Funding the Future

Putting the record straight on People's QE

Published: January 14, 2026, 4:48 pm

I received an email yesterday which said:

You must stop misleading the press and public about the so called Peoples QE. It is more borrowing and not as you describe.

My logic is below using your explanation of what Peoples QE means:

1. New Borrowing is issued by the Green Investment Banks, Local Authorities etc presumably for a variety of terms eg 3, 5 and longer terms.

2. This borrowing is then purchased by the Bank of England.

3. Unless this new borrowing at 1 is cancelled (and to the best of my knowledge none of the first QE debt has been cancelled)

then this new borrowing at 1 adds to the total of UK government debt.

4. The purchased debt at 2 sits on the Bank of England balance sheet and 2 is not set off against 1. UK accounting rules do not allow this

since the debt at 1 still exists. To argue than people will in practice set 1 and 2 off is naive and not in accordance with UK accounting rules.

5. The Bank of England, being independent, can sell 2 at any time as market conditions allow. There is no effect on 1.

This is a polite warning about the flaws in your Peoples QE claim before it comes under wider scrutiny.

So let me make clear why I am not misleading anyone with what I am proposing.

Step 1 as noted here is correct, although I suspect the terms will be a lot longer than noted: many will be for up to 25 years given this type of QE is suited to major projects.

Step 2 is wrong. Because of EU law the bonds have to be sold into the financial markets first, but there is no reason at all why this could not be for an agreed fee akin to underwriting, after which the bonds are, indeed purchased by the Bank of England.

Step 3 is where I begin to disagree with the logic. I have long argued that if a government owns its own debt then it is impossible to argue that the debt still exists in any meaningful way. If the public sector produced consolidated accounts (as would be required of a private sector entity) the Bank of England would be considered to be controlled by the government and the debt owing between the Treasury and Bank of England would fall out on consolidation meaning that no third party liability would be reported as owing. In that case to argue that the government has increased its borrowing when in fact this is just an internal financing arrangement is simply factually wrong even if the loan itself is not cancelled.

Step 4 is wrong. Of course the individual entities can record the assets and liabilities. But in a group consolidation UK accounting rules would most definitely require the offset of the two: that's precisely what group accounting is all about. It would be wrong not to offset the two. The claim made is factually inaccurate as a result.

Step 5 is wrong for political reasons. It is said that the Bank of England is independent. It is not in practice. Its head is appointed by the Chancellor and is answerable to him. Appointments to the MPC and other Boards are with Treasury consent. Whatever the law says this is de facto control, certainly for accounting substance over form purposes. And let's be quite blunt: if a government wanted to do People's QE and the Bank objected you can be sure the 1998 Act creating Bank of England independence would be repealed or modified very quickly indeed, as I am quite sure Mark Carney and his predecessors will all have known, as will his successors. So the claim is not politically sustainable.

In other words all these arguments fail to hold any water. I am happy for the wider scrutiny to come my way in other words.

And whilst we're about it let me deal with another issue raised by someone called Bill on the blog, who in a series of questions basically said that it could not be true that these bonds were interest free given that statutorily the Bank of England has to pay over only 25% of its profits to the Treasury and that it was also not true that these loans did not have to be repaid.

On the interest issue, first of all whether or not interest is paid is pretty academic. First, if it is then the government could simply increase the grant to the agencies paying it and in turn receive it back via the Bank of England. The sum involved and even the rate is irrelevant in that case. And Osborne proved when, in 2012 as I recall it, that he could make claim to all the profit made by the Bank of England on QE which then exceeded £30 billion that the over-ride to the Bank of England's right to retain profit which says words to the effect 'unless agreed otherwise by the Treasury and Bank of England' actually means 'unless agreed otherwise by the Treasury'.

As for loan repayment, this will, of course, have to happen. A loan without a repayment date is not a loan. But as I explained to Bill:

And as for repayment, suppose a 25 year bond comes to repayment day. The day before the borrower issues a new bond to a bank which then sells it to the Bank of England for almost the same price, and then the next day the borrower uses the proceeds to repay the Bank of England the original loan. Net consequence? Zilch. No effective repayment: the borrower still 'owes' the same sum, the BoE still owns the same effective asset and apart from an irritating small fee to a bank for effectively doing nothing no money really changes hands when all is done and dusted. And the new interest rate is irrelevant: it is still circular.

The consequence is that, in effect, no real repayment is ever needed.

Or, to put it another way, People's QE works.