Trends in Lending

August 2010

BANK OF ENGLAND

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This publication presents the Bank of England's assessment of the latest trends in lending to the UK economy. It draws mainly on long-established official data sources, such as the existing monetary and financial statistics collected by the Bank. These data are supplemented by the results of a new data set, established by the Bank in late 2008, to provide more timely data covering aspects of lending to the UK corporate and household sectors.(1)

The data set covers the major UK lenders:(2) Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland. Together they accounted for around 65% of the stock of lending to businesses, 45% of the stock of consumer credit, and 75% of the stock of mortgage lending at the end of 2009. These data have provided a useful input to discussions between the major UK lenders and Bank staff, giving staff a better understanding of the business developments driving the figures and this intelligence is reflected in the report. The report also draws on intelligence gathered by the Bank's network of Agents and from market contacts, as well as the results of other surveys. The focus of the report is on lending, but broader credit market developments, such as those relating to trade credit or capital market issuance, may be discussed where relevant.

The report covers official data up to June 2010, supplemented by data from the major UK lenders and intelligence gathered up to end-July 2010. Unless stated otherwise, the data reported cover lending in both sterling and foreign currency, expressed in sterling terms. The major UK lenders' data are provided to the Bank on a 'best endeavours' basis. This, together with their relative timeliness, means that they may not be as accurate as established data sets. As a result, care is needed in interpreting the major UK lenders' data presented in this report.

(1) For a fuller background please refer to the first edition of *Trends in Lending* available at: www.bankofengland.co.uk/publications/other/monetary/TrendsApril09.pdf.
(2) Membership of the group of major UK lenders is based on the provision of credit to UK-resident companies and individuals, regardless of the country of ownership.

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The flow of net lending to UK businesses remained negative in June. The stock of lending to all the main sectors of the economy contracted in 2010 Q2. Some major UK lenders reported that spreads on lending to larger corporates continued to fall, but by a diminishing amount. Spreads on lending to small and medium-sized enterprises were little changed. Contacts of the Bank's network of Agents noted that credit conditions for smaller businesses remained tighter than for larger corporates, with demand for bank finance generally remaining weak.

The flow of net mortgage lending by all UK-resident mortgage lenders was little changed in June. Gross lending for house purchase in July was similar to that in June, though approvals for house purchase edged down according to data from the major UK lenders. Some major UK lenders reported that recent higher longer-term funding costs had contributed to a rise in spreads on longer-term fixed-rate mortgage products. The overall effective rate on new mortgages was little changed in June.

The flow of net consumer credit decreased in June, though the annual growth rate of the stock of lending remained broadly unchanged and close to zero. Effective interest rates on credit cards increased slightly in June, while rates on personal loans edged lower. Most major UK lenders reported no significant changes in credit availability or demand in July.

1 Lending to UK businesses

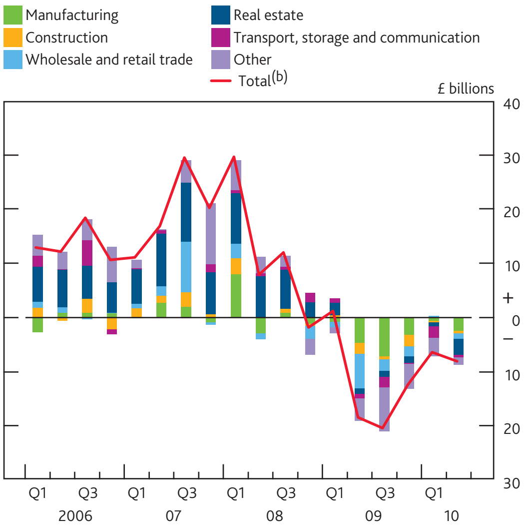
The flow of net lending to UK businesses remained negative in June. The stock of lending to all the main sectors of the economy contracted in 2010 Q2. Some major UK lenders reported that spreads on lending to larger corporates continued to fall, but by a diminishing amount. Spreads on lending to small and medium-sized enterprises were little changed. Contacts of the Bank's network of Agents noted that credit conditions for smaller businesses remained tighter than for larger corporates, with demand for bank finance generally remaining weak.

