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# Britain Faces Record Borrowing Costs as Interest Payments Soar Under Labour

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The UK government borrowed £20.7 billion in June 2025, with £16.4 billion almost 80%, spent solely on interest payments. Despite Chancellor Rachel Reeves' claim of "fixing the foundations" of the economy, critics argue the figures reflect growing instability, as borrowing surges and economic growth stalls.

Latest data from the Office for National Statistics (ONS) shows the economy contracted by 0.3% in April and slipped another 0.1% in May, marking two consecutive months of decline. Unemployment is also on the rise, with an additional 127,000 people out of work in the last quarter. Forecasts suggest another 100,000 job losses could follow before the end of the year.

At the same time, the government faces growing defence expenditures amid heightened geopolitical tensions, particularly with Russia. As a result, Labour appears to be increasingly reliant on borrowing to fund commitments, leading to what analysts describe as a dangerous fiscal cycle.

A significant portion of this borrowing is not being used for investment or public services. Additionally, £16.4 billion of June's borrowing was spent entirely on interest. This means the government is effectively using borrowed funds to pay the interest on existing debt, a move financial experts warn is unsustainable.

Ray Dalio, founder of investment firm Bridgewater Associates, has described Britain as being caught in a financial "doom loop," driven by rising taxes, high debt levels, and stagnant economic growth. The UK now faces some of the highest interest rates on government borrowing in the developed world, making it increasingly difficult to service its debts without further weakening economic performance.

Calls from the political left to introduce a wealth tax have been met with concern by economists who warn such a move could be complex, costly to implement, and likely to deter investment. At the same time, the government continues to grapple with long-term fiscal pressures, including an ageing population, rising claims for health-related benefits, and the wider impact of global trade tensions.

The current trajectory, critics argue, reflects not only Labour's missteps but years of financial mismanagement across successive governments. The result is a public debt burden now approaching £2.87 trillion, with no clear plan to begin repayment. Instead, the mounting interest bill continues to divert funds away from productive investment, placing further strain on the economy.

With confidence falling and borrowing accelerating, there is growing concern among economists and investors that the UK is approaching a tipping point. Without decisive action to restore fiscal discipline and foster economic growth, Britain risks deeper decline.

The numbers speak for themselves. Borrowing to service debt interest, without delivering growth or reform, is not a sustainable path.