

Funding the Future

The Bank of England has been fuelling inflation by boos...

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The [FT has noted](#) research by the Resolution Foundation this morning, reporting that:

The overall boost to UK savers' incomes from higher interest rates outstripped the impact of increased mortgage payments on households, according to new research from the Resolution Foundation think-tank.

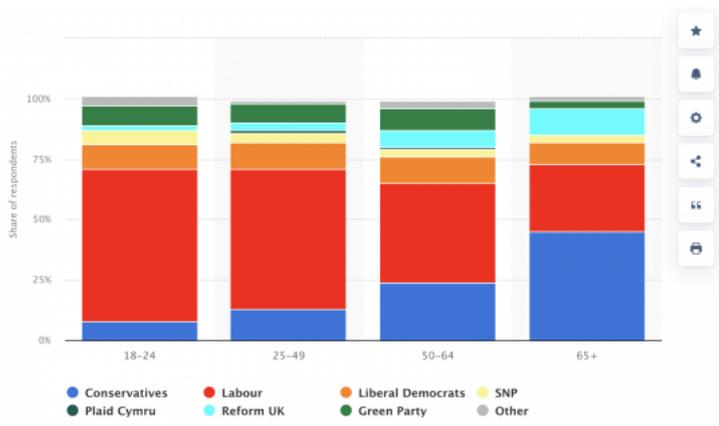
They added this detail:

Real income from savings rose by £34bn over the period — more than offsetting the £18bn rise in debt interest costs. The boon accounted for three-fifths of all household income growth since the last quarter of 2021, the research found.

Three observations follow. The first is that this adds to my belief that interest rate rises have fuelled inflation by increasing the disposable income of the moderately wealthy, likely more elderly population, who have an inclination to spend.

Second, it makes clear just how little of the impact of interest rate rises has already arisen - and how much more is to come, supporting my suggestion that recession is likely as a result of them.

Third, there is a political dimension to this. We know that the wealthy tend to be older. So too are Tory voters. As [Statista has reported](#), voting intentions in a general election in the United Kingdom in September 2023, by age group, were as follows:



Interest rate rises are very clearly to the benefit of the only age cohort displaying core support for the Tory party. Why would they want to change that?

Which leads to another question, which is why is Labour not saying it wants to see rates fall? I wish I knew.

In fact, there is so much about that chart that begs so many questions of Labour that one wonders where they are on the political planet. Or is it that they simply think that they have the young, like the left, in the bag, and so are spending all their time playing to the old? If so, why? Taking their existing support for granted when there may be ten months to go to an election really does not seem like a very good idea when the party seems determined to say nothing about what it will do for anyone. This election is not over yet.