

# Why won't Rachel Reeves save £20 billion a year?

<https://www.taxresearch.org.uk/Blog/2025/04/11/why-wont-rachel-reeves-save-20-billion-a-year/>

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Rachel Reeves could cut the interest paid by the government to the UK's commercial banks by up to £20bn a year. So why won't she, when she says she is so short of money that those with disabilities must suffer?

<https://www.youtube.com/watch?v=XITKNiosNwk?si=o8MAr8D-1m42GyXK>

This is the audio version:

[https://www.podbean.com/player-v2/?i=te3ma-186fdb3-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=te3ma-186fdb3-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:

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Why won't Rachel Reeves save at least £20 billion a year when the opportunity to do so is available to her?

I wish I knew the answer to that question because, as we know, she has chosen to penalise pensioners with the removal of the Winter Fuel Allowance to save a few bob here and there.

She is now penalising those who are on disability benefits to the tune of £6 billion a year to supposedly save the government money and balance its books.

And she doesn't need to do so because she could save £20 billion or more a year as a consequence of reducing the cost of the interest payments that the government makes in the UK, year in, year out.

How could she do that?

She could simply stop paying interest on all the bank deposits that the commercial banks in the UK supposedly hold with the Bank of England.

And I used the word 'supposedly' in that last sentence very deliberately because the deposits in question were not made out of funds that the banks in question had generated for themselves, or out of the funds that other people had deposited with them, but they were instead created by the UK government as a consequence of money creation during the period from 2008 to 2015 as a result of the global financial crisis, and in the years 2020 and 2021 as a consequence of the covid crisis.

During those two periods, more than £800 billion of money was created and injected into the UK economy by the UK government via the Bank of England, who was responsible for the money creation in question. And because double entry requires that there be both a debit and a credit with regard to every single bank transaction, the process of money creation required that there be a deposit in the Bank of England to match the money that was injected by it into the global economy through the commercial banks. The sums in question were called deposits by the banks, even though they had been created by the Bank of England, and absurdly, although the banks had literally nothing to do with the creation of those deposits, they are paid interest on them.

It's like you discovering that your bank has decided to put £10 million into your bank account and then pay interest on it, even though you've done nothing to deserve that or earn it. It is quite literally that crazy.

And yet Rachel Reeves continues to pretend that these are genuine deposits by the commercial banks that they somehow created, and which she, therefore, has to pay interest on via the Bank of England.

That is not what happens in Europe. The European Central Bank does not pay interest on all such deposit accounts maintained by European commercial banks with the European Central Bank.

And likewise in Japan, the equivalent balances held by commercial banks with the Bank of Japan do not by any means all earn interest. The vast majority of the balances there, in fact, earn no interest at all.

So, Rachel Reeves could do the same thing here. She could simply cut the interest paid on some or all of the, near enough, £700 billion of balances remaining on these

accounts, but which she seems entirely reluctant to do.

How much could she save as a result? Well, the current interest rate on that £700 billion is at 4.5%, so the interest is running at over £30 billion a year.

Now, I'm not saying she should cut all the interest. I can see some reasons why the Bank of England needs a mechanism to pay some interest so that its decisions on bank base rate have an impact upon the economy. That's an acceptable thing for it to do, but it could, for example, cut interest payments on £500 billion and that would save over £20 billion a year.

The cost would be entirely born by those commercial banks who have been favoured with that £20 billion a year of excess money payment year in, year out, for years gone by and have profited as a result, with the benefit going through the dividends that they pay to the wealthiest in the UK economy.

So, we have a direct choice. We can continue to benefit the wealthy by making these payments, or we can cut them.

We can benefit those with disabilities, those on low pay, and pensioners who need to be supported during the course of the winter because of the excessive costs of energy which are being imposed upon them, and so much more.

Which would you prefer? Would you rather that we continue to give handouts to the biggest banks in the UK, who never earned this money?

Or would you rather we support those who really need money to make sure that they can actually survive in a pretty brutal economy?

I know where I stand. Where do you stand?

If you think that these interest payments are wholly unnecessary and should be stopped, why don't you tell Rachel Reeves or, better still, tell your MP? Just write to them and say,

*Dear, whoever it might be.*

*I am aware The Bank of England pays interest at cost to the UK government more than £20 billion a year on the Central Bank Reserve Accounts maintained by our commercial banks with it, and that this is unnecessary because such payments are not paid by the European Central Bank in a similar situation, or by the Bank of Japan. Why then do you want these payments to continue when the money could instead be used to support those who have disabilities or those who are living in poverty?*

*Yours sincerely,*

*Sign it*

Send it.

If you don't know who your MP is, check on the parliamentary website and they'll tell you simply by entering your postcode.

And that way, you'll have done something to try to make the world a better place.