Table 1.A Lending to UK businesses[a]

	Averages				2010		
	2007	2008	2009	2010 Q1	Apr.	May	June
Net monthly flow (£ billions)	7.3	3.8	-3.8	-3.4	-1.1	-2.2	-3.5
Three-month annualised growth rate (per cent)	20.4	10.6	-7.5	-7.1	-3.5	-5.4	-5.1
Twelve-month growth rate (per cent)	16.7	17.5	-1.7	-9.3	-8.5	-8.1	-8.1

(a) Lending by UK monetary financial institutions to PNFCs. Data cover lending in both sterling and foreign currency, expressed in sterling terms. Seasonally adjusted.

Chart 1.1 Sectoral breakdown of quarterly net lending flows[a]



(a) Lending by UK monetary financial institutions to UK PNFCs. Data cover lending in both sterling and foreign currency, expressed in sterling terms. Data are non seasonally adjusted. For this reason and that noted in footnote (b) below, the total quarterly flows will not exactly equal the data for PNFCs in **Table 1.A**.
(b) Data for PNFCs have been estimated by subtracting elements of the industrial breakdown for non-financial corporations thought to contain mainly lending to the public sector (public administration and defence, education, health and social work and recreational, personal and community services).

Recent lending data

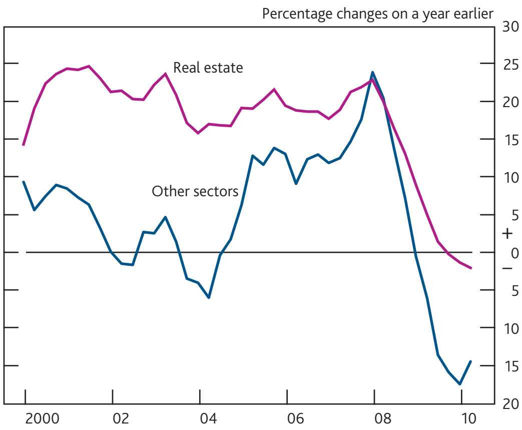
Official data covering lending by all UK-resident banks and building societies indicated that the stock of lending to businesses contracted by £3.5 billion in June (**Table 1.A**). The annual rate of contraction of the stock of loans remained stable at 8.1%. Net lending by the major UK lenders remained weak in July.

The industrial breakdown of corporate lending — which is not seasonally adjusted — indicated that, in 2010 Q2, the stock of lending contracted across all the main sectors of the economy for the fifth consecutive quarter (**Chart 1.1**). Lending to real estate companies made the largest negative contribution to quarterly net lending flows in 2010 Q2, but since the start of 2008 the stock of real estate lending has contracted more slowly than for the rest of the corporate sector (**Chart 1.2**). In recent discussions, most major UK lenders reported that this relative resilience was likely in part to reflect that real estate sector companies typically relied on loans of a longer maturity than other sectors. In addition, real estate companies were said to be less able to reduce their working capital — through inventory management — to generate cash and pay down debt.

The contraction in the stock of lending to businesses overall has also been reflected in the stock of lending to small and medium-sized enterprises (SMEs) in recent months (**Chart 1.3**). Contacts of the Bank's network of Agents noted that credit conditions for smaller businesses remained tighter than for larger corporates. In recent discussions, some major UK lenders reported that while demand for finance from SMEs had picked up in 2010 Q1, it had fallen back somewhat in the second quarter of the year. Looking forward, some major UK lenders expected demand from SMEs to remain muted in the coming months.

