

“Green shoots have shallow roots”

Fears are growing that despite a further injection of £50bn of new money into the economy the banking sector remains in crisis and there is little sign of any increased lending volumes to Britain's beleaguered businesses.

“Banks are currently suffering a sharp increase in bad debts, mostly attributable to their business customers, which is preventing any major increase in lending. For the two banks in which the government has a major stake a further crisis is looming. They could well be accounting for some £25bn of bad debts by the end of this year. The sheer scale of such losses is likely to trigger the early intervention of the asset protection scheme funded by taxpayers,” said Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons.

Whereas there is some evidence of a tiny increase in mortgage lending it is not nearly strong enough to prevent house prices falling still further. With unemployment expected to continue rising well into 2010 consumer spending is likely to remain restrained. Few people actually now share the chancellor's somewhat over-optimistic prediction that the British economy will recover strongly towards the end of the year.