

Why doesn't the Bank of England tell the truth?

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The Bank of England knows that all money is created by lending. It has published papers that confirm that fact. They must, as a result, also know that government spending has to take place before any tax can be paid. But they never say that. They take part in a conspiracy of silence on that issue to deny the public the truth. Why is that?

https://www.youtube.com/watch?v=ZkC9Y3rmGqk&si=RXTi_cqJocJvEpaU

This is the audio version:

https://www.podbean.com/player-v2/?i=jmpqr-172b954-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Why won't the Bank of England tell the truth?

It's a big challenge that I've just presented because implicit within it is the fact that I believe that they are not telling the truth, and I am quite certain that is the case, so let me explain my evidence.

In 2015, the Bank of England [published a paper](#) that said that banks in this country, and to be honest, banks around the world now do not lend the funds that people deposit

with them to the people to whom they provide loans.

They dismissed what is called the loanable funds model of banking outright. They said it does not exist. They said that banks are not dependent upon the availability of money from savers to let them make loans. Instead, they said that Banks create money when they make loans to companies and individuals who want to borrow, and those funds that those individuals borrow when redeposited become the savings that are actually deposited in banks.

In other words, what they said was that loans come first; savings come second.

And that, as a matter of fact, is true.

If you look at the double entry of banking, you can't do it the other way around because, if you try to, you cannot find a start point for where the money comes from in the first place that depositors are going to put into the bank. It doesn't exist because that money is commercial money, and it has to be created by commercial banks.

This is not Bank of England created money, except with regard to notes and coins, and that's a tiny part of the whole economy now. Therefore, for that money to have been created by the commercial banks to allow the deposits to take place, it must have been created during the loan process.

This fact, which is, I hope, no great news to people who follow this channel, is something that we need to explore as to its consequences. If the Bank of England know that the loanable funds model does not exist, in other words, that savers do not fund loans, then they also know that The Bank of England funds government spending and taxation does not.

They must also know that actually tax is paid to cancel the consequence of that government spending in exactly the same way as deposits are made by people who have received money from those who have borrowed from a commercial bank.

If you think the loanable funds model does not exist with regard to the commercial banking sector, you cannot believe, as a consequence, that the government is dependent upon what politicians like to call taxpayer money because actually, taxpayer money was created as a result of government spending, funded by the Bank of England in the first place, and that taxpayer money is used as payment or settlement of the liability that those taxpayers owe to the government created by law solely for the purpose of cancelling the inflation consequence of the money that the government created in the first place.

The two have to go together.

You cannot pretend that you don't believe in loanable funds, but you do believe in taxing coming before spending. It's not possible to do that.

So why does the Bank of England pretend, and still does every day pretend, that the government is dependent upon tax payments to actually fund its spending, when it knows as a matter of fact, because it operates the bank accounts for the government, that in practice, it creates money day in, day out, on the government's behalf?

And why doesn't it say that?

Why doesn't it correct the politicians of this country when they like to claim that they are utterly dependent upon tax payments to allow them to spend when the Bank of England knows that isn't true?

I wish I could answer that question. Because if they would only do that, they could turn the whole of politics in this country upside down.

Politicians would no longer be able to claim, "I'm very sorry, but we can't supply what you need - like, to relieve child poverty - because there isn't enough tax available to pay for it" because tax doesn't pay to solve child poverty. Money created by the government can be used for that purpose. Money that would then result in additional taxation paid, with the government's books balancing as a consequence.

But they don't want to say that.

And my belief is that there is a conspiracy going on. A conspiracy between the politicians of the single transferable party, which is what I describe the Conservatives and Labour as, because they all seem to have the same consistent policies, and the Bank of England to say nothing about what really happens when it comes to government finances to keep us all in the dark so that the majority of people believe that it is impossible for the government to solve the problems that are in fact completely within its reach.

I wish they weren't conspiring in this way.

I wish the Bank of England would tell the truth. I think it is beholden on it to do so. I think it should be challenging our politicians to tell the truth. But it isn't. And for that reason, I think its whole basis of existence has to be questioned. Because if it won't do its job properly, which includes telling the truth about what it does, then, it needs to be radically reformed and its independence to be curtailed.