Why isn't the cost of living crisis apparently hitting ...

Published: January 13, 2026, 3:36 am

Although interest rates have gone through the roof, and the consequence for mortgage borrowers has been widely reported, there has not been the rise in bank bad debt provisions that should logically follow from this.

That absence has puzzled me, but an article in the FT this morning suggests an answer:

Plend, a peer-to-peer lending platform published research recently suggesting the number of people who feel "locked out" of the financial system jumped by 40 per cent last year, as banks cut back on riskier lending: more than a quarter of the UK population now feels financially excluded and the figure is nearly half for black and minority ethnic communities.

It would seem that the reaction of banks is to simply deny credit to those who they think might default, forcing them out of the mainstream banking market.

There has been a boom in the 'buy now, pay later' market as a result.

I suspect the secondary, extortionate, lenders are winning too.

But we should not ignore the cost to society.

We already know that banks withdrawing their physical presence, and even ATMs, from communities is having a cost in terms of access to banking, not least for cash-based businesses (and there are still some) and the elderly who are reluctant to use online services.

What this latest trend - and it is markedly upward according to another FT article published in April - suggests is that this crisis is being exacerbated for many already in the margins of financial access by banks deliberately withdrawing from the markets serving them as well.

The cost will be significant. People without access to credit lose resilience. Crises cannot be managed, or can only be managed at considerably greater cost. In a world where savings are little known to many in our society (the bottom half of income earners have few of any significance between them) this means those already vulnerable are being exposed to very much greater risk.

This trend is so familiar. Just as the government is trying to tackle its own debt issues (which do not really exist) by forcing the private sector into debt, so the private sector is managing its debt crisis by forcing the most vulnerable into the arms of the worst types of credit, or simply leaving them to go without when that has a massive impact on their wellbeing. We are witnessing collective denial at cost to those least able to afford it.

Many years ago, when discussing this issue, I suggested that it was the job of the government, through local authorities, to address this issue. I suggested an emergency loan should be available to anyone, with a simple application process and a cap on the total possible facility, with loans only being provided for essential spending. But vitally, I suggested low-interest charges should be offered because repayment should be via the benefits or PAYE system, with simple adjustments being made to allow for that (and I do not think that beyond the boundaries of the design of either system).

Nothing like that has ever happened, of course.

Has the time come to talk about it? When the absence of access to affordable credit is doing real harm in society now, surely it is time for the government to tackle the issue? Is that really too much to ask for?