# London’s financial decline accelerates as wealthy residents and investment flee after tax reforms



It has been nearly four decades since the landmark Big Bang reforms of 1986 revolutionised London’s financial sector. This wave of Thatcherite deregulation, which included abolishing fixed commissions and dismantling the brokers-jobbers divide on the London Stock Exchange, unleashed a surge of foreign capital and talent. These changes transformed London’s City into a global financial powerhouse, fostering not only the glittering towers of the Square Mile and Docklands but also igniting growth in emerging sectors such as fintech. The city’s meteoric rise also shaped many other facets of life—from soaring property prices to an enhanced culinary scene—cementing London’s reputation as a vibrant, world-leading metropolis.

Yet, today, London faces a starkly different reality. Rather than continuing its upward trajectory, the city appears to be in a gradual decline, facing what some describe as its most significant loss of talent and capital since the 1970s. The narrative of London’s decline has long been cautioned, particularly post-Brexit, but unlike previous warnings that proved exaggerated, current trends suggest a genuine exodus. Reports from advisory firms indicate the UK is losing an affluent resident approximately every 45 minutes, with tens of thousands of British expatriates relocating to destinations like Dubai, Florida, and European countries such as Italy. The reasons are manifold, but a key catalyst identified is the government’s abolition of the non-domiciled tax status—a privilege allowing wealthy individuals to avoid UK taxes on foreign income—which was decisively reinforced in recent budget decisions.

This outflow is visibly impacting London’s property market, especially at the prime end. Prices for luxury homes remain over 20 percent below their 2014 peaks, and the supply of high-end properties on the market has surged, reflecting decreased buying interest. Analysts have documented a 48 percent increase in prime homes for sale since 2020, underscoring the cooling appetite among the wealthy to invest in London real estate.

The erosion of tax incentives has played a critical role in this trend. Since the financial crisis, a succession of fiscal measures—from the tapering of tax allowances to changes in stamp duty and inheritance tax relief—have steadily increased the tax burden on affluent Londoners. The October Budget saw Labour’s Chancellor intensify these pressures, prompting fresh concerns about London’s fiscal attractiveness. While there are rumours of a possible policy reversal on non-dom status to alleviate tax liabilities on foreign assets, many fear the damage is already deep-rooted.

The question arises: why should millions of Londoners and the wider UK care about the flight of the wealthy elite? The answer lies in London’s central economic role. The capital is a net fiscal contributor, generating a surplus of £44 billion in 2023, which supports public spending across the UK. Along with the South East, London remains one of the few regions subsidising the rest of the country’s expenditure. Losing London’s affluent population risks undermining this vital economic engine.

Moreover, the City’s global financial pre-eminence is under threat. Historically, the reforms of the Big Bang propelled the Square Mile ahead of rivals like Wall Street and European centres during the 1990s and 2000s. Recently, however, London has faced significant setbacks, with leading firms like Wise relocating their primary stock listings to overseas markets such as the United States. This symbolic blow was compounded by similar moves from other established companies, while foreign investors—largely from the US—have been acquiring long-standing London-listed firms. The result is a persistent net outflow of investment from UK equities, averaging £13 billion annually since Brexit, creating a feedback loop of lower share valuations and diminished appeal for companies to list in London.

These challenges reflect years of governmental neglect, arguably since the financial crisis when public sentiment turned against bankers and traders following the economic turmoil. However, the City has reformed extensively, yet the entrenched political mindset of “levelling down” London to benefit other regions persists. Politicians remain heavily focussed on winning votes in the Midlands and the North, regions that supported Brexit and various political shifts, often at the expense of the capital’s interests.

Interestingly, voting patterns in London signal potential political shifts, with some boroughs showing early signs of support for emerging parties such as Nigel Farage’s Reform, indicating growing disenchantment with traditional party offers.

Despite these headwinds, London retains its resilience. It remains a city of nine million people brimming with potential. Nevertheless, unlocking this potential demands a shift in policy and outlook—one that embraces London as a vital engine of national growth rather than a region to be restrained. Addressing tax competitiveness, restoring London’s global appeal, and reversing capital and talent flight will be crucial as the city seeks to revitalise its role in the 21st-century global economy.

