

It's time to close down PFI for good

Published: January 14, 2026, 4:22 am

UK government debt has reached its lowest price, in interest terms, ever. [This week the government will borrow money at 1%](#). For all practical purposes we can now say that government borrowing is, in effect, costless.

In any normal circumstance this would result in rational politicians working out what to do with the opportunity that this presents them with. We do not, of course, live in normal circumstances but since this crash in interest rates is not peculiar to the UK (where rates are, in fact, above those for countries like Switzerland where, overall, government debt is now subject to negative interest rates) then we can safely say that these rates would be available irrespective of the current UK political turmoil.

So what should be done to exploit this opportunity? I will explore some ideas in different blogs: in this first one I suggest that this is the perfect moment to write off PFI debt.

It is widely thought that PFI debt runs to hundreds of billions of pounds, and in some methods of counting that could be true, but that is most definitely not what it would cost to repay the debt. According to the most recent [Whole of Government Accounts](#) PFI debt looks like this:

The critical figure here is £41.1 billion. This is the current value of the loans actually outstanding to PFI companies. They might eventually be paid £190.3 billion (£81.5 billion plus £108.8 billion) but most of that is for interest not yet earned and services not yet supplied.

Let's put this £41.1 billion in context. This country has already done £375 billion of quantitative easing to bail out banks from 2009 to 2012. The Governor of the Bank of England is now talking about another £250 billion of QE. All of this will be pumped into the finance sector to enhance liquidity.

Let's also be clear: paying off that £41 billion of PFI debt now owing would have the same effect. Absolutely the same effect.

I have to say though that I am aware that more than £41 billion will have to be paid: the debt in question will carry a commercial premium right now because it has such good rates paid on it and market rates are low.

And there would also be the issue of loss of profits to consider as well, but that would be a great deal less than the £108.8 billion of value to be settled on the contracts.

How much would the precise cost be? I have to be realistic: I cannot say for sure. But is it massively less than £250 billion? Very definitely yes.

And at 1% interest rates it would be worth borrowing to pay off PFI debt now even if we were not likely to be doing QE that could better achieve this goal.

Taking the burden of PFI debt off the schools, hospitals and local authorities who suffer most of this cost would liberate them to deliver vital services now and in the future: the impact would be enormous.

There is a term for governments who do not take opportunities like this. I think that, to use technical language, it's 'bonkers'.

In that case it is time to get on with it.