

Funding the Future

How to find £30 billion to provide support to househol...

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The impending mortgage crisis is becoming the biggest issue in the economy and politics in the UK. With millions of homeowners due to renew their mortgage deals in the next 18 months, and with the government seemingly determined to support the Bank of England's reckless policy of forcing real interest costs ever higher, the reality of many of those households simply being unable to afford the costs that they will be asked to pay is coming ever nearer. A social crisis, a banking crisis and a recession all follow, in all likelihood.

What is this government's reaction? This was Gove on Laura Kuenssberg as [reported by the Mirror](#):

Mr Gove said ministers are "looking at everything that we can do in order to help homeowners through this difficult period".

But he warned that any sort of large-scale intervention such as creating a furlough-style scheme for homeowners would be extremely costly.

He added:

"If government is spending money, then it can't be magicked out of thin air," he told the **BBC**'s Laura Kuenssberg.

"It will all either come from people's income through taxation – and we've got to keep taxation low – or borrowing."

The same old utterly illiterate economic arguments, then.

For even hinting that there might be support, he was, however, firmly slapped down by Jeremy Hunt later in the day, [as the FT reported](#):

Jeremy Hunt, UK chancellor, has ruled out giving any direct fiscal support to households struggling with soaring mortgage costs, even though the issue could hit Conservative prospects in the run-up to the next general election.

Hunt has concluded that ~~Page 1/2~~ intervention would drive up government borrowing and fuel inflationary pressure, causing the Bank of England to put up interest rates even higher, Treasury

The very obvious answer is, of course, to cut interest rates.

On the other hand, if this is deemed impossible, let me offer a simple way in which help for those with mortgages might be found.

The interest paid on the central bank reserve accounts that commercial banks hold with the Bank of England will have increased by more than 4.5% in less than two years by the end of this week. Not one penny of this money was created by the banks. It was, in effect, gifted to the banks due to government money creation during the 2008 and 2020 crises. It saved these banks from insolvency then: it might do so again in future. The balances are now approximately £900 billion. That means that more than £40 billion a year is paid in interest by the government on these accounts now. That is wholly unearned profit for the banks, not least because they also did nothing to earn the additional sums now paid on these accounts as they have no control over the interest rate paid. I suggest that this income should now be taxed at a rate of at least 75%, and maybe more. That would provide a £30 billion or so additional return to the government. That should help with providing mortgage assistance.

If they need more, come back to me. There are more ideas to offer if required.