

The Bank plans plenty of losses

From Chancellor Darling onwards The Bank has been granted a full indemnity by the Treasury for any losses on holding and selling bonds in their inflated bond portfolio. Successive Chancellors accepted Bank of England advice to keep on buying UK government bonds at ever sillier prices.

Today the Bank thinks that to get rid of the big inflation their policy of zero rates and bond buying has brought on requires them to sell all these bonds at big losses. Some will be sold in the markets, others await repayment when they mature. The losses on maturity will be less than taking market losses now. The ones they are keeping are said to lose us loads of money anyway just holding them, as the interest earned on them is now lower than the interest the Bank pays on commercial bank deposits with the Central Bank.

The OBR thinks the Bank will lose a total of £133 bn over the next five years on its bonds. Taxpayers will be expected to pay this bill. why am I the only MP who thinks this is wrong, and the only one to raise it? Why did the media fail to report the huge £11 bn spending priority for five months of Bank of England losses a few weeks ago? I will in future blogs set out how to reduce these big sums.