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Treasury Urged to Act as London Stock Exchange Faces Capital Exodus

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The London Stock Exchange is at risk of further decline unless the Treasury intervenes with targeted reforms, including stamp duty removal and stronger domestic investment incentives, according to financial columnist Nils Pratley. The warning comes ahead of the Chancellor's Mansion House speech, as pressure mounts on the Labour government to reverse years of market erosion.

Writing in The Guardian, financial commentator Nils Pratley has warned that the London Stock Exchange (LSE) is facing a gradual hollowing out, with capital and companies increasingly heading overseas or opting for private ownership. Since 2016, over 140 companies have delisted from London's public markets, either through foreign takeovers or decisions to go private, raising serious concerns about the long-term viability of one of the UK's flagship financial institutions.

Pratley's analysis places the onus firmly on HM Treasury to intervene, suggesting that the current regulatory and tax environment is failing to support growth in UK equity markets. Central to his argument is the need to scrap the 0.5% stamp duty on share purchases—a tax that disincentivises retail investment and weakens domestic participation. At a minimum, he argues, this levy should be removed from investments made through Individual Savings Accounts (ISAs), to encourage wider share ownership.

The column also highlights the collapse of pension fund investment in UK equities. In 1997, nearly 46% of pension assets were invested in domestic shares. By 2022, that figure had fallen to just over 4%. Despite public polling suggesting many pension savers still believe their money is invested in British businesses, the reality is starkly different. Without a deliberate policy shift, this disconnect between perception and reality will continue to undermine confidence in UK capital markets.

Pratley also supports calls from the Confederation of British Industry (CBI) for a national campaign to restore public engagement in UK share ownership. But while public sentiment matters, the columnist stresses that real change must come through fiscal policy—an area where the current Labour administration has so far offered more slogans than solutions.

With Chancellor Rachel Reeves preparing to deliver her Mansion House speech, the pressure is now on to prove that the Treasury can offer more than performative gestures. The future of Britain's public markets may well hinge on whether government ministers are prepared to back rhetoric with meaningful reform.

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