

Credit Crunch (23rd Aug 2008)

I was trying to work out how the banking system managed to get itself into the current situation. They hold all the cards when you either borrow money or even save it. Just try missing a payment or even being a day late paying your credit card.

They convinced the government that it would be much better if wages and salaries were paid directly into a bank account, then they convinced government that you shouldn't have the right to be paid in 'proper' money - guess what, you have to go to a bank for that!

So you want to buy a house? Well, a few years ago, mortgages were on 'allocation' (I won't remind you of the time when you could only take a few pounds out of the country, in case you start to feel your age!) and you went on a list to get the money or went round a number of lenders (normally building societies), to see who had a few bob you could have.

I remember that when we bought our present home, we had to wait 3 months for our 'allocation' to be available, only we got caught by the banks' (they who were selling on behalf of the sellers estate) policy of reviewing prices every three months and adding 15% (see, you think you have problems!) on the day we were about exchange contracts.

Since those days, the financial services industry has expanded and been protected from the risks that mere mortals like you and me have to take. They lost the need to take care, by accepting the word of their competitors without a murmur, but if you or I wanted use something as security, then we can expect an inquisition.

Somehow I really have no sympathy for an industry that makes most of it's profits by gambling with other peoples money. This is not the same as investing in business, but allowing 'traders' to buy and sell products/services they have no intention of owning, in the hope the value will go up or down. The latest 'wheeze' is buying shares (or even promising to) in a company, spread a rumour about that company to make the shares move either up or down (usually) and then sell at a profit as well as a transaction fee.

They really can't lose, when you think about it.