

Why is the state paying interest to banks on money the ...

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My old friend, Prem (Lord) Sikka said this [in the House of Lords](#) yesterday when discussing the Autumn Statement. I think the whole section of his speech is worth sharing but I highlight one section deliberately:

I have some specific questions for the Minister about the public debt, which she referred to in her speech. Nearly £1 trillion of quantitative easing has pushed up asset prices and enriched a few. One study has shown that QE boosted the wealth of the richest 10% of households by between £128,000 and £322,000 per household. Instead of squeezing the poor and public services, the Government could have clawed back this gift to the richest. Can the Minister explain why the gains arising from QE have not been clawed back?

Public debt under the Conservatives has soared from around £1 trillion, or 65% of GDP, in May 2010 to £1.79 trillion, or 79% of GDP, just before the pandemic. The latest figure is £2.64 trillion, or 97.8% of GDP. What does this public debt actually consist of? Ministers have never explained. I can see no rationale whatever for treating quantitative easing balance as part of the public debt, especially as the Government hold equivalent gilts and bonds. In any case, QE is an intrastate transaction between the Bank of England and the Treasury, and the consolidated effect is zero. Can the Minister explain how much of the QE is included in the public debt amount, and why?

*Through the QE, the Government have enriched speculators by pushing up the price of gilts and corporate bonds, but they are now selling them at a loss. Can the Minister explain why, as part of quantitative tightening, the Government are selling securities at a loss, how much has been lost, and why the public purse is being held responsible for that loss? **The Government are also paying interest to commercial banks on what are called central bank reserves, which are created as a result of QE. Can the Minister explain why this interest is being paid on the money that has been created by the state and given away freely?** How much has been paid so far, and when will the Government stop this practice? It is akin to a farmer growing carrots and giving them away, then when he wishes to have one or two carrots back he*

offers interest to those who will return a carrot. That is exactly what the Government are doing, and it is a crazy policy. I hope the Minister will be able to give a detailed reply to each of my questions.

These are, of course, themes long discussed here. I am delighted that Prem has raised them.

Prem did not get detailed answers to his questions. He was instead told that the Minister (Baroness Vere of Norbiton) would write to him. I have asked him to share the reply with me and he has assured me that he will.