

UK-Palestine Parliamentary Group

Warning British Banks Against Financing the E1 Settlement Project

We are working to shift the approach to the settlement issue from focusing solely on settlers or construction companies to examining the responsibility of actors that provide settlement activity with its economic and financial infrastructure.

24 September 2026

Executive Summary

On 22 September 2026, the All-Party Parliamentary Group on Britain-Palestine issued a written warning to British banks and financial institutions, urging them to review any potential financial exposure to the E1 settlement project in the occupied West Bank and not to disregard the legal, sanctions-related, and reputational risks that could arise from financing the project or providing insurance and financial guarantees connected to it.

The initiative comes during a transitional period before the United Kingdom's newly announced measures concerning settlement activity are fully implemented.

On 8 September 2026, the UK Government announced plans that include banning imports of goods from Israeli settlements, establishing powers targeting individuals and companies that support, facilitate, or benefit from settlement activity, and prohibiting the promotion of real estate located in settlements.

According to The Guardian, the secondary legislation required to fully implement some of these measures could take between six and nine months. Parliamentarians have therefore urged banks not to treat this interim period as a legal vacuum free of potential risks.

What Is the E1 Project?

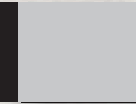
The E1 project is a settlement plan covering an area between East Jerusalem and the Israeli settlement of Ma'ale Adumim in the occupied West Bank.

Current information indicates that tenders have been issued in connection with the construction of up to approximately 3,400 settlement housing units in the area.

The UK Government and several other States have stated that implementation of the project would sever Palestinian territorial contiguity in the West Bank and undermine the possibility of establishing a geographically contiguous Palestinian State.

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) has also reported that the E1 project is intended to create urban continuity between Ma'ale Adumim and East Jerusalem.

According to OCHA, its implementation would further fragment the West Bank and place approximately 4,000 Palestinians living in 18 Bedouin and herding communities in the area at increased risk of forcible displacement, in addition to generating broader humanitarian consequences across the West Bank.



What Did British Parliamentarians Ask Banks to Do?

The parliamentary letter focused on the role financial institutions could play even before construction begins.

Large-scale settlement projects typically require a range of financial services, including:

- financing and loans;
- bank guarantees;
- insurance;
- corporate financing for companies or contractors involved in construction; and
- services relating to real estate and infrastructure.

The parliamentarians urged financial institutions to place any potential exposure to the E1 project or to settlement-related activity on the agendas of their boards and within their risk registers, and to assess legal, sanctions-related, and reputational risks before entering into new financial commitments.

British MP Debbie Abrahams stressed that the letter was not asking banks to “pre-empt the law,” but rather to consider now the level of risk they are prepared to assume while the UK’s new sanctions framework is being developed.

According to the parliamentary group, the responses it receives from financial institutions are expected to be published by 10 October 2026.

Why Is This Initiative Significant from a Human Rights Perspective?

The significance of the initiative lies in the fact that it shifts scrutiny of settlement activity away from focusing solely on settlers or construction companies toward examining the responsibility of entities that provide settlement activity with its economic and financial infrastructure.

This reflects a growing trend within the field of business and human rights to examine entire chains of commercial relationships, including banks, insurance companies, investors, and service providers.

The United Nations Guiding Principles on Business and Human Rights establish that businesses have an independent responsibility to respect human rights.

They are expected to avoid causing or contributing to adverse human rights impacts and to seek to prevent or mitigate adverse impacts directly linked to their operations, products, or services through their business relationships.

This responsibility acquires additional importance in occupied territories, which constitute conflict-affected environments and therefore require a heightened level of Human Rights Due Diligence.

Banks and the Financing of Settlements

United Nations reports have previously examined the role financial institutions may play in sustaining the settlement economy.

A UN report addressing economic activities linked to settlements noted that banks and financial institutions may provide part of the financial infrastructure supporting settlements through:

- mortgages;
- loans; and
- capital provided to companies operating in settlements.

The British warning concerning involvement in E1 therefore does not relate only to the purchase of settlement products after construction is completed.

It also concerns the stage preceding construction:

Who will finance the project? Who will insure it? Who will provide the guarantees and financial services that enable its implementation?

The E1 Project and International Law

The International Court of Justice Advisory Opinion of 19 July 2024 provides an important legal framework for understanding the British initiative.

The Court concluded that Israeli policies and practices relating to settlements, annexation, and the consolidation of control over the occupied Palestinian territory violate rules of international law.

The Court stated that Israel is under an obligation to:

- immediately cease all new settlement activities.

