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18 November 2008

Statement by the Chancellor on the Bank Recapitalisation Scheme

The Chancellor today issued the following Written Statement to Parliament about the Government's bank recapitalisation scheme.

I set out in my statements to Parliament on 8th October and 13th October the details of the Government's recapitalisation scheme. I now set out the detail of dealing with future applications to the scheme from those banks which are currently raising capital (either by an agreement with HM Treasury or otherwise) and which, for whatever reason, may seek to negotiate a substantively new proposal or new agreement with HM Treasury about the terms of any recapitalisation. Detailed terms of participation would remain a matter for discussion with the board of the institution concerned, taking proper account of prevailing market conditions, but HM Treasury would expect to apply the following general principles:

1. The objective of the recapitalisation scheme is to ensure that each eligible institution has sufficient capital to sustain confidence in the institution. Institutions should therefore have a sufficient buffer of capital above the minimum requirement both to absorb losses that might ensue from a downturn and to continue lending on normal commercial criteria. In assessing any proposals in relation to eligible institutions, HM Treasury will continue to focus on three key objectives:

- maintaining financial stability;
- safeguarding the interests of taxpayers; and
- protecting depositors and consumers.

In providing capital to any eligible institution, HM Treasury, on the advice of the Bank of England and Financial Services Authority, would need to be satisfied that these three objectives were met.