

# What is the UK's real debt crisis?

<https://www.taxresearch.org.uk/Blog/2025/10/22/what-is-the-uks-real-debt-crisis/>

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There's a real debt crisis in Britain – but it's not the one the politicians or journalists are talking about.

While Rachel Reeves and the media obsess over government borrowing, 4 million people are already in negative budgets, meaning they're unable to afford the basics of life without debt.

This video explains why the real debt crisis in the UK is about private debt, not public debt. It shows how austerity, low wages, speculative markets and broken benefits drive ordinary families into despair, all while the Treasury celebrates its so-called “fiscal discipline.”

I argue that government debt is not a burden; it's a tool, but private debt is a real trap. Meanwhile, the Treasury's obsession with balanced budgets is leading Britain towards social collapse and, dangerously, towards fascism.

<https://www.youtube.com/watch?v=Fq0AcDXISeE?si=IQ20Ny7om7PLAK2k>

This is the audio version:

[https://www.podbean.com/player-v2/?i=xpvvu-199d025-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=xpvvu-199d025-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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There is a real debt crisis in the UK, and it's not the one that everyone is talking about.

Journalists, political commentators, politicians themselves, plus, of course, central bankers, are all talking about the fact that during the course of September 2025, the UK government borrowed more than £20 billion, using their chosen language of borrowing rather than that of saving, which I would use, and they say that this represents a crisis moment for the government and that it must take action to control its deficit. But that is not the real debt crisis in this country.

The real debt crisis in this country is the fact that 4 million people are living in what the Citizens Advice Service in the UK calls a 'negative budget situation'. In other words, they are living beyond their means. They cannot pay for the basics of life and survive from month to month without borrowing. That's the real debt crisis in the UK. Government debt is of no consequence at all in comparison.

Rachel Reeves and the financial markets are obsessing about the national debt. But the fact that Citizens Advice have found that 4 million people are living in households that are already in the red, with another half a million people close behind, is to me so much more important. What that means is that around 7%, or one in 14, of the people in the UK are living in permanent states of debt distress. In other words, they're overspending, but not because they're being profligate, but just because they're simply trying to survive.

They're spending on essentials, and those essentials come to sums that are bigger than their income. Essentials, like rent, energy, transport, clothing, putting food in front of the children, and sending them to school. Those are the things that are literally sending them over the debt edge.

These families are borrowing just to make ends meet. And this isn't fiscal irresponsibility on the part of these households. It's economic failure engineered by government policy.

Wages have been frozen for many in real terms, while prices and especially prices on those things that are essential to well-being, including things like energy, telephones, transport, and even council tax, have not only gone up by more than inflation, but are geared to go up by more than inflation, so punishing these households, in particular, because for them, these are a bigger part of their overall spending compared to the households of the well off.

Housing and energy markets appear to be designed for speculation; speculation at cost of these families and not to help them survive.

Benefits have been cut in real terms, and they've been delayed or subject to sanctions, and all as a consequence of official bureaucracy.

And whilst governments claim they can't afford to help, we have people who literally cannot afford to live. That's how bad things have got.

When the government withdraws support, and that is what it is doing, households take on the debt burden in our economy, and that is what is happening.

Private debt fills the gap where public spending should be. That's what is going on, and households are having to turn to expensive lenders, people like the doorstep lenders; those who will be charging interest rates that could run to hundreds and sometimes thousands of per cent a year. I've investigated those people during the course of my career. They're deeply exploitative.

So, whereas the government can borrow at under 5%, in most cases, still, these people are being driven to the wall by being forced into debt that is almost unaffordable. And that I repeat is just to fund their basic needs, while the state boasts about its fiscal discipline. It's perverse. The poorer the people are in this country, the prouder the Treasury appears to be about its successes.