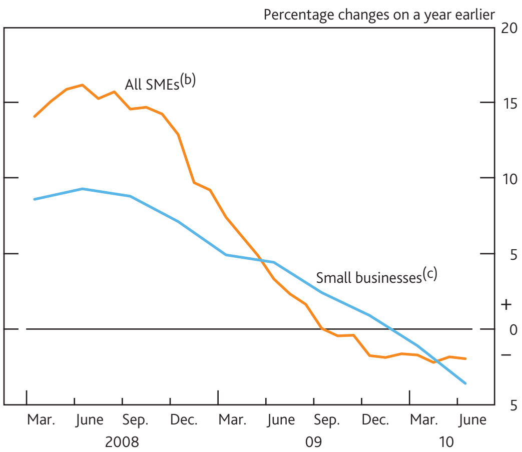
Larger companies have greater access to alternative sources of finance, such as the capital markets, than smaller businesses.

Chart 1.2 Growth in the stock of lending to the real estate sector and other sectors[(a)]



(a) Lending by UK monetary financial institutions to PNFCs. Data cover lending in both sterling and foreign currency, expressed in sterling terms. Non seasonally adjusted. See footnote (b) to **Chart 1.1**.

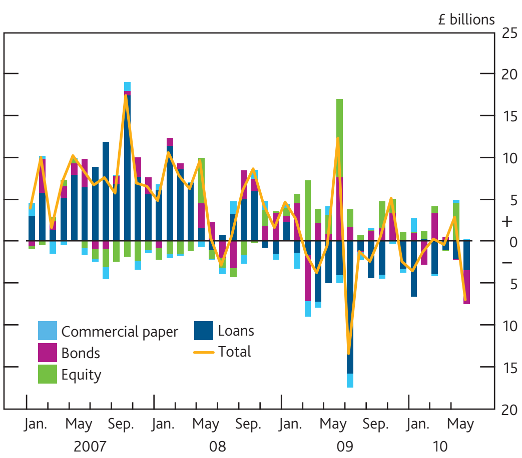
Chart 1.3 Lending to small and medium-sized enterprises[(a)]



Sources: BBA, BIS and Bank calculations.

(a) Non seasonally adjusted.
(b) Source: monthly BIS survey. Lending by four major UK lenders to enterprises with annual bank account debit turnover less than £25 million. Data cover lending in both sterling and foreign currency, expressed in sterling terms.
(c) Source: BBA. Lending by seven major UK lenders to commercial businesses with an annual bank account debit turnover of up to £1 million. Data available at www.bba.org.uk/bba/jsp/polopoly.jsp?d=467. Data are quarterly. Sterling only.

Chart 1.4 Net funds raised by UK businesses[(a)]



(a) Funds raised by PNFCs from UK monetary financial institutions and capital markets. Data cover funds raised in both sterling and foreign currency, expressed in sterling terms. Loans are seasonally adjusted. Bond, equity and commercial paper issuance are non seasonally adjusted.

In June, capital market issuance weakened, so that the total net amount of funds raised by UK businesses from banks and capital markets was negative (**Chart 1.4**). The July 2010 edition of *Trends in Lending* had reported that according to most lenders, strains in financial markets seen since April had continued to affect bond issuance in June. In recent discussions, most major UK lenders reported that sentiment in the capital markets had improved in July. A box on pages 7–8 discusses recent trends in capital market issuance in more detail.

In recent discussions, the major UK lenders noted that their recent lending to larger corporates had predominantly reflected the refinancing of existing facilities, with some lenders reporting a reduction in facilities when loans were refinanced. More generally, contacts of the Bank's Agents reported that demand for bank finance had remained weak, with companies continuing to pay down bank debt. Loan availability was broadly unchanged on the month, according to the major UK lenders.

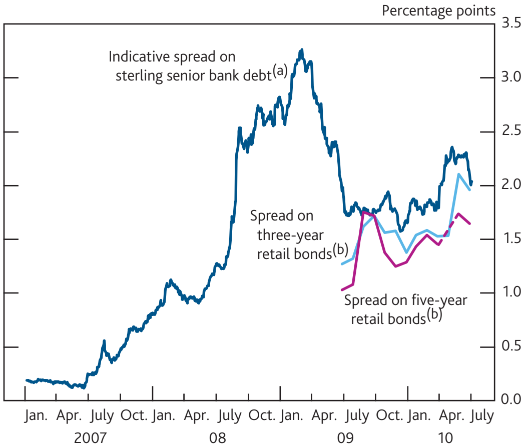
Corporate loan pricing

The total cost of bank finance to a company can be decomposed into the fees charged by the lender to provide facilities, the spread over a given reference rate (typically three-month Libor or Bank Rate) at which loans are offered, and the prevailing level of that reference rate in the financial markets.