In the coming weeks, further analysis will explore the depth of London’s challenges and outline strategies to reinvigorate both the capital and its financial heart, the City.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.inkl.com/news/why-it-s-time-to-unshackle-london-and-let-it-boom-again), [[5]](https://www.ibtimes.co.uk/remembering-big-bang-day-city-london-changed-forever-30-years-ago-1588624), [[6]](https://www.cityam.com/big-bang-30-can-1986-hold-key-seizing-citys-brexit/)
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* Paragraph 8 – [[1]](https://www.inkl.com/news/why-it-s-time-to-unshackle-london-and-let-it-boom-again)
* Paragraph 9 – [[1]](https://www.inkl.com/news/why-it-s-time-to-unshackle-london-and-let-it-boom-again)
* Paragraph 10 – [[1]](https://www.inkl.com/news/why-it-s-time-to-unshackle-london-and-let-it-boom-again)

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1. <https://www.inkl.com/news/why-it-s-time-to-unshackle-london-and-let-it-boom-again> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/business/millionaires-leave-uk-rich-high-net-worth-china-dubai-uae-florida-usa-dubai-henley-b1165154.html> - An article from the Evening Standard reports that 9,500 millionaires left the UK in 2023, with Dubai, Paris, and Florida being popular destinations. This exodus is attributed to factors such as high taxes and the abolition of the non-domiciled tax status, which previously allowed wealthy individuals to avoid UK taxes on foreign income. The report highlights that only China experienced a higher number of millionaires leaving, underscoring the significant impact of these fiscal changes on the UK's affluent population.
3. <https://www.ft.com/content/383587ee-5b31-4549-9392-2f0b4612ef8b> - The Financial Times discusses the concerns of wealthy individuals in the UK considering emigration due to anticipated stricter tax conditions following the general elections. The article highlights the government's plans to abolish the 200-year-old non-domiciled tax rules, replacing them with a new four-year system, and Labour's intention to further limit non-dom tax breaks. These developments have intensified anxiety among the affluent, with popular destinations for potential emigrants including the UAE, the US, Italy, Greece, Portugal, Spain, and Switzerland.
4. <https://www.ft.com/content/438b3cbf-cd73-4949-87ca-406063079912> - The Financial Times examines how various European countries are attracting wealthy individuals through changes in tax regimes. The UK's abolition of the non-domiciled tax regime has prompted an exodus of wealthy foreigners, while countries like the UAE and Singapore have emerged as popular destinations due to their favourable tax policies. The article also notes that other European nations, including Italy, Spain, Greece, and Portugal, are implementing tax-privileged systems to lure the wealthy, highlighting the competitive nature of this global trend.
5. <https://www.ibtimes.co.uk/remembering-big-bang-day-city-london-changed-forever-30-years-ago-1588624> - An article from International Business Times UK reflects on the 30th anniversary of the 'Big Bang' reforms in London's financial markets. The piece details how the 1986 deregulation led to the abolition of fixed commission charges, the end of the distinction between stockjobbers and stockbrokers, and the introduction of electronic, screen-based trading systems. These changes transformed the City of London into a global financial powerhouse, attracting international banks and significantly increasing market activity.
6. <https://www.cityam.com/big-bang-30-can-1986-hold-key-seizing-citys-brexit/> - City A.M. discusses the 30th anniversary of the Big Bang and its lasting impact on London's financial sector. The article highlights how the 1986 deregulation opened the City to free-market principles, leading to increased competition and the influx of international players. It also notes that while the Big Bang was transformative, it has had both positive and negative effects on the financial industry, including contributing to the 2008 financial crisis.
7. <https://www.standard.co.uk/business/millionaires-leave-uk-rich-high-net-worth-china-dubai-uae-florida-usa-dubai-henley-b1165154.html> - An article from the Evening Standard reports that 9,500 millionaires left the UK in 2023, with Dubai, Paris, and Florida being popular destinations. This exodus is attributed to factors such as high taxes and the abolition of the non-domiciled tax status, which previously allowed wealthy individuals to avoid UK taxes on foreign income. The report highlights that only China experienced a higher number of millionaires leaving, underscoring the significant impact of these fiscal changes on the UK's affluent population.