

JEREMY QUIN MP
Member of Parliament for Horsham



HOUSE OF COMMONS
LONDON SW1A 0AA

24th October 2016

Dear Constituent,

RE: QUANTATIVE EASING

Thank you for contacting me about the Bank of England and monetary policy. Having been a Treasury official at the commencement of QE and as a member of the DWP select committee with a focus on savings and pensions policy this is an issue in which I take a close interest. I recently attended a rather selectively-supported Commons debate on this issue and questioned at length in the select committee the Deputy Governor of the Bank of England on its impact.

The independent Monetary Policy Committee 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. Monetary Policy is of course a tool that can be used in these circumstances, under the direction of an independent central bank.

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.

The best possible protection for pensions comes from a strong, buoyant economy, so it is important that action is taken to support normal growth.

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. It is also fair to point out (as the Deputy Governor did when questioned) that the historic lows we are seeing in interest rates are part of a trend, influenced by globalisation, that was underway well before QE commenced in Western economies.

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.

Thank you again for taking the time to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Quin'.