

Funding the Future

Article URL

Published: January 12, 2026, 6:11 pm

People say Rachel Reeves has a £40 billion black hole in her October budget. But that number is wrong — or at least, it's wildly inflated. In this video, I show how £15 billion could be saved instantly — without cuts or tax rises — simply by stopping unnecessary interest payments to commercial banks on money they never earned. The Bank of England pays £25bn a year in interest on reserves to these banks — and £15bn of that is completely avoidable. The ECB and Bank of Japan don't do this. So why is Reeves letting it happen?

This is the first in a short series on real options to fund public services and challenge austerity.

https://www.youtube.com/watch?v=pwvWw7lQmS0?si=H_868vvTYuxP77kz

This is the transcript:

People are saying that Rachel Reeves has a £40 billion black hole that she's got to fill in October, or the economy is going to be in trouble.

The media are saying this. Even Gary Stevenson is saying this. But this isn't true.

This is the first in a short series of short videos on what could be done to fill this supposed black hole, the existence of which I even doubt .

But let's start with the most obvious thing that nobody else seems to be talking about, and that is that the Bank of England is paying interest it does not need to.

The Bank of England currently owns £600 billion worth of UK government bonds, and that sum is matched with £600 billion worth of money that it placed into the accounts of UK banks during the course of the 2008 and 2020 economic crises, the new money

created by quantitative easing.

That was not money deposited by the banks themselves. They did nothing to create it. But despite that, they are being paid interest at 4.25% on that money at present, at a cost of over £25 billion a year to the government at this point in time.

This is a state gift to commercial banks from public funds, as if they needed it.

Actually, they don't need it, and nor does the Bank of England need to pay it.

The Bank of England, I agree, need to pay interest on around £200 billion of that money. That is sufficient for it to influence the interest rates in the rest of the economy.

Remember that in 2008, it only paid interest on £20 billion of reserves to achieve that goal, so £200 billion now is more than enough to achieve that objective.

But that means that there is no need to pay interest on £400 billion of the money that is held by the commercial banks with the Bank of England.

If they weren't paid interest on that money, which they've never earned, then Rachel Reeves could save £15 billion a year, instantly, and as a result, Rachel Reeves would no longer have a black hole of £40 billion, even if that estimate was true. She would only have a black hole of £25 billion.

I'll explain how to fill that in other videos, but the point is, I've already shrunk the black hole, and I'm proud of doing that, and I think it should be done by the government as well because this is money that's being wasted, and I don't like governments wasting money.

Nobody can say that this can't be done, because the European Central Bank does this, and the Bank of Japan does this. They do not pay interest on all their reserves. So there's no technical reason why this couldn't be done. It's just that Rachel Reeves is deciding to pay out £15 billion to the bankers to fund their wonderful and excessive bonuses when she could be using that money for social benefit.

Which would you do?

Keep the money, and make sure she didn't have to do austerity? Or give it to the bankers? What's your decision?

Poll

[poll id="173"]

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.