



HM TREASURY

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Information Rights Unit

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Andrew [REDACTED]

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Ref: 9/285

23 April 2009

Dear Andrew [REDACTED]

Freedom of Information Act 2000: Money

Thank you for your enquiry which we received on 2nd April, requesting information under the Freedom of Information Act 2000.

2. You asked to know –

- *how is money created*
- *how is it valued*
- *what is a man/woman's signature worth in the UK*
- *why is my NI required for a loan agreement*
- *do banks actually print extra money for new loans, if not where does the money come from?*

3. The FOI Act provides for recorded information to be requested from public authorities. Theories of money and debt have developed over many years and our records do not cover these. The recorded information that Treasury holds relevant to your request relates to the issue of UK currency and the government's monetary policy. Much of what follows is published and is therefore formally exempt under s.21 of the Act (information otherwise accessible). However, we understand that it is not always straightforward to locate information and to be helpful I relevant web links wherever appropriate below.

4. In terms of the first part of your request, the Bank of England authorises the issue of bank notes; the Royal Mint authorises the issue of coinage. Both exercise their authority under remit from HM Treasury and under statute. The statutory framework is set by the Currency Act 1983, available here –

http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1983/cukpga_19830009_en_1

5. Currency is valued in terms of what it will buy. Since imports and exports are significant to our economy, this includes what our currency will buy of other currencies. Common to all successful currencies has to be the expectation that holders will continue to be able to redeem their cash for goods and services at stable



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rates of exchange. That is why control of inflation is at the centre of current government monetary policy.

6. A signature by itself may be worth little or nothing. However, a signature is accepted in law as evidence of a person's undertaking, including an undertaking to repay a loan, as in your example. Corroboration of an individual's identity - and hence their creditworthiness - will involve obtaining identifiers such as NI number and address.

7. Banks do not print new money to match new loans. In England and Wales, only the Bank of England prints banknotes. However, it is true that currency is issued in response to overall demand; if demand exceeded availability, users would be constrained to make greater use of cheques and electronic transfers. This does not mean that money in circulation is uncontrolled. As explained above, current government monetary policy relies on controlling inflation, rather than merely controlling notes and coin in circulation, to achieve monetary policy goals. Monetary policy key documents are available on Treasury website at the following link -

http://www.hm-treasury.gov.uk/ukecon_mon_index.htm

8. A wealth of material is available on the Bank of England's website covering their responsibilities in this area, and theoretical papers on money supply -

<http://www.bankofengland.co.uk/publications/other/monetary.htm>

9. I hope the above is helpful. If you have any queries about this letter, please contact me. It will be helpful to us if you remember to quote the reference number above in any future communications.

Paul Morran
Information Rights Unit

Your right to complain under the Freedom of Information Act 2000

If you are not happy with this reply, you may request a review by writing to HM Treasury, Information Rights Unit, 2/S2, 1 Horse Guards Road, London SW1A 2HQ.

Email foi.responses@hm-treasury.gov.uk

Any review request must be made within 2 months of the date of this letter. It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome your complaint, you may apply directly to the Information Commissioner for a decision. Generally, the ICO cannot make a decision unless you have exhausted the complaints procedure provided by the Treasury. The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF.