

If the rating agencies care to write down government de...

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I was in a discussion on email with some informed people today when this comment was made:

Fitch lowered its credit rating of UK government bonds from AA to AA- last week. The next step is A — which means that UK government bonds could not be bought by most of their current holders (UK insurance companies and pension funds — and any charity. Many would be forced to sell as well — and we would find ourselves with a first order crisis of government funding overlaid on what is rapidly developing as a depression .

I think the concern is real: [Fitch did, indeed, do that](#). In response I said: *The idea that UK debt is AA- is absurd. Sovereign debt is the one asset that cannot fail to pay right now: the government can and always will pay, come what may, by issuing the cash to do so. And the queue for government debt is considerable: £45 billion will be sold this month without problem.*

The rating agencies are, then, living on another planet far removed from reality, and are subscribing to an economic logic that is disconnected from the facts. If they do not appreciate that very soon my simple answer would be that the government rule that its debt is always investment grade and dispense with their services - after all, they pay for this nonsense; the agencies don't do it for free.

Of all the problems we face the risk that government debt is no longer investment grade is about the smallest: just as money can be created by a few keystrokes, so too can this be addressed with a few words in a statutory instrument, which is precisely what I'd be preparing if in the Treasury now.

The idea that a rating agency should now have leverage over the UK government when it is dealing with the biggest economic crisis in almost anyone's lifetime is quite absurd, most especially when it is recalled that these agencies were major contributors to the 2008 crisis because of the wholly inappropriate AAA ratings they gave to many of the mortgage-backed securities that crashed then, which shows how enormous their failing really are.

We can do without ratings agencies pontificating about government borrowing.

We cannot do without government borrowing.

What is going to give is fairly apparent in that case.