

## PRESS RELEASE

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### **The Government Should Set Intergenerationally Fair Interest Rates**

The non-party-political Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) think tank calls on the Government to stop using the interest rates it controls in ways that penalise the young.

[Weaponising Interest Rates: How UK governments have set interest rates to the disadvantage of the young](#) investigates the use of different interest rates set by government departments by the age of the borrower or saver. The paper demonstrates that over recent years governments have decided that “age” is a justifiable basis on which to offer loans and savings products at different interest rates, to the exclusive benefit of older people.

“Nowhere is the government’s prejudice in favour of older generations greater than in its approach to interest rates,” comments Ashley Seager, IF Co-founder. “The Government could level the playing field between the generations by smoothing out the rates at which they charge or reward younger and older borrowers or savers.”

The most glaring example is the difference between the 6.1% interest rate charged to young people who need to take out a student loan for a university education, and the much smaller 2.25% interest rate charged to older generations who wish to borrow for their care.

When it comes to savings, while pensioner bonds pay 4% interest, younger generations receive only, for example, 2.2% interest on a 3-year bond.

Also, the Treasury uses wildly different discount rates between generations. A very high discount rate leads to the deliberate understating of the future liabilities for public sector pensions, while a very low rate for student loans is used as a way to make the whole student loans system appear to work, which it does not.

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Angus Hanton, report author, comments, “The Government should follow the lead of HMRC and standardise the basic rate at which it lends, regardless of the age of the borrower. RPI should be consigned to history, and a standard discount rate should be adopted based on the government’s cost of borrowing.”

**- ends -**

**Note to Editors:**

Angus Hanton and Ashley Seager, IF Co-founders, are available for comment

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The Intergenerational Foundation is a non-party-political charitable think tank that researches fairness between generations. IF believes policy should be fair to all: the old, the young and those to come.