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Dear Mr Testo

Thank you for your email dated 4 January about the national debt. You asked 19 questions, which I will address in turn.

"1. Who does the UK owe the National debt to?"

Public sector net debt (PSND) excluding financial interventions at the end-November 2012 stood at £1,083.6 billion (nominal value), equivalent to 68.5% of gross domestic product (GDP). The majority of this debt is a liability of central government and held in gilts (issued by the Debt Management Office (DMO)). The Office for National Statistics (ONS) publishes monthly data on PSND in its monthly publication "Public Sector Finances". This publication (latest: November) is available on the ONS website and can be accessed from the following link: <http://www.ons.gov.uk/ons/rel/psa/public-sector-finances/nov-2012/stb---november-2012.html>

A gilt is a debt instrument that pays semi-annual coupons to the holder up to and including the date on which the principal is repaid. The DMO primarily issues gilts to the market via auctions. Gilts are typically purchased by large investment banks (known as Gilt-edged market makers (GEMMs)), which in turn sell the gilts onto end-investors. The GEMMs consist of 21 firms who actively trade in the secondary market. Insurance companies, pension funds and overseas investors are currently the largest holders of gilts.

Thus the majority of UK government debt is 'owed' to the holders of gilts. Information on the breakdown of gilt holdings by sector, including a breakdown of non-UK resident holders of gilts by foreign central banks and other non-residents, is published by the ONS in Table X16 of its quarterly UK Economic Accounts publication: <http://www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-economic-accounts/q3-2012/bod-ukea-2012q3.pdf>



INVESTOR IN PEOPLE

At end-September 2012, the total amount of gilts in issue was £1,319.4 billion (market value). The breakdown of this amount by sector holdings is as follows: £398.3bn is held by overseas investors, £386.5bn by the Bank of England's Asset Purchase Facility, £335.8bn by insurance companies and pension funds, £107.1bn by banks and building societies, £59.2bn by "other" financial institutions, £29.1bn by UK households, £2.3bn by private non-financial companies and £1.0bn by local authorities and public corporations.

Detailed information on the ownership of gilts is held confidentially by Computershare plc, the private-sector gilt registrar appointed by the Government. The Treasury provides the funding to Computershare to pay the interest on the gilts. Computershare then makes interest payments to the relevant gilt holders whose details are held on a register maintained by Computershare.

Further information on Computershare is available on their website (www.computershare.com), but to be helpful, I can advise that information on the individual owners of gilts is not released to the public for data confidentiality reasons.

The Government also finances some of its borrowing through the issuance of UK Treasury bills; this stock then forms part of the national debt. Treasury bills are zero-coupon debt securities with maturities of 1, 3, 6 or 12 months. The DMO's annual financing remit, set out in HM Treasury's Debt and reserves management report 2012-13 (available at http://www.hm-treasury.gov.uk/budget2012_debtreserves.htm), includes a target for the end-year Treasury bill stock of £68.5 billion. This target was subsequently revised at Autumn Statement 2012 to £53.5 billion. The Autumn Statement can be viewed at: http://www.hm-treasury.gov.uk/as2012_documents.htm. The Treasury bill stock target can be seen on p.83 in Table A.1: Revised financing arithmetic for 2012-13.

Data on the breakdown of Treasury bill holdings by sector, including non-UK resident holders of Treasury bills, is also produced on a quarterly basis by the ONS. At end-September 2012, the Treasury bill stock stood at £61.4 billion, of which £28.4bn was held by non-UK residents. The rest of the amount is broken down as follows: £311m is held by public non-financial corporations, £43m by private non-financial corporations, £10.0bn by banks and building societies, £18.7bn by other financial intermediaries, £2.6bn by insurance corporations and pension funds, £1.4bn by local governments and £10m by UK households. HM Treasury does not hold any further or more detailed information.

In addition, over 26 million customers have invested £102.9bn in National Savings and Investments (NS&I) products as of March 2012, which also forms part of the national debt. The majority of these depositors are UK citizens. The Treasury does not hold details of these customers. More information about NS&I can be found at www.nsandi.com.

"2, If the answer to question 1 is 'The Bank of England', then how many Directors own the Bank of England and who are they?"

