

Dear Mervyn, Can I have billions of cash back please? L...

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The Treasury has published a letter sent today from George Osborne to Mervyn King. For those who want to read it, [it's here](#).

Let's cut through the crap. As we all know the Bank of England has bought £375 billion of government gilts under the quantitative easing programme. That's more than a third of the UK government's debt.

Gilts pay interest. Billions a year (over £40 billion a year right now). The Bank of England has therefore been receiving billions in income from the QE programme. But because George Osborne wanted to scare the living daylights out of the country by saying we could not afford this interest he's not asked for that interest received by the Bank of England to be paid back to the Treasury, quite absurdly. He preferred to pretend that the deficit was bigger.

And now he can no longer afford to play that silly game and so he's asked for all the money the Bank of England is sitting on back. It is, I understand more than £30 billion. That's money we no longer need to cut.

And that's all this letter says.

And yet it also says much, much more. First it says, [as I have long argued](#), that as these gilts are now owned by the Bank of England they might as well be cancelled: they are never going to be sold again, the income on them is now being cancelled out and so might the debt be as well. This was in all but name a money printing exercise and it should be recognised as such.

But that then means our national debt is not over £1 trillion. It's under £700 billion. And our grandchildren can sleep easy as a result: that's £375 billion George says they were going to have to repay that they'll never have to worry about.

And third? This should stop all that nonsense Clegg and Danny Alexander love, in their small minded way, to spout about unaffordable interest.

Let's come down to the simple truth: we printed money; we needed to print money; it has had no impact on inflation and now we could do it again, but this time with direct impact on the economy if only we used [Green Quantitative Easing, as I've long recommended.](#)