# Bank of England governor sparks backlash with call for closer UK-EU financial ties



Bank of England Governor Andrew Bailey’s recent remarks advocating for closer ties between the United Kingdom and the European Union have sparked significant debate within the political and financial communities. Speaking in Dublin, Bailey welcomed the UK Government's initiatives to mitigate the adverse impact of Brexit on trade, particularly highlighting the need for reduced non-tariff barriers in the financial services sector. His comments appear to align closely with the Labour Party's evolving stance under Sir Keir Starmer, who has proposed a 'reset' deal aimed at easing trade restrictions between the UK and the EU.

Critics like Bob Lyddon, a financial expert, have condemned Bailey's statements as a "disgraceful political intervention." Lyddon has argued that Bailey's support for measures that would foster closer ties with the EU undermines the independence expected of his position. He accuses Bailey of echoing the sentiments of the Remain/Rejoin camp, particularly highlighting his use of phrases such as "the damage caused by Brexit" without substantiating the claims. This criticism points to a broader unease regarding the perceived alignment of financial and political institutions with established elite narratives.

During his address, Bailey asserted that minimising negative effects on trade should be a priority, referencing the Windsor Framework agreed upon in 2023, which was intended to improve post-Brexit trading arrangements in Northern Ireland. This Framework, according to Bailey, was a "welcome step forward" in rebuilding trade relations. The UK Government has also recently finalised additional agreements with the EU, aimed at easing access for UK tourists and streamlining regulations for farmers and food producers.

However, Bailey's framing of the EU as a "safe haven" amidst global volatility has raised eyebrows. The context of his comments reflects a growing concern among UK policymakers regarding external pressures, particularly in light of shifting dynamics in global trade and political landscapes. Bailey's emphasis on the mutual benefits of enhanced financial cooperation suggests a recognition that, despite Brexit, collaborative efforts may be essential for the UK's economic resilience.

The potential for renewed cooperation extends beyond merely addressing trade barriers. Bailey has also indicated areas ripe for joint regulatory efforts, particularly regarding money market funds, many of which are located in influential financial centres within the EU. This aligns with his broader message that a more integrated financial market would not only benefit the UK but also the EU as both regions navigate uncertain economic futures.

Despite Bailey's optimistic rhetoric, scepticism remains palpable. Observers question whether his calls for closer EU ties will resonate in a political environment marked by deep divisions over Brexit. As Lyddon aptly pointed out, there is a sense among some that such efforts serve not purely economic interests but also a political agenda driven by a so-called "Establishment" intent on reversing decisions made by the electorate.

The intersection of trade, finance, and politics in the post-Brexit landscape continues to evolve, with Bailey's remarks indicative of a broader dialogue on the UK's future relationship with the EU. As the nation moves closer to the next general election, the balance of power between the government, regulatory bodies, and public sentiment will remain critical in shaping the trajectory of these complex issues.

## Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/politics/2062070/andrew-bailey-bank-of-england-brexit), [[2]](https://www.ft.com/content/15823aaa-42b0-4475-a679-f28c0cd96ac9)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/politics/2062070/andrew-bailey-bank-of-england-brexit), [[3]](https://www.reuters.com/world/uk/boes-bailey-hopes-closer-eu-ties-trade-financial-services-2025-05-29/)
* Paragraph 3 – [[4]](https://www.reuters.com/world/uk/boes-bailey-says-uncertain-outlook-demands-careful-approach-rate-cuts-2025-05-29/), [[5]](https://www.reuters.com/sustainability/sustainable-finance-reporting/us-uk-trade-deal-good-news-still-means-higher-tariffs-bank-england-governor-says-2025-05-09/)
* Paragraph 4 – [[6]](https://www.theguardian.com/business/2024/nov/14/bank-of-england-governor-urges-ministers-to-rebuild-relations-with-eu)
* Paragraph 5 – [[7]](https://www.theguardian.com/business/2023/nov/08/brexit-has-hit-uks-economic-openness-says-bank-of-england-governor)

