

You've got no money in the bank

Published: January 12, 2026, 8:51 pm

People still like to talk about having 'money in the bank'. But they haven't. They just have a bank statement from a bank, with a balance owing to them, which represents an IOU, and nothing more. That might be the hardest lesson in economics to learn.

<https://www.youtube.com/watch?v=BKwXdRLhLzw&si=HxvbpariTCSKcb71>

[This is the audio version](#) (it will not embed for some reason this morning, but the link will work).

I am, of course, aware that I have tackled this issue before, but there have been many new readers here and viewers on YouTube since I last did so, and I make no apology for returning to this theme.

This is the transcript:

Most people like to think that when they've got some savings, they've got money in the bank. The trouble is that is never true.

There is this popular misconception that when you have somehow put money in the bank, there's a little pile of notes sitting there with your name on it, and it's yours to have back whenever you like.

I'm sorry to tell you this, but there's not a shred of truth to any of that.

The simple fact is that all money is debt. That's even true if you're looking at a £20 note.

A £20 note has written on it, the words, "I promise to pay the bearer on demand, the sum of 20 pounds". And that's a straightforward acknowledgement by the Bank of England, who issued the note, that this is an IOU, issued by it on behalf of the government, and it's not actually really money at all.

The only great thing about a £20 note is that it's what is called a bearer bond. And a bearer bond means that the debt is owed to whoever happens to pick up that note at that point of time. So we can very easily transfer the debt that the government owes from one person to another by simply passing over a £20 note. Give it to somebody else, and now what was owned by us - in the sense that debt is always owned by somebody - is now owned by somebody else, because the government now owes them, until they spend it, when it will then be owed to somebody else.

Now, what happens if you, instead of spending your £20 note, pay it into the bank, which is the common conception of what depositing money with a bank means. Well, the answer is that, quite simply, you have actually transferred your IOU from the government to the bank. So now, who owns the debt? It's not you who owns the debt anymore. It's the bank who owns the debt. They are now owed £20 by the government, and you aren't.

So what do you get in place of the money - as you like to think of it - the £20 note - that you gave to the bank? You simply get an entry on your bank statement. The bank has simply made an entry in its books that says they owe you £20. And that's why it's a credit, by the way, because in the bank books, a credit balance means they owe somebody. And that's you.

There's no money with your name on it. There's just a bank statement with your name on it, and that is what represents the bank's promise to repay you.

This is no different, in fact, from what you saw with the bank note. The bank note has a statement of debt printed on it. Your bank statement, if it's in credit, is a statement of debt of money owed by the bank to you. And there's nothing more to it than that. All you have in the bank is literally a bank statement with a balance printed on it.

That is what electronic money represents, and almost every single element of money that we now have is electronic money, and the job of a modern bank is not to actually store cash, because we use remarkably little of it these days - there is around £80 billion of cash in circulation in the UK economy, but the most notable thing about it is that it hardly circulates at all. In fact, where most of it is is very hard to work out because so little of it is now used. So the reality is that almost all the money that we actually now spend is through a bank, and what a bank does is not shuffle piles of notes and coins around between people when a payment is made; that would be pretty absurd; instead, they simply change the balance on bank statements.

So if you tell a bank to pay somebody else, they reduce the value of your account, and

so that credit balance is now worth a bit less, and they increase the credit balance of somebody else's account, and they are therefore owed a bit more. The book's balance as a result. There's quite a complicated process to achieve that outcome in many cases, particularly if more than one bank is involved, but the point is, everything about banking is all to do with accounting. It's literally about shuffling money from one ledger to another ledger, but they're all entirely electronic. There's no physical money needed to do the process at all anymore, so let's get over the idea that there is cash in a vault with your name on it. There isn't.

There is nothing about holding money in a vault these days in banking. Everything is about bookkeeping.

Everything is, therefore, about confidence, because if you can't claim back your notes and coin, because it's not got your name on it, if anything goes wrong with the bank, all you have owing to you is the balance on your bank statement and what you are relying upon is the bank's ability to pay you.

And what we know is that banks can fail. Northern Rock did in 2007, but it was bailed out by the government. And since then, the UK government has insured deposits in UK banks up to a value of £85,000. There are certain conditions attached - do check the small print - but basically that's the case. So if a bank fails, you are guaranteed to get your money back up to £85,000. Above that, forget it. You could lose it. This is the big truth. All that banks do is record debts; money owed to them if it's an overdraft; money owed by them if you think you've got money in the bank or, more correctly, you are in credit.

That is a key understanding that underpins almost everything in the modern economy, and yet most people in this country don't understand it.

Money is just debt being moved around.

That's all there is to it.

And when you understand that a great deal else about the economy begins to make sense.