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Reeves's 'Leeds Reforms' Reduce Financial Red Tape, but Critics Fear They Risk Another Crisis

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Chancellor Rachel Reeves has launched what she calls the “Leeds reforms,” a package of financial deregulation aimed at stimulating economic growth and restoring the UK’s standing as a global financial hub. Central to the plan are changes to mortgage lending rules, a review of post-crisis banking safeguards, and measures to widen investment

access. Reeves insists these reforms will remove burdensome restrictions on the financial sector, which she claims have become a “boot on the neck of business,” stifling competitiveness and innovation.

Key proposals include easing stress tests for mortgage applicants and allowing rental payment history to be used when assessing mortgage eligibility. These changes are expected to help around 36,000 first-time buyers each year, according to government estimates. In addition, the Chancellor has pledged to make cash Individual Savings Accounts (ISAs) more flexible and to encourage savers to invest in stocks, hoping to revitalise retail investment. The Financial Conduct Authority (FCA) has been instructed to review ring-fencing rules introduced after the 2008 financial crash. These rules, which separate high street and investment banking activities, were designed to shield ordinary savers from the risks of speculative trading. The Senior Managers and Certification Regime (SMCR), which holds executives accountable for failings, is also being reconsidered.

While Labour argues these changes will unlock lending, attract investment, and support growth, many experts are urging caution. Sir John Vickers, the economist behind the post-crisis ring-fencing model, has warned that dismantling these protections could expose the banking system to renewed risk. Financial watchdogs and campaigners, including groups like Positive Money and the New Economics Foundation, argue that the reforms prioritise the interests of investors and financial institutions over those of consumers and long-term stability.

Economists also point out that these deregulatory steps do little to address the deeper challenges facing the UK economy, such as weak productivity, regional inequality, and long-standing underinvestment. The

Office for Budget Responsibility has raised concerns over rising public debt and fiscal pressure, suggesting that reforms aimed purely at loosening oversight may be a dangerous gamble at a time of economic fragility.

Politically, Reeves's move appears timed to reassure the financial sector amid increasing scrutiny over Labour's economic direction and social spending commitments. While the reforms are framed as a pragmatic, pro-growth agenda, critics argue that rushing to deregulate could unravel hard-won safeguards. As the debate unfolds, the government faces a key test: whether it can modernise regulation without repeating the very mistakes these rules were designed to prevent.