothing at all following forced insolvencies and bankruptcies. Which means the banks have profited substantially from such misbehaviours - mis-selling and fraud have become high value profit generators for the banks.

Meaningful structural reform has not happened.

In the debate on 14th April 2026, John McDonnell MP will call for:

- An immediate, fully independent, well-resourced, judge-led inquiry - established with statutory protections under the Inquiries Act 2005 - specifically into Hidden Credit Liabilities and the role of the FCA.
- In the medium term, a full Royal Commission - or its equivalent - to examine the deep structural flaws across the entirety of the UK's financial conduct regulatory architecture, including all major financial scandals since the 2008 Crash;
- Accountability for those responsible for both the original misconduct and the subsequent regulatory failures;
- Meaningful redress for the thousands of victims who have been denied justice for more than a decade.

Statements from Parliamentarians:

- John McDonnell, MP for Hayes and Harlington, and Chair of the APPG:

"This debate is about justice - long overdue justice - for thousands of business owners and their families who were systematically defrauded, whose businesses were deliberately destroyed, and who have spent years being told by the regulator that nothing unlawful occurred. The evidence we have gathered tells a very different story. The FCA has repeatedly failed to investigate credible, detailed, expert evidence of fraud. It allowed a bank accused of serious misconduct to mark its own homework. That is not regulation - it is complicity."

"Behind every case file are human beings. People who lost their business, their home, their health - or their life. Parliament cannot allow this to continue. We need an independent inquiry now."

- **Ian Byrne, MP for Liverpool West Derby:**

“The hidden credit liabilities scandal follows a deeply familiar and troubling pattern seen in national injustices from the Hillsborough disaster to Post Office Horizon scandal - the truth withheld, delayed, and denied, with devastating consequences for victims. That is why the proposed Hillsborough Law, with a meaningful Duty of Candour, is so vital. It must ensure that institutions tell the truth from the outset, without evasion or concealment.

Serious concerns have been raised about the conduct of the Financial Conduct Authority, including its repeated failure to provide clear and honest answers on the hidden credit line features of complex financial products. A regulator that avoids scrutiny and accountability risks becoming complicit in the very harms it is meant to prevent. We must ensure that all bodies exercising public functions - including regulators - are firmly within scope of a strengthened Duty of Candour.”

- **David Chadwick, Liberal Democrat MP for Brecon, Radnor and Cwm Tawe:**

“The reported experience of my constituents, the Evans family and their company, Springdew Limited, is shocking. A successful, community-rooted pharmaceutical business in the Upper Swansea Valley was, in their view, brought to its knees not by market failure or ineffective leadership, but by what they have described as serious and sustained banking misconduct.

“The reported use of hidden credit liabilities, the mis-selling of financial products, and a lack of transparency caused significant harm, not only to Springdew and its owners, but also to the hundreds of employees who lost their well-paid jobs.

“To make matters worse, the mechanism intended to deliver redress, the Business Banking Resolution Service, has, in their experience, been wholly unsatisfactory, meaning that justice and redress remain elusive. I will continue to speak up for my constituents and demand fair treatment for them and Tuesday’s debate gives me an ideal opportunity to do so.”

- **Bambos Charalambous, MP for Southgate and Wood Green:**

“The experience of my constituent Christakis Kashourides is a devastating example of how hidden credit liabilities, embedded within interest rate hedging products, have destroyed successful businesses and livelihoods. Over two decades, Mr Kashourides built a substantial property portfolio of 51 freehold properties in North London, only

for it to be wiped out within a matter of years following the mis-selling of complex derivatives by the Royal Bank of Scotland.

Despite holding substantial equity, he was prevented from refinancing and eventually forced into bankruptcy and lost his entire livelihood.

To add insult to injury the Financial Conduct Authority redress process was unsatisfactory and left victims like Mr Kashourides deeply unhappy with a sense that justice had not been done.

Tuesday's debate is an opportunity for MPs to demand answers on the failings of the banks and the FCA."

- Lord Prem Sikka, APPG Member:

"I am very disappointed, but unfortunately not surprised that despite myself and others exposing this scandal in detail at a meeting with the FCA in late 2022 that they have taken no meaningful action whatsoever, other than to ask the offending bank to investigate itself.

How can we have trust and confidence in our regulatory framework when the FCA consistently sides with the banks, not the citizens that the regulator has been tasked by Parliament to protect.

There can be no doubt that serious financial scandals like this adversely impacts people's willingness to trust our financial institutions. One wonders how much of our stubbornly stagnant economy can be explained by how business owners have been harmed by banks, and then let down very badly by the regulator.

If the Chancellor is ever to get the growth she wants, she needs to help clean things up - and a sensible way to start doing that would be to have a proper inquiry into what has gone on, and who is to blame - the whole saga has been, and continues to be a national disgrace."

ENDS

Notes to Editors

- 1) The Westminster Hall debate on Hidden Credit Liabilities and the Role of the Financial Conduct Authority takes place on Tuesday 14th April 2026, starting at 9:30AM and ending at 11:00AM. It can be watched live in person at the public gallery of [Westminster Hall](#). For details about how to watch it live or later through Parliament TV, see item 1 in [this week's Transparency Times](#).

2) The request to the Backbench Business Committee for the debate to be granted took place on 27 January and can be watched on Parliament TV, here:

https://www.appgiffs.org/wp-content/uploads/2026/01/Backbench_Business_Comi ttee_27_01_26_16_15_21.mp4

3) The Commons Library research briefing for the debate is available here:

<https://commonslibrary.parliament.uk/research-briefings/cbp-10602/>

4) Official portraits of the Parliamentarians referred to above are here:

- John McDonnell MP - <https://members.parliament.uk/member/178/portrait>
- Ian Byrne MP - <https://members.parliament.uk/member/4831/portrait>
- David Chadwick MP - <https://members.parliament.uk/member/4831/portrait>

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6) About the APPG

- The Purpose Statement of the APPG on Investment Fraud and Fairer Financial Services is:

"To advocate for the victims of financial misconduct, crimes, scandals, frauds and regulatory failures, by driving positive, progressive, and purposeful reforms that achieve a fair, trusted and just system, where service providers, regulators and government agencies provide appropriate protection and deliver good outcomes, including redress for historical wrongs."

- The APPG operates on a strictly non-commercial basis.
- The APPG's website is here: <https://www.appgiffs.org/>
- For a full list of APPG members see here: <https://www.appgiffs.org/about-us/members>
- Its Secretariat is provided by volunteers from the consumer advocacy social enterprise, [Transparency Task Force](#) working pro bono.