

When asked who to favour, banks or children in poverty,...

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As the [FT has reported](#) this morning:

Shadow chancellor Rachel Reeves has warned of the “dangers” of overhauling how the Bank of England pays interest to commercial lenders on their deposits, pouring cold water on an idea that some economists have said could help a Labour government find savings.

Reeves said on Tuesday that Labour had no plans to “tier” the interest paid on the reserves that commercial banks hold at the BoE, which total about £770bn currently.

Such a move, which would have to be enacted by the central bank, could potentially save the public sector billions of pounds a year, but Reeves suggested at a press conference she was not interested in changes.

So, given a choice, Rachel Reeves has chosen to favour banks when there is near universal agreement now that some saving could be made in the payment of interest on central bank reserve accounts with the effectiveness of monetary policy (if that is necessary) being maintained.

Her choice favours banks, while she claims there are no funds available to end child poverty. She could do this for maybe a million children hit by the two-child benefit cap at a cost of less than £2 billion a year, which could be provided many times over by just limiting these interest payments.

Reeves would rather favour banks than children in poverty. That's what we need to know about the forthcoming Labour government.

But that is also why it will fail.