The Bank of England was nationalised under the Bank of England Act 1946, and it is now a public sector institution wholly owned by the Government. The entire capital of the Bank is held by the Treasury Solicitor on behalf of HM Treasury. The Court of Directors of the Bank of England is responsible for managing the Bank's affairs, other than the formulation of monetary policy. Court consists of the Governor and Deputy Governors, and 9 non-executive directors, all of whom are appointed by The Queen on the recommendation of the Chancellor and the Prime Minister.

"3, What amount of currency and wealth, true 'Value' have the Directors of the Bank of England provided the British public with since 1933? (ie- have they only risked the cost of paper and ink or have they offered consideration, and if so, how much?)"

The Bank of England is responsible for issuing its banknotes. The current value of Bank of England notes in circulation is £54.9bn. Bank of England banknotes originally represented deposits of gold coin and bullion with the Bank, and at that time meant that the Bank of England undertook to exchange any banknotes paid in by the public with gold to the same value. When the UK came off the gold standard in 1931, the note issue became entirely fiduciary – that is wholly backed by securities instead of gold.

The assets backing the Bank of England's notes in circulation are accounted for separately in its 'Issue Department' accounting entity. Page 97 of the Bank's Annual Report for 2012 gives the latest statement of balances; this can be found at: <http://www.bankofengland.co.uk/publications/Documents/annualreport/2012/2012account.pdf>.

As can be seen from the accounts, the liability of the notes in circulation is backed by a variety of high-quality securities and assets, including those acquired through the Bank's open market operations, and UK government bonds. The income from these assets, less the costs of the production, issue, and custody of banknotes, is paid to HMT as seigniorage (2011/12: £851m).

"4, What mechanism(s) are in place within the Laws of this nation to prevent a state of Debt Slavery/Peonage, ie - what Rights and remedies within Law are available to offset/discharge debt in order to ensure that as the debt grows and the interest payments with it, the people do not succumb to harmful enforcement practices in a bid to collect the debt?"

We have interpreted your question as referring to mechanisms to ensure the Government is able to continue to manage its debt obligations.

The Government continues to honour its debt obligations. The Government has set out a clear and credible plan for fiscal consolidation to ensure debt returns to a sustainable path.

"5, What is the Purpose of the National Insurance system and why was it created, if not to offset/discharge public debts such as for healthcare?"

National Insurance is a charge on employment income, including both earnings from employment and profits from self employment.

The National Insurance Fund (NIF) is financed on a pay-as-you-go basis with contribution rates set at a level broadly necessary to meet the expected benefits expenditure in that year, taking into account any other payments and receipts, and to maintain a working balance. The NIF ensures that over time, National Insurance Contributions (NICs) receipts are broadly sufficient to fund contributory spending.

"6, Is the Government a Debtor in Chapter 11 bankruptcy?"

The Government is not operating in bankruptcy. The Government continues to honour its debt obligations.

"7, What is the meaning of describing those who live within Crown Territory as 'The Common Wealth'?"

This issue lies outside of HM Treasury's remit; I would advise that you contact the British Foreign & Commonwealth Office. Contact details can be found on their website: <http://www.fco.gov.uk/en/>

"8, Given the above two requests, are the Men and Women of the UK acting as the surety and therefore Creditors to the Government by extending credit to said government so that it can continue its functions?"

Information held by the Treasury on the owners of UK government debt is set out in answer to question 1.

"9, Does the Treasury retain any stored records pertaining to constructive/implied trusts created upon registration of birth, with parents as the Grantor, their child as beneficiary and the Government as trustee?"

The Treasury does not hold any information on this subject. The issue of 'implied trusts created upon registration of birth' is an internet rumour which has no basis in fact.

"10, Is it possible under the Annuities Act, to request all back dated information regarding the amount of Annuities generated under the above stated trust name?"

Please see the answer to question 9 – no such trust exists.

"11, since under Human rights laws we are all conferred access to free, clean drinking water, then presumably some mechanism is in place to ensure these services are paid for, and presumably so, by the Treasury. Do you have any written records on payments made by the Treasury to water companies and utility companies on behalf of Persons/subjects of the Crown/Government?"

