

## The government can set interest rates in the situation ...

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Ministers are trotting out the opinion that the Bank of England sets interest rates and so any coming mortgage crisis is not their fault. Therese Coffey is doing so on this morning's media round.

Journalists need to know that this is not true. The Bank of England is supposedly independent of the government. The [Bank of England Act 1998](#) created this supposed situation. But there is a provision in the Act that people need to know about. It is section 19, which says this:

- Treasury's reserve powers
- 19 **Reserve powers.**
- (1) The Treasury, after consultation with the Governor of the Bank, may by order give the Bank directions with respect to monetary policy if they are satisfied that the directions are required in the public interest and by extreme economic circumstances.
  - (2) An order under this section may include such consequential modifications of the provisions of this Part relating to the Monetary Policy Committee as the Treasury think fit.
  - (3) A statutory instrument containing an order under this section shall be laid before Parliament after being made.
  - (4) Unless an order under this section is approved by resolution of each House of Parliament before the end of the period of 28 days beginning with the day on which it is made, it shall cease to have effect at the end of that period.
  - (5) In reckoning the period of 28 days for the purposes of subsection (4), no account shall be taken of any time during which Parliament is dissolved or prorogued or during which either House is adjourned for more than 4 days.
  - (6) An order under this section which does not cease to have effect before the end of the period of 3 months beginning with the day on which it is made shall cease to have effect at the end of that period.
  - (7) While an order under this section has effect, section 11 shall not have effect.

The definition of an 'extreme economic circumstance' is, of course, open to interpretation, But if a situation where millions of households face mortgage bills they cannot afford, with many more millions in rentals properties also seeing their rents rise for the same reason, then I am not sure what an economic emergency might be.

In other words, right now the Treasury has the most certain power to intervene in the actions of the Bank of England and, if it wishes, set interest rates.

My point is a simple one, and is that the excuse that ministers are using to defend their inactivity is invalid: they can and should intervene to set interest rates in the public interest right now. If they do not then they are failing in their duties.