

Why is the Bank of England selling bonds at a loss when...

Published: January 12, 2026, 10:15 pm

As [I have noted this morning](#), the Bank of England is now reporting that it might make a loss of £150 billion on the disposal of its stock of government gilts or bonds acquired under the quantitative easing programme.

As I noted at the same time, there is no reason for the Bank of England to make most of this loss because much of it will arise because it wishes to sell the bonds that it holds before their due redemption date when the value of the bond is repaid to its last owner by HM Treasury.

The question does, then, have to be asked as to why the Bank of England pursuing this policy? I think that there are a number of possible explanations.

First, I have to make clear that this policy is a matter of choice and not necessity. The Bank of England is the only central bank in the world that is selling bonds as aggressively as it is doing. No one else has a quantitative tightening programme anything like as extreme as that of the Bank of England. We do, therefore, have to presume that there is a deliberate policy choice behind this exercise.

Second, given that the Bank of England is forecasting that selling bonds at their current prices might give rise to a loss of £150 billion, we have to presume that they are making the choice to sell bonds at those prices precisely because they want to realise these losses, which is a voluntary exercise on their part. They do not need to make those sales. They do not need to make those losses. They must, therefore, have a reason to do so.

So, third, what is that reason? This is where I begin to struggle. It is not as if there is a shortage of funds available to buy: the government is currently running a deficit and is likely to do so for years, if not decades, to come. As such, there is already a regular supply of bonds to the market. There is no reason whatsoever for the Bank of England to meet an unmet demand for bonds.

The justification has, then, to be based upon a policy decision. Given the remit of the

Bank of England, the only legal justification that there can be is that the sale of these bonds will, somehow, assist the goal of reducing the rate of inflation. And, given that, as far as the Bank of England is concerned, the only economic tool that impacts upon that rate of inflation is the base interest rate and its impact in the market to force general interest rates upwards, thereby withdrawing funds from circulation within the economy so reducing demand for goods and services, and so in turn, supposedly reducing the overall rate of inflation, then the sale of these bonds must be linked to that objective.

The logic implicit in this is that the more government bonds that there are available to the market then the more saturated that market will be, meaning that unless the interest rate on offer is increased then those bonds will not find a purchaser. As a consequence, what the Bank of England is seeking to do by putting bonds that need not be sold on sale is to force down the price of government bonds in the market, which has the inverse consequence of increasing the effective net interest rate earned upon them by those who will buy them. But, of course, given that the Bank of England acquired these bonds as a result of the quantitative easing programme at much higher prices than they are being sold at because interest rates were then being forced downwards, with bond prices being consequently high, what the Bank of England policy now necessarily means is that losses on the sale of these bonds is a deliberate policy decision which it seems that the Bank of England thinks that it can take without having to refer to any other authority.

As a matter of fact, it is, however, the case that the loss that the Bank of England will incur will necessarily, be suffered by HM Treasury and not by the Bank itself. That is because, as its accounts make clear, the Bank of England's transactions with regard to all aspects of quantitative easing and tightening are underwritten by the Treasury. In that case, the Bank of England either thinks that it has the right to incur a cost of £150 billion when making losses to artificially increase the rate of interest within the UK economy at cost to the people of this country whilst enhancing the well-being of those who happen to acquire the bonds that they sell at an undervalue, or they are doing so with the permission of HM Treasury which is knowingly suffering that cost without disclosing the fact.

In that case, the real question to ask here is to what degree is the Bank of England undertaking this activity at a significant cost of the government with the knowing connivance of the Chancellor of the Exchequer? And is that connivance intended to cover up the fact that the government is knowingly doing four things?

The first is, is it deliberately selling assets at an undervalue, the consequence of which will be to inevitably enhance the wealth of the acquires at some time in the future?

The second is to ask whether this is part of a deliberate program of expenditure incurred by the government with the intention of creating a recession.

The third is to ask whether this spending is being deliberately incurred to drive those

with mortgages, businesses with loans, and others with liabilities linked to the Bank of England base rate into varying degrees of financial stress or even bankruptcy.

Fourth, of course, is to ask whether this policy has been deliberately promoted with the intention of creating austerity in government expenditure.

I apologise for the rambling nature of this particular blog post. Unusually, it has been written over a period of several hours as I have struggled to come to terms with a policy decision that is so incoherent but for which there must, however, be a justification.

As is apparent, every potential possible explanation appears to me to be malevolent. There appears to be a deliberate policy of undermining the value of government assets. That is associated with a deliberate policy of increasing the wealth of a select part of society that happens to benefit from this.

Simultaneously, the government appears to be using the Bank of England as cover for policy of spending to deliberately create stress that will lead to a recession within the economy, for which it does not wish to accept responsibility but for which it will, nonetheless, necessarily suffer the cost.

No possible explanation for this policy is, therefore, available that might explain why this policy might be beneficial to society at large when it is also apparent that raising interest rates is having little or no effect on the rate of inflation.

I am usually reluctant to condone conspiracy theories. In this case, however, I do not think there is a conspiracy theory. I simply think that there is a conspiracy against the interests of the people of this country and that stinks.