The Court also considered that all States are under obligations:

- not to recognize as legal the situation arising from Israel's unlawful presence in the occupied Palestinian territory; and
- not to render aid or assistance in maintaining the situation created by that unlawful presence.

This aspect is particularly important when assessing the relationship between the State and the private financial sector.

The obligation of non-recognition and non-assistance identified by the Court applies to States, while the UN Guiding Principles on Business and Human Rights impose an independent responsibility on companies to conduct due diligence and respect human rights.

The current British initiative can therefore be viewed as an attempt to translate some of these considerations into domestic trade, sanctions, and regulatory measures.

The New British Position

On 8 September 2026, the UK Government announced a package of new measures including:

- banning imports of goods originating from illegal Israeli settlements;
- creating powers targeting individuals and companies that support, facilitate, or benefit from settlement activity;
- taking measures concerning services linked to settlement activity;
- prohibiting the advertising or promotion of land and property located in settlements; and
- strengthening the use of the UK sanctions regime in response to certain serious violations of international humanitarian law.

The United Kingdom, together with Canada, Denmark, Finland, France, Iceland, Ireland, Norway, Poland, Portugal, Spain, and Sweden, also affirmed its intention to impose or consider national or European restrictions on trade in settlement goods.

However, it is important to distinguish between the political and legislative announcement made on 8 September and the point at which all implementing measures become legally effective.

This distinction explains the significance of the current parliamentary initiative directed at banks during the transitional period.

Potential Humanitarian Impact of the E1 Project

The E1 issue is not limited to the future of negotiations or borders.

It also has direct implications for Palestinians living in the area.

According to OCHA, implementation of the project could:

- further fragment the West Bank;
- weaken territorial connectivity between East Jerusalem and the rest of the West Bank;
- increase the risk of forcible displacement for approximately 4,000 Palestinians living in 18 Bedouin and herding communities; and
- produce humanitarian consequences extending beyond the immediate boundaries of the project area.

The issue takes on additional significance within the broader context of demolitions, displacement, and settler violence.

According to an OCHA report published on 21 September 2026, more than 1,100 structures had been demolished in the West Bank since the beginning of 2026 on grounds of lacking Israeli-issued building permits, displacing more than 1,500 people.

The same report stated that 275 Palestinian communities had experienced settler attacks during the year up to the date of publication.

The Israeli Position

Israel rejects central aspects of the prevailing international legal interpretation concerning the occupied territories and settlements.

In its official legal position, Israel argues that the Oslo Accords left the issue of settlements to final-status negotiations and that Israel retains planning and construction authority in Area C pending a final agreement.

Israel has also objected to various proceedings and advisory opinions before the International Court of Justice, arguing that they fail to give sufficient weight to security considerations and to the need to resolve the conflict through direct negotiations.

By contrast, in its 2024 Advisory Opinion, the International Court of Justice concluded that the Oslo Accords do not authorize the annexation of parts of the occupied Palestinian territory and do not justify the continuation of policies that prevent the Palestinian people from exercising their right to self-determination.

Human Rights Assessment

The significance of the British initiative can be assessed at three interrelated levels.

First: Moving from Boycotting Settlement Products to Scrutinizing the Financial Infrastructure of Settlements

Bringing financing, insurance, and guarantees within the scope of scrutiny may affect the ability of future settlement projects to obtain the services required for their implementation.

Second: Converting Human Rights Risk into Financial Compliance Risk

The parliamentarians' letter links settlement activity to: sanctions risk, legal risk, and reputational risk.

This has the effect of placing the issue within financial institutions' internal risk-management and compliance systems rather than treating it solely as a matter of foreign policy.

Third: A Practical Test of Translating the ICJ Advisory Opinion into Domestic Policy

The new British measures may provide an example of how trade, sanctions, and financial regulation can be used to distinguish between economic activity carried out within Israel and activity connected to settlements in the occupied Palestinian territory.

Conclusion

The current British initiative directed at banks does not, at this stage, constitute an automatically enforceable ban on every financial transaction connected to the E1 project.

The parliamentary letter itself is not legislation, and some of the measures announced by the UK Government still require further legislative and implementing steps.

Its significance, however, lies in placing British financial institutions on clear notice that financial relationships connected to E1 may increasingly become subject to legal, sanctions-related, regulatory, and human rights scrutiny.

In light of the International Court of Justice's 2024 Advisory Opinion, the United Nations Guiding Principles on Business and Human Rights, and OCHA's humanitarian warnings concerning displacement and territorial fragmentation, the E1 project has become a prominent example of the intersection between:

- settlement activity;
- international law;
- human rights; and
- the financial responsibility of corporations.

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