

Solving the repayment of quantitative easing problem fo...

Published: January 13, 2026, 8:15 am

I had one of the boring 'but QE will have to be repaid one day' conversations that have been a part of my life for some time now towards the end of last week. The argument of those putting forward this idea is that it's all well and good the Bank of England buying up government debt and holding it under the QE programme but one day (they say) the Bank will either have to sell it back into the market (the reason why they 'have to' is never specified, largely because it does not exist) or it will become impossible to roll the debt over one day at the same interest rate. This is another non-argument: if the Bank of England replaces one government bond with another for the sake of QE the rate does not matter: interest is not paid on QE debt. Let me however suggest a way in which this argument could be put to bed for good.

Let's suppose the government decided (or more accurately, recognised) that it was never going to re-issue the debt acquired under the QE programme back into the market, not least because it can create new debt to meet market needs for debt with much better social consequences (new investment, etc.). In that case all the government has to do is create a new perpetual gilt carrying a very low rate of interest ([less than 1.8%](#) which happens to be the current incredibly low 30 year yield on government debt). By perpetual I mean a gilt that is never repaid: this is an irredeemable gilt: the government would never have to repay it. It would never require rolling over.

The government would then offer to buy all the gilts in issue of any type where the Bank of England has a current holding under the QE programme and replace them with this new perpetual irredeemable gilt. The offer would be to all who held that debt: a level playing field is appropriate. Most would not want this new gilt: it would be (deliberately) low yielding which would make it relatively unattractive to most compared to the assets they hold. To the Bank of England this is, however, a matter of indifference: they earn nothing on the gilts they hold as the government does not pay interest on QE gilts because there is no point in them doing so: it's equivalent to them paying themselves. The Bank are also granted an indemnity on gains or losses on the gilts they hold. An irredeemable gilt would avoid the need for this: there could never be a gain or loss requiring indemnity because there would never be a redemption where

that gain or loss could be crystalised.

At a stroke a number of problems are solved. QE would never roll over again.

Gains and losses on QE investments would end: they could not happen.

And a new class of low cost gilt would have been created. At some point this could be issued to fund the investment this country really needs if only a government were prepared to undertake that beneficial activity on behalf of the country.

And those pointless arguments about QE having to be repaid would end: the QE debt could be held in perpetuity, neither redeemed or cancelled, but just sitting there like the double entry book-keeping which is all that it now really represents.

What's the objection? The only one I can see is that people want debt to be repayable. Why? So they can try to make governments beholden to markets. It's time to shatter that myth for good. This would help do that.