

Will the Bank of England continue with its policy of cr...

Published: January 13, 2026, 12:53 am

It is widely expected that the Bank of England will increase its base rate for the fourteenth time since 2021 when it meets tomorrow. Whether that increase will increase the base rate to 5.25%, or 5.5% is the only issue on which most commentators are speculating.

As I have told journalists who have called me on this issue, if I were on the Bank of England monetary policy committee, I would be voting for a cut of at least 1% on Thursday. I would also be indicating that this would be the start of more cuts to come.

The grounds are quite straightforward.

Increases in rates have already gone too far.

It is apparent that inflation is now falling.

The impact of the rate increases in the system that have not already had any time to take effect are still in the system and may already be deeply recessionary in their impact.

In that case, no further increases are now necessary to reduce inflation, if such increases ever had that consequence.

Continuing high interest rates are instead causing a growing financial crisis.

Households are unable to meet their cost of living.

Personal indebtedness is rising.

The cost of mortgages is breaking the financial viability of many households.

The impacts on the property market are already being seen.

Rental property is being withdrawn from the market with significant social

consequences.

The risk of a banking crisis is real.

Businesses are suffering undue stress.

Inflation is being fuelled by rising interest costs.

There is literally no remaining logic that could justify an increase in interest rates this week unless, that is, the goal of the Bank of England is to create a recession as a consequence of which they believe that continuing strongly positive interest rates might, somehow, be accepted as a market norm, whatever the social impact that those strongly positive interest rates might have.

And to contextualise this, I make clear that there have not been positive interest rates within the UK financial markets since 2008.

Homeowners are now wholly unaware of what they mean with regard to mortgage payments.

Similarly, very few managers now running UK businesses have any idea what it means to pay net real interest costs upon their borrowing.

The mindset of positive interest rates simply does not now exist.

It does not even exist in banking, where the willingness to pay such rates to savers appears to be almost non-existent.

In that case, what the Bank of England is trying to achieve with its policy is unfathomable.

What I would be trying to achieve with my policy is, in contrast, easy to understand.

I would be seeking to avoid a recession.

I want to keep people in their homes.

I want to cut the cost of living, which rising interest rate rises are fuelling.

I want to prevent a banking crisis, a private debt crisis, and a business debt crisis.

I want to, in other words, prevent the financial mayhem that an out-of-control financial services sector can reek upon an economy.

The trouble is, I have a little doubt that I will be ignored tomorrow. That out-of-control financial services sector will, instead, get its way.