

The UK government is fraudulently overstating the cost ...

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The [following is a blog by Neil Wilson](#), who has agreed I may share it.

What it shows is that despite the Treasury taking all the risk on quantitative easing it is refusing to take the income back into the Treasury coffers even though it could at any time. The result is that the government is artificially inflating the apparent cost of borrowing in its accounts as an excuse for imposing cuts on the UK economy. That's something called fraud, I think. And it's one that has to stop.

As you teach any child it is good to save for a rainy day. The UK Chancellor of the Exchequer appears to have taken that advice to heart and has a nice fat piggy bank set aside.

The question is: how much more rainy does it have to get before he spends it?

The fund in question is the cash account at the Bank of England Asset Purchase Facility Ltd, and on the current cash flow accounts there is £31,324m due to HM Treasury. Yes, you read that right. That's £31bn sat there doing nothing in an economy with negative GDP growth.

I first drew attention to this account [in 2011](#) when it became clear to me that the Asset Purchase mechanism was slowly unwinding. That is when I discovered that the UK's version of Quantitative Easing, unlike any other QE system in the world, doesn't automatically sweep the interest paid on the government bonds back to the Treasury.

The evidence is in [the accounts of the asset purchase fund company](#), where on the Cash flow statement on pp 6 you will see the line:

Due to HM Treasury £31,274m

which is an increase of nearly £20bn over the previous year.

(Note 10 to the accounts on pp9 states what is due to HM Treasury under the indemnity the company has from HM Treasury. The difference in values is due to the imputed 'profit' the company would get if it sold all its Gilts. The price of them has gone up since the start of the Asset Purchase process - which of course has reduced the wealth of the private sector by that £10bn. So much for the 'wealth effect').

This is corroborated by the [entry in the Bank of England Accounts](#), pp 94 where it states:

The financial statements of BEAPFF have not been consolidated as the Bank has no economic interest in its activities. BEAPFF's operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury. [...]

At the year end BEAPFF held a deposit at the Bank of £20.7 billion (2011: £11.8 billion), which is included in other deposits (note 22). Interest on this deposit is payable at Bank Rate and totalled £85 million for the year ending 29 February 2012 (2011: £44 million).

This money needs spending urgently - either by direct government spending or by giving it back to the population so they can spend it. Holding it back is madness.