

CHRIS HEATON-HARRIS MP



HOUSE OF COMMONS

LONDON SW1A 0AA

January 2017

Dear Constituent,

Thank you for contacting me about the Bank of England and monetary policy.

The independent MPC of the Bank of England has a hugely important role to play in these difficult times in maintaining monetary stability in this country. It has taken a range of steps to achieve this objective and will be closely monitoring the impact of this action.

The vote to leave the EU has created a period of uncertainty, which will be followed by a period of adjustment as the shape of our new relationship with the EU becomes clear and the economy responds to that. It is right that monetary policy is used to support the economy at this time.

While it might be of little comfort to savers, the Chancellor has authorised the Governor of the Bank of England's request for an increase in asset purchases and a new lending scheme to support the economy, helping ensure that the benefit of low interest rates is passed on by the banks to households and businesses.

Following the financial crisis in 2009, the Bank of England was authorised to begin quantitative easing. In August last year, the MPC judged that in the absence of monetary stimulus (quantitative easing and a lowering of the bank rate), there would be negative consequences for growth and employment.

I know many savers will be concerned by the new record low interest rates. Building a strong economy is in everyone's interests, and the MPC's remit makes clear that management of inflation is the prerequisite for economic prosperity.

The Government has taken radical steps to support savers. From April 2017 the Lifetime ISA will mean people under 40 can use it to save for their first home and retirement and receive a 25 per cent bonus from the Government. From the same time, all savers will also be able to benefit from the largest ever increase in the annual ISA allowance from £15,240 to £20,000 per year.



Once again, many thanks for taking the time to contact me.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Chris'.

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY