

You have no money in the bank

Published: January 12, 2026, 11:48 pm

I have published the first in the Economic Truths series of videos. In it I argue that it's an economic truth that no one has money with their name on it in a bank. All you have when you make that claim is a bank statement with an IOU printed on it. The bank has a debt owed to you. And that's it.



For reasons best known to WordPress, this video will not embed here, and [so the link to it is here.](#)

The audio version is:

https://www.podbean.com/player-v2/?i=ry7tp-167eb6e-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=8bbb4e&font-color=auto&logo_link=episode_page&btn-skin=ff6d00

The transcript is:

It's an economic truth that you haven't got money in the bank, even if your bank statement has a positive balance on it.

Now this comes as a bit of a shock to most people, because when you've got savings, people like to say they've got money in the bank. But I'm sorry to inform you that that statement is not true.

So, let's first of all talk about what money is.

Most people think that money looks something like this. There it is, a £20 note. That is the common conception of what money is in the UK. It'll be a dollar bill in the USA, it'll be a euro note in Europe. But that, as far as the UK is concerned, this is what most people think money is.

But it isn't. Because this is just a statement of debt.

How do I know that a banknote is a statement of debt? Well, it's because it says on it, "I promise to pay the bearer on demand the sum of £20". In other words, this thing that we call money is in fact an IOU. Nothing more, or nothing less, than a record of a debt: a debt owed by the government that issued that note to you, who happens to own it at present.

And if you put your money, which was represented by a pile of those notes, into the bank, the bank then has that pile of notes, and guess what? They are owed money by the government. And you aren't, because this is what is called a bearer bond. And, a bearer bond is one where the money is owed to whoever happens to have it at that moment.

Now that's important because that isn't the relationship you have with your bank. You didn't give the bank your money, as you see it, for them to then say, well, it's mine now, thank you very much. You gave it to them on the basis that they would repay it to you.

And in practice, that's what they acknowledge that they will do. They'll acknowledge that by printing a bank statement with a positive balance on it.

Of course, if you owe the bank money, the bank statement will have a negative balance on it, and now you've got to pay them. But the principle is the same.

In either case, there isn't money floating around. There's debt floating around. And that's because all money is debt. It is just a promise to pay. So, we really shouldn't get confused between debt, which nobody can see, and these things, which are IOUs, which are simply physical records of debt, but actually aren't the debt itself.

The debt, by the way, in the case of that note, is repaid when you pay your tax. They accept your banknote as payment for tax, and that cancels the debt.

Now, how does this impact that relationship between you and the bank? Well, that relationship between you and the bank is one between a borrower, who is the bank, if you think you are in credit there - and you are in credit there because they record the fact that they owe you money as a credit balance on their bank statement, and it's their bank statement they send you, not your bank statement that they send you. It's their books that are recording you as a creditor, and a creditor is somebody to whom money is owed, and you are a debtor of the bank. They owe you money, so they are in debt to you.

Now, that's the relationship. In that case though, for you to expect there to be a pile of what you might think of as money in the bank to represent the payment to you is, I'm afraid, mistaken. There isn't anything with your name on it in the bank, except that bank statement.

That's because, in practice, a modern bank doesn't really deal in what most people think of as money.

I'm not saying they didn't once upon a time. Once upon a time, this idea of money as notes and coin was pretty relevant, because that's the way in which most transactions were undertaken in the economy. And until 1971, in theory, you could still demand that a pound in sterling could be converted, in a roundabout way, via US dollars, into gold.

But that's not true anymore. It hasn't been for over 50 years. So, there is no relationship between the debt that is recorded on your bank statement and anything tangible or physical or anything of the sort that you might think might be sitting on a shelf in the bank with your name on it. It doesn't exist.

There's just a bank statement. And so all the bank is actually doing by operating a bank is recording debts. Debts from you to the bank if you owe them money; from the bank to you if they owe you money because you think you've got money in the bank; and the transfer of debt between people, which is what happens if you say "please pay someone else" out of the funds that you currently owe me. The bank will then reduce the amount it owes you and increase the amount that it owes to somebody else if you make a payment through your bank account.

That's what they do. They are just bookkeepers. A giant accounting exercise is what goes on inside a bank. Which is one reason why, well, banks are very hard to find these days, because they don't need to be physically present on High Streets to do that bookkeeping exercise anymore when we don't use these tokens of debt instead of electronic payments.

Now this matters. It matters because if you are owed money by the bank, what guarantee is there that the bank will pay you? The answer is none at all if the bank is bust.

Now we are very unfamiliar in the UK with banks going bust. Only one has tried it since 1860, and that was Northern Rock, which tried to go bust in 2007, and the government bailed it out. So, as far as the people who deposited funds with Northern Rock were concerned, it didn't go bust. The government paid instead.

And that is, in fact, why the government does now guarantee any deposit in any bank owed to you of up to £85,000, come what may, if the bank you've chosen to put your money in does go bust.

Above £85,000, you are, however, at risk. If the bank goes bust, you may not be paid because this is just a debt that is being recorded on your bank statement there is no money in the bank with your name on it that is sitting there waiting for you to call on it.

You have to get your head around that fact, because unless you understand that all money is debt and that there is no money in the bank as such, it is just a record of monies owing to and from people, then the modern economy makes very little sense at all.

Of all the economic truths you have to understand, that is perhaps the most important of all. There's really no such thing as money in the world these days. There are just debts that we move around between us. And that's what we call money, but it doesn't look anything like the money we think of on a day-to-day basis.