

Funding the Future

£136 billion of wasted government spending when the NH..

Published: January 13, 2026, 1:42 am

I posted [this thread on Twitter](#) this morning, summarising [this post](#) in a more accessible way:

The government is going to pay our commercial banks £136 billion of excess interest over the next five years on money the government gifted to them using the QE process. That's £27bn a year that could be used in the NHS and education. This is outrageous. A thread....

The key issue to understand here is that when the government made almost £900 billion of new money using the QE process that got spent into the economy via our commercial banks, like Lloyds, Barclays and Santander.

What happened as a result was that these banks ended up with over £900 billion supposedly on deposit account with the Bank of England. They are being paid Bank of England base interest rate on these deposits.

In 2021 that bank base rate was 0.1%. Even in March this year it was expected to peak at around 2% and then fall to 1.25%. Now the Office for Budget Responsibility forecasts a peak of 5% and then only a slight decline to 4.25% by 2027.

I used this new interest rate forecast plus forecast falls in these deposit account balances because of (unlikely to happen) plans to reverse QE to forecast how much extra interest the banks will be paid over 5 years as a result of the increase in official interest rates.

The answer is £155 billion of extra interest due over five years.

Now, in practice I accept some might need to be paid for technical reasons. So I adjusted for that. The excess payment then became to £136 billion over five years.

That is £27 billion a year on average for the next five years that the government will be paying to the commercial banks on money they never earned but were instead given because of the QE process.

Let me put this in context. £27 billion a year also happens to be the amount of increased tax a year imposed yesterday. All of that is going to our banks. They are the only people gaining from it under Hunt's plans.

Alternatively, £27 billion was the total cuts a year imposed yesterday. And what I am suggesting is that all of those cuts were made to ensure we can pay the banks what they are not owed, but which the government wants to pay them.

This is absurd. This interest need not be paid. There is no law requiring it. Pre-2008 nothing at all was paid on these balances. I reckon 0.1% on total balances over £100bn would be more than enough to fulfil the policy goal for making payments. And that would save £136 billion.

In other words we could, by simply denying the banks their unearned gains, provide enough to protect and reinvest in the NHS and to protect and invest in education.

The government has made a choice. They have decided banks should gain. As a result they have decided people will die and children will not get the future they deserve. And they have done that so that bankers can have massive bonuses on ill-gotten income.

I think this is wrong. I think it should be put right. I call on all politicians to stop these absurd and unnecessary payments to banks and to use the money for essential public services instead.

And for those who want the detail, my workings are here.

<https://www.taxresearch.org.uk/Blog/2022/11/18/spending-cuts-will-be-27-billion-next-year-which-is-the-additional-unnecessary-sum-the-government-is-planning-to-pay-in-interest-to-the-uks-banks-next-year/> Please complain. Please do so now. Tell your MP to change this, now.