Bank of England

Dame Meg Hillier MP
Chair, Treasury Committee
House of Commons
London
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Andrew Bailey
Governor

29 January 2026

Dear Chair,

I am writing to provide further detail on the cost of work at the Bank of England towards introducing the benefits of emerging technology into the payments system, as discussed at our recent hearing on the December 2025 Financial Stability Report.

The Bank of England is exploring the implications of emerging technologies for the UK economy and financial system, including the opportunities for innovation to support resilience, competitiveness, and growth. This portfolio of work includes activity on AI, quantum computing, distributed ledger technology, new forms of digital money, and innovations in payment and settlement. In the 2024/2025 financial year, the Bank spent £18m across these areas, including work on a digital pound design phase. This is one of the smallest of the Bank's policy areas, amounting to 6% of the Bank's spend on policy activities and 2% of total Bank spend in that year. No decision has been made on whether to proceed beyond the current design phase. Should a future decision be taken to move to building a digital pound, it would only be introduced once Parliament had passed the necessary primary legislation.

In July 2025, the Payments Vision Delivery Committee set out a collaborative new public-private partnership model to design and deliver next-generation retail payments infrastructure. Under this model, the Committee sets the strategic direction for retail payments infrastructure, ensuring it supports security, innovation, and user needs. In line with this, the Bank has established and chairs a new Retail Payments Infrastructure Board, bringing together broad expertise from across the ecosystem to translate this strategy into system design and coordinate industry engagement. Industry experts, in turn, will lead the procurement and delivery of the new infrastructure through an industry-owned delivery company.

Work on a digital pound is therefore a subset of this wider strategy on payments innovation, and the outputs of work on a digital pound are fully integrated into work on broader payments innovation. For example, we launched the digital pound lab, an experiment platform to test use cases and understand models not just for a digital pound, but for retail payments more generally. This sort of practical 'hands-on' experience is hugely important in building knowledge and capability within the Bank to ensure we are prepared for a dynamic and innovative multi-money ecosystem including next generation payments infrastructure, tokenised deposits, and stablecoins.

I hope you find this additional information helpful.

Yours sincerely,

Andrew Bailey