

Canadian government proposed bank “bail in” legislation – Does this create a lottery?

The Canadian government is proposing a “bail in” mechanism for Canadian banks very similar to the provisions currently in force in Europe, and used in Cyprus.

This is supposedly to “protect the taxpayer”, but aren’t they the same as people as account holders? Well not quite, and this therefore creates a lottery.

The Canadian government is proposing bank “bail in” legislation similar to the one used successfully in Cyprus a couple of year ago.

Cyprus was seen by many as an experiment for such legislation, to gauge public reaction to the confiscation of their wealth by the government. As such it went well, there was very little public disorder, probably because it mainly effected people with over 100,000 Euros savings in each bank, and that would be only a small part of the population.

Following this, many governments around the world, in the EU, USA, UK, and now Canada, are looking to replicate the legislation that prevailed in Cyprus, under the guise of “protecting the taxpayer”. But aren’t taxpayers one and the same as account holders of the banks in a country? Well not exactly.

By introducing “bail in” legislation, what the Canadian government is doing is creating a lottery, where each citizen can be treated differently. I would suggest this is grossly unfair.

The average person in the street is not financially savvy enough to assess the financial stability of the bank that he has his salary and savings deposited in, yet may be penalised due to the recklessness of the officers of that bank! This is clearly inequitable.

So it becomes a case of luck as to whether your bank or your neighbours bank requires a bail in, with people in the same street being treated differently.

I think the answer is quite simply that either a bank should be allowed to fail, or, if the government deems it too large to fail, the pain should be shared by *ALL* citizens, not just the unfortunate ones who ended up with an account at the wrong bank out of sheer bad luck, through no fault of their own.

At the very least, the Canadian government should assess each bank, and produce a league table listing *ALL* banks from the strongest to the weakest, so that depositors can make an informed decision as to where is safer for their money.

But that will never happen of course!

We should ask them why?

This money has been earned honestly, and taxes paid on it, so the Canadian (and all other governments of course) owe a duty of care to the citizens who elected them in the first place.

Bail in legislation is clearly unfair without people being given the correct information in order to protect their savings.