

Funding the Future

Published: January 13, 2026, 6:16 pm

As the [Financial Times](#) has reported, the cost of personal debt in the UK is rising rapidly, despite falling bank base rates. Rates are now very often over 30% per annum, and increasingly unaffordable as a consequence.

This is important. The reality is that an increasing share of households are borrowing not to spend, but to survive, and are paying heavily to do so. More people are now using credit to pay for essentials.

This is not a story about reckless consumption. This is a story about millions of people being unable to meet the basic costs of living from their wages, pensions, or benefits. This is a story of a system that is failing, and yet, this is not the debt crisis our politicians talk about.

Labour would rather have us focus on the supposed crisis of government debt, which, as I have often explained, is simply the consequence of the state injecting money into the economy so that it might function. That debt, when structured as bonds, is voluntarily held by financial institutions, is entirely serviceable, and wholly under the control of the government and the Bank of England via quantitative easing and quantitative tightening.

In contrast, there is a real crisis with household debt, primarily because the people involved don't have a central bank they can tell what to do. Instead, they have payday lenders and credit card bills. That is what politicians should be worrying about.

The background to this is easy to explain. First, household incomes in the UK have stagnated, at best, in real terms for most of the population since 2008. When inflation is taken into account, many workers are worse off now than they were fifteen years ago.

Second, the cost of essentials, food, energy, rent, and transport has risen dramatically. These are not luxury goods. These are the basics of life. Inflation in these areas has hit hardest those on the lowest incomes.

Third, at the same time, the welfare safety net has been undermined. Universal Credit

is riddled with delays, sanctions, and caps. Local government support services have been cut to the bone. Housing benefit barely covers rent. The minimum wage is, in many places, still not a living wage, despite recent increases.

Fourth, in the absence of state support or adequate pay, many people have turned to debt, most especially to manage unexpected events, but also now because of persistent income shortfalls. This is poverty by design, not accident.

Fifth, this growing household debt crisis is socially and economically corrosive. It damages mental health, breaks up families, limits children's life chances, and ultimately weakens the economy through lost productivity and increased strain on public services.

Despite this, the government has done nothing to end this crisis.

It could raise wages.

It could reverse the national insurance increases that will keep them down.

It could increase benefits.

It could invest in social housing to lower rents.

It could introduce universal basic services.

It could guarantee the basic security that a decent society requires.

But it chooses not to. Instead, it talks about fiscal responsibility, as if that means keeping borrowing off the state's books when the reality is that every penny of debt that the state sheds is then dumped onto someone else, fueling the rise in household debt and associated costs in the UK.

This is not what political responsibility looks like. That is a political choice, and a deeply immoral one.

So, what should happen?

First, we must stop obsessing over government debt and start paying attention to the unserviceable and unaffordable debt that is afflicting millions of households.

Second, we must reject the false idea that government and household budgets are the same. The government can create money. Households cannot. Pretending otherwise is not just bad economics. It's a justification for cruelty. The claim that the government has a 'maxed-out credit card' has to stop; it's households that have those.

Third, a government that lets people fall into debt to meet basic needs is a government

that has abandoned its core duty. That is what real fiscal failure looks like.

And finally, we must change the narrative.

The UK does not have a public debt crisis.

It has a poverty crisis.

It has a low-pay crisis.

It has a rent crisis.

It has a social care crisis.

And all of these are fuelling the real debt explosion — the one taking place not in the Treasury, but on kitchen tables across Britain.

If Labour wants to talk about economic responsibility, it could start by tackling this issue.