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## Bibliography

1. <https://www.express.co.uk/news/politics/2062070/andrew-bailey-bank-of-england-brexit> - Please view link - unable to able to access data
2. <https://www.ft.com/content/15823aaa-42b0-4475-a679-f28c0cd96ac9> - In a recent speech in Dublin, Bank of England Governor Andrew Bailey urged the UK government to reduce the negative consequences of Brexit by seeking closer trade alignment with the European Union, particularly in the financial services sector. He advocated for the reduction of non-tariff barriers to facilitate trade and economic growth, emphasizing that open financial markets benefit both the UK and EU by deepening markets, boosting investment, and lowering capital costs. Bailey's remarks align with Prime Minister Sir Keir Starmer’s recent introduction of a 'reset' deal with the EU aimed at easing trade barriers in sectors like food and electricity. He highlighted the mutual benefits of enhanced financial collaboration, especially in light of increased market volatility following Donald Trump's re-election and subsequent tariff announcements in the U.S. Bailey’s comments signal a call for more comprehensive negotiations to further deepen UK-EU trade ties.
3. <https://www.reuters.com/world/uk/boes-bailey-hopes-closer-eu-ties-trade-financial-services-2025-05-29/> - Bank of England Governor Andrew Bailey expressed his hope for enhanced cooperation between the United Kingdom and the European Union in the areas of trade and financial services. Speaking ahead of a finance industry dinner in Dublin, Bailey welcomed recent efforts by the UK and EU to improve trade relations—such as agreements on agricultural exports and defense collaboration—though these were part of a broader deal involving continued EU access to UK fishing waters. Bailey emphasized that post-Brexit trade restrictions have negatively impacted the UK's economic potential, and he advocated for reducing these barriers. Specifically, he underscored the mutual benefits of opening financial markets and cautioned against viewing cooperation as solely advantageous to the UK. He also identified the regulation of money market funds—many of which are based in EU countries like Ireland and Luxembourg—as a promising area for joint efforts, building on recent work to strengthen the resilience of British pension-related investment funds.
4. <https://www.reuters.com/world/uk/boes-bailey-says-uncertain-outlook-demands-careful-approach-rate-cuts-2025-05-29/> - Bank of England Governor Andrew Bailey emphasized a 'gradual and careful' approach to interest rate cuts due to continued global uncertainties impacting domestic inflation. Speaking at a finance industry event in Dublin, he justified the cautious stance following a recent rate cut to 4.25% from 4.5%, which he supported alongside a narrow majority on the Monetary Policy Committee. This decision comes amid surprises in inflation data, with consumer price inflation rising more than expected to 3.5% due to higher energy, water bills, and holiday airfare costs. Bailey noted uncertainty about whether this spike was seasonal and emphasized the slow easing of core inflation and persistent food price inflation, which heavily influence public perception. Additionally, Bailey advocated for stronger trade and financial ties with the European Union and a resolution to the U.S.-UK trade dispute. He also downplayed concerns that global economic fragmentation might threaten the U.S. dollar's reserve currency status, suggesting limited rebalancing is likely but not a major shift.
5. <https://www.reuters.com/sustainability/sustainable-finance-reporting/us-uk-trade-deal-good-news-still-means-higher-tariffs-bank-england-governor-says-2025-05-09/> - Bank of England Governor Andrew Bailey acknowledged the recent US-UK trade deal as a positive development but expressed concerns that the agreement still results in higher tariffs on most British exports to the US compared to the prior status. The Bank of England previously estimated that US tariff policies as of April 29 could reduce the UK's GDP by about 0.3% over three years, with two-thirds of the impact due to diminished demand for British exports and the rest due to global trade uncertainty. The new agreement, announced Thursday, maintains a 10% tariff on most British goods but reduces tariffs on key sectors like cars, steel, and aluminium. Speaking at a conference in Reykjavik, Bailey emphasized the importance of maintaining an open global trading system and encouraged efforts to reverse the decline in UK exports to the EU following Brexit. He stressed that the UK's economic outlook depends not only on its trade agreements but also on global trade dynamics.
6. <https://www.theguardian.com/business/2024/nov/14/bank-of-england-governor-urges-ministers-to-rebuild-relations-with-eu> - In November 2024, Bank of England Governor Andrew Bailey urged UK ministers to 'rebuild relations' with the European Union, stating that Brexit had 'weighed' on the economy. Speaking at the Mansion House dinner in the City of London, Bailey highlighted the impact of Brexit on the UK's trade in goods and emphasized the need to be alert to and welcome opportunities to rebuild relations while respecting the decision of the British people. This marked one of his strongest comments on Brexit, acknowledging the consequences of the UK's departure from the EU.
7. <https://www.theguardian.com/business/2023/nov/08/brexit-has-hit-uks-economic-openness-says-bank-of-england-governor> - In November 2023, Bank of England Governor Andrew Bailey stated that Brexit had led to a reduction in the openness of the UK economy. While acknowledging that new trading relationships around the world should, and he expects will, be established over time, Bailey emphasized the importance of a commitment to openness and free trade. He also expressed hope for further close regulatory cooperation with Irish counterparts to minimize fragmentation of financial markets after Brexit.