Bank of England ceases bond-buying after spending £19.3bn

The Bank of England has purchased £19.3bn of UK government bonds and concluded part of its extraordinary intervention to prevent a collapse in the pensions industry.

Just five days after the former chancellor unveiled his **mini-budget on 23 September**, the Bank took unprecedented action to purchase long-dated UK government bonds, known as gilts, that are effectively government IOUs.

Bonds are a principal way countries raise funds.

Due to a lack of market confidence in the UK economy, the interest rate on these bonds had reached highs not seen since the financial crash of 2008.

The result was government borrowing was more expensive and holding on to bonds became more expensive.

As a result pension funds sold large numbers of the bonds. In an effort to prevent a mass sell-off and a collapse in the pensions market, the Bank announced it was intervening to buy up 20 and 30-year gilts to steady the market.

That intervention was only to last 13 days, the Bank said. A total of £65bn could have been spent – £5bn a day.

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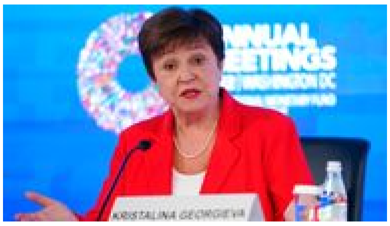

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Earlier this week the interest rate payments on the gilts began to rise again as fears rose of the approaching 13-day cliff edge.

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Another statement came from the Bank on Monday that it was to purchase a new kind of gilt – index-linked gilts that have interest rates linked to inflation.

Additional supports were announced for lenders who lend money to pension funds involved in a part of the pensions industry that was described by the Bank as experiencing “dysfunction”.

Of the £19.3bn spent, £7bn went on index-linked gilts, and £12.1bn went on conventional long-dated gilts.

Gilt interest payments began lowering following reports on Thursday that a government U-turn on the mini-budget was in the offing.