

## The Bank of England created recession is going to blow ...

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The [Guardian reported yesterday](#) that:

*The economy has flatlined and only a quarter of the impact from the Bank of England's 14 consecutive increases in interest rates has fed through, according to one of its policymakers.*

They added:

*Swati Dhingra, a member of the central bank's rate-setting monetary policy committee (MPC), said the full force of the steep rise in borrowing costs to 5.25%, after years of cheap loans and low mortgage rates, was only just beginning to hit household incomes.*

*Speaking to the BBC, she said she was concerned that millions of mostly young and poor households would be affected next year if interest rates remain high as expected.*

Her fear is right.

The Bank of England even admits to sharing the fear. In another report a couple of days ago, [the Guardian noted that](#):

*Consumers are taking longer mortgages and spending more on credit cards in an attempt to adapt to higher interest rates and living costs, potentially storing up debt troubles in future, the [Bank of England](#) has said.*

The central bank's financial policy committee (FPC), which keeps tabs on the health of the UK financial system, has seen evidence over the last three months of some households increasingly relying on credit cards to make ends meet.

That the Bank might be surprised about this is, of course, some indication of just how out of touch with reality they are.

It also indicates just how poor the assumptions that they use for modelling are.

The Bank will have assumed that rational people will have cut their spending in response to the pressures that the Bank is creating. Out in the real world, people will always borrow first to maintain what they have in the first instance. Apparently, the Bank does not know that.

What the second report also proves is that the concern that Swati Dhingra has is justified. Of course, the full impact of interest rate rises has yet to hit.

Not everyone has had to remortgage on new and penal rates as yet.

Not every landlord has increased rents as yet.

Savings have not been eliminated as yet.

And credit card limits might still have a little room in them, as of now.

But none of that is going to last. Things can only get very much worse as the Bank pursues its stated policy of keeping interest rates artificially high for a long time to come.

And what that means is that as Labour comes into office sometime next year, it will be facing the most almighty meltdown in the economy just as it says it will not tax wealth more, borrow more or spend more on public services as a result.

I hate to break it to Rachel Reeves, but every one of her own assumptions for government is going to be blown asunder by the scale of the crisis she is going to face when in No. 11 Downing Street, all of it created by choice by her old employers at the Bank of England. I sincerely hope she is scenario planning for it already, because she needs to be.