

Every loser wins seems to rather aptly describe the latest eurozone “bailout” (or fudge) announced last weekend supporting the Spanish banking system, according to Andrew Morris, managing director of Signature.

Commenting on the Spanish bailout, he said: “Spain’s banking failings have been an accident waiting to happen. The Spanish support package of up to €100bn now brings the total number of euro countries that have received support to four.

“While on the face of it, the deal would appear something of a triumph for Spain’s politicians - being able to negotiate funds without the shackles of the Troika inspectors and the significant conditions which had accompanied other countries; the implications of such favourable terms are likely to be for leaders in Dublin and Lisbon to squirm, and potentially to strengthen the calls in Athens for a renegotiation.

“Importantly, the borrowed funds still go through the Government, i.e. they will encompass sovereign debt potentially adding in the order of 10% to outstanding nation’s debt. This is far from ideal; the link between banks and sovereigns remains a fundamental weakness and a source of continued market uncertainty.

“We are left with the situation where governments and, by definition, EU taxpayers are on the hook for this money. Should events deteriorate from here or should the banking system review reveal further skeletons the situation gets much worse. As things stand, Spain and therefore Europe would be exposed to further liabilities.

“Unfortunately, estimates are already coming in putting the scale of the Spanish banking shortfall at between €400bn and €500bn.

“In recent weeks we have increasingly seen the call for a banking union as part of an overhaul of the EU. We would see this as a positive move; such a system would have meant that the Spanish Government would have been avoided in the process with the funds effectively flowing straight to the financial institutions.”