But the truth is, government debt is not a problem. We have a myth about the national debt, which is simply not sustainable. The fact is that the government has already spent money into the economy before it ever has to think about so-called borrowing. In fact, its borrowing is just the difference between the total amount that it spends into the economy, which is provided to it by the Bank of England and no one else, and the amount that it takes back by way of tax, with the borrowing simply being the balance in the equation. It is not borrowing as such, therefore; it's a place for those who've ended up with money as a consequence of the government not taxing enough to place their money in a safe environment. It's just a savings account.

But let's be clear about it, those savings accounts are useful.

They are the basis of private pensions.

They're the basis of the life assurance industry in the UK, and that's of value to many people.

They are the basis on which foreign governments can afford to save in the UK in sterling, and that facilitates our trade.

This is a valuable activity, not least because it underpins our whole banking system.  
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So I'm not saying we don't need government bonds, and I'm not saying we don't need to have the savings accounts, which the government provides, which are called the national debt quite inappropriately.

What I am saying is that there is no crisis about the national debt, and that's been

proved, of course. If the government had to borrow £20 billion more in September 2025, it had no problem in doing so. People marched up in an orderly queue to buy the government's debt, unlike the people who did not march up to help those who are in debt because they can't meet their household's needs.

So the danger comes when people and not the state are forced to live in debt.

People who have to live in debt live with constant anxiety. It's exhausting; destructive, totally, of personal well-being, of family well-being, of relationships. Food banks are normalised. Precarious living and homelessness are rising. Debt destroys dignity, hope, and health.

And it's not just economics either; remember, social decay engineered by austerity leads to fear, and that creates the path to fascism.

Poverty is a policy and not a fate. It's a choice between honest politics and penalising the poor.

Honest politicians would recognise that they can raise the funds that they need out of the money that they have already spent into the economy to balance their books if they so wish, whilst offering savings opportunities to those with wealth.

They wouldn't pretend that they have to punish the poor, but that's exactly what they're doing.

Their cowardice is denying people the chance to thrive and is instead creating penalties on the poorest, who are being forced to pay for it. That is the political choice that is going on.

The government could fund living wages. It could fund affordable housing. It could fund decent benefits. It could prevent children from having to live in poverty. It could prevent parents, old-age pensioners, and others from living in untold stress.

And it could tax excess profits, and it could tax the rentier economy, and it could take money from those of wealth who are sitting on money that's doing nothing productive for society at all. But instead, it chooses to serve financial markets by keeping the myth of debt going, instead of serving people.

The result is a crisis for our democracy. Let's be clear, desperate people turn to extremes when politics fails them. Inequality fuels instability, whether it's economic, social, or political. And the obsession with balanced budgets while households drown in debt is moral and fiscal nonsense.

What must be done? The answer is clear.

We must recognise that the real debt crisis we face is personal and not national.

We should end austerity.

We should guarantee income security for those on the lowest levels of income in our society.

We should invest in public goods and not bond markets.

And government debt is just a tool, whereas household debt is a trap, and politicians have to know the difference, and because they don't, we are in deep trouble, and learning that difference is now vital.

Let's have a final thought about this. The UK government does not have a debt problem. It has a poverty problem. It has a household debt problem. 4 million people are living in crisis in this country, and they are the government's responsibility because it could solve their problem, and it won't, and that is the real national emergency we've got.

Fiscal responsibility, if Rachel Reeves were to really understand it, would be about making sure these people can live and not just live, but live well. But we aren't doing that. Labour is failing us all. It's failing people. Our society, our democracy, our children, our futures, and it's laying the path for fascism and all because it wants to run a false story about debt, which is utterly untrue, to keep the City of London happy. It could not be more irresponsible.

So what do you think? Do you think that private debt is more important than government debt? Do you think the government should let its debt increase to ensure that those families who are living in peril are actually protected from the risks that they face? Do you think that the debt crisis amongst families in the UK, through no fault of their own, is what is helping drive the move towards fascism in this country? Or do you just not know?

Let us know. There's a poll down below. I'll be keen to hear what you have to say.

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## **Poll**

[poll id="234"]

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## **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.**

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## **Comments**

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