The Government recognises the fundamental importance of ensuring the provision of clean drinking water to the population and to that end provides for independent regulation of the water industry so that water and sewerage services are provided to a high standard. However, although some limited Government financial assistance may be given directly towards the cost of paying for drinking water, to certain categories of water customer, the cost of providing drinking water in Great Britain is otherwise met through charges levied on their customers by the private water companies.

"12, Is a Giro Cheque redeemable at a post office by the Person named upon it?"

We take your question to refer to payments that may have been made to claimants by the Department of Work and Pensions (DWP) by means of cheques.

DWP cheques for less than £449.99 that are uncrossed, can be cashed at the Post Office. The Post Office may ask customers to produce evidence of identity when cashing a cheque. This is explained in the notes on the reverse of the cheque. Where a payee is unable to cash a cheque by himself or herself, there is a facility for them to appoint someone to do so their behalf. However, cheques for £450.00 or over are crossed and must be paid into a bank or building society or Post Office savings account. They cannot be cashed at the Post Office.

You should be aware that DWP are moving to direct payment into bank, building society or simple payment accounts. The last cheques are likely to be issued by March or April 2013.

"13, If a Giro Cheque is redeemable at a post office (like it says on the cheque), and a corporation is in law, a person, can and do the utility companies cash the Giro Cheques stating the energy company as Payee? To clarify, when they send a bill they send a Giro Cheque with it, with the energy company named as the Payee. If an individual cashes a Giro Cheque issued by the government, then payment is received by the payee upon presentment at a post office. The treasury would presumably have a record of this payment. My question is does the treasury have any records/receipts of Giro cheques sent to utility companies or cashed by them? (ETF records etc.)"

The Treasury does not hold records of cheques made out to utility companies by third parties. There are, of course, accounting records of payments made to utility companies by government departments.

There is a distinction between a giro cheque and a giro credit. Utility companies send customers a bank giro credit with their bills, usually in the form of a tear-off slip. A giro credit slip is not a payment instrument and cannot be used on its own to make a payment. When used, it must be accompanied by cash or a cheque. The purpose of the giro credit slip is to specify in a machine readable format, the account details into which the payment will be made, and the address of the bank branch that holds the account. Bank giro credits are also used by customers to pay cash or cheques into their own bank accounts.

"14, When operating in Bankruptcy, those bringing a liability must provide the remedy. Presumably as the Treasury and overseer of a great deal of commerce and payments made within the United Kingdom, you will be able to provide clarification on this matter since undoubtedly the treasury issues bills of exchange and liabilities, thus having records of those issued along with corresponding paperwork displaying ways in which to remedy it?"

As set out in answer to question 6, the Government is not operating in bankruptcy. The Government continues to honour its obligations.

"15, Does the Treasury perform remissions on debts?"

The Government has a very strong track record honouring its debt obligations stretching back over 300 years and continues to do so.

"16, If I as a man and member of the commonwealth am therefore a Creditor to the UK Government, do the treasury keep records of the credit advanced to it by men and women of this nation?"

Members of the Commonwealth are not automatically creditors to the UK government. Information held by the Treasury on the owners of UK government debt is set out in answer to question 1.

"17, How is this credit advanced?"

As set out in answer to question 1, the majority of the Government's borrowing is financed through the issuance of UK government bonds via the DMO.

"18, Does the treasury create a "Credit Account" in the names of the persons of this nation and create credit without our knowledge which is then demanded back in various ways? (such as credit being created to pay for water and utilities, made payable to said utility companies by way of Giro Cheque)"

The Treasury does not create a 'Credit Account' in the names of citizens of the UK. As set out elsewhere, the Government's borrowing is primarily financed through the issuance of UK government bonds (gilts).

"19, Any recorded information you have on the Bradbury pound?"

Unfortunately, the Treasury no longer holds any records relating to Bradbury Pounds. All records over 30 years old are transferred to The National Archives. However, these are normally available to be freely viewed by members of the public under the '30 year rule'. Instructions on how to view records held by The National Archives are available on their website (www.nationalarchives.gov.uk) or by writing to them at The National Archives, Kew, Richmond, Surrey, TW9 4DU.

I hope you find this information helpful.

Nick Dippie
Information Rights Unit

