Of course banks are not putting up savings rates: they ...

Published: January 13, 2026, 1:34 am

As The Guardian has noted:

Millions of people are being short-changed on savings rates, with banks and building societies failing to pass on this month's 0.5 percentage point interest rate rise, research has claimed.

They added:

On 4 August, the Bank of England pushed up interest rates by 0.5 percentage points to 1.75% as the UK battles to prevent inflation running out of control. It was the sixth successive interest rate hike.

And then they note:

Research issued on Tuesday found that as of 15 August, Britain's banks and building societies had passed on the full 0.5 percentage point increase to just two out of 233 easy access savings accounts.

Why is this? They say:

Some experts have previously argued that most of the big banks are uninterested in attracting savers' deposits.

Some will say the banks are relying on customer apathy. Some customers will quit in search of a better deal, if they can find one, but many others will not notice the change or will not get around to moving their money.

That though does not get near the real reason, which is the explanation provided by modern monetary theory. Since banks do not need to hold deposits from customers to make loans, because all loans are made as a result of new money creation, of course banks are not willing to pay people to deposit funds with them anyone. Why on earth would you want to pay for something you no longer need?

Banks have implicitly or explicitly (it does not really matter which, although some honesty on their part would help, however unlikely it is) rumbled the truth in MMT, which is that bank deposits are economically useless, however much people desire to hold them.

It will be a task for an enlightened government to provide a new use for savings. My suggestion is here.