

The Bank of England is preparing the next crash

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The FT worries me this morning. [First it said this:](#)

The UK can have a growing banking sector without condemning itself to more frequent and costly financial crises, the Bank of England has said.

The sector is on course to double from its current size to more than 950 per cent of UK gross domestic product by 2050, far outstripping projected increases in other Group of 20 nations, the BoE said in a report published on Monday.

[Then there was this:](#)

The Bank of England says the vast majority of mortgage borrowers could handle interest rate rises of up to 2 percentage points, marking a significant shift in its stance on how higher borrowing costs will hit household finances.

The shift signals that the BoE is getting closer to changing policy and wants to reassure the public and financial markets that Britain's borrowers can cope.

Both of which have to be read in the context of the [FT noting last week that](#):

The new [Office for Budget Responsibility] forecasts show UK household debt rising even faster than previously thought in the next parliament (2015-20) to a record high of more than 180 per cent of gross domestic product.

And this has to also be noted in the light of the [Resolution Foundation's quite reasonable warning](#) that maybe one million UK households would be plunged into debt crisis by the mortgage rate rises the Bank of England is now envisioning.

So, what is happening here? I suggest there are three things.

First the Bank of England is suggesting that George Osborne may abandon his aim from 2010 to 2012 to diversify the economy. We're now hooked on finance again.

Second, the Bank of England is paving the way for the OBR's debt forecasts to be considered acceptable, even if the fact that they may result from rate rises will not create the extra consumption that the OBR wish for as a basis for growth.

And third, it is apparent that the risks are being ignored.

We are, in other words heading back to "it will be different next time" land where it is always assumed that the lessons have been learned, debt can be managed and there can't be another crash, and yet there always is.

When will the Bank of England learn?

When will our politicians learn?

And when will we build an economy on something other than finance?