Previous editions of *Trends in Lending* have discussed the increase in spreads over reference rates on new facilities since the start of the financial crisis. To some extent, elevated spreads reflect heightened credit risk and a repricing of risk. But they are also likely to reflect the relatively high cost to banks of raising longer-term funding. Most major UK lenders reported that conditions in the longer-term funding markets had improved through July. That was said to have partly reflected market reaction to the publication of the Europe-wide stress tests carried out by the Committee of European Banking Supervisors, in co-operation with the European Central Bank, European Commission and the EU national supervisory authorities. It was also said to have partly reflected the announcement of an amended international capital and liquidity reform package agreement by the Groups of Governors and Heads of Supervision of the Basel Committee on Banking Supervision. Consistent with this, an indicative measure of the spread over swap rates on sterling senior bank debt fell back around the end of July, though remained elevated and above the level seen at the start of April (**Chart 1.5**).

Spreads on retail deposits — such as those over equivalent-maturity swap rates for three and five-year fixed-rate bonds — have also remained elevated and in July were above the levels seen in April (**Chart 1.5**). In recent

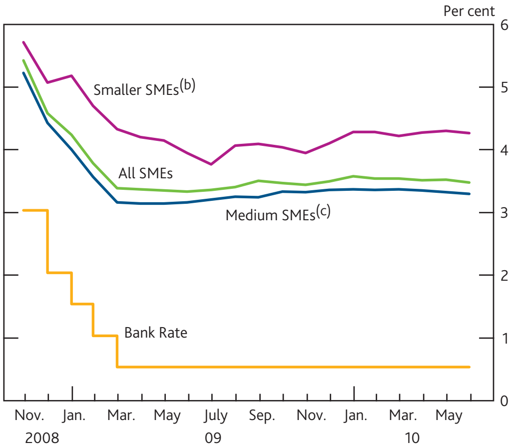
Chart 1.5 Indicative spreads on senior bank debt and retail bonds



Sources: Bank of England and JPMorgan Chase & Co.

(a) Sterling only. Spreads over asset swaps. Series is based on debt issuance by UK and non-UK banks and financial corporations. Data are up to 6 August 2010.
(b) Sterling only. Spread over the relevant swap rate. The three-year and five-year retail bond rates are weighted averages of rates from banks and building societies within the Bank of England's normal quoted rate sample with products meeting the specific criteria (see www.bankofengland.co.uk/mfsd/iadb/notesiadb/household_int.htm). The series for the five-year bond is not published for May 2010 as only two or fewer institutions in the sample offered products in that period.

Chart 1.6 Indicative median interest rates on new SME variable-rate facilities(a)



Sources: BIS and Bank calculations.

(a) Median by value of new SME facilities priced at margins over base rates, by four major lenders. Data cover lending in both sterling and foreign currency, expressed in sterling terms.
(b) SMEs with annual bank account debit turnover under £1 million.
(c) SMEs with annual bank account debit turnover £1 million to £25 million.

discussions, some major UK lenders attributed the recent rise in spreads on longer-term retail deposits to increased competition for this source of funds, in part reflecting the recent tightening of longer-term wholesale funding conditions. Looking forward, the major UK lenders expected competition for longer-term retail deposits to continue.

The increase in spreads since April on longer-term wholesale and retail funding had not yet fed through to loan pricing for businesses, according to the major UK lenders. Consistent with this, indicative median interest rates on new SME variable-rate facilities have been broadly unchanged, according to survey data from the Department for Business, Innovation and Skills (BIS) (**Chart 1.6**). Some major UK lenders reported that spreads on lending to larger corporates continued to fall, but by a diminishing amount. The Bank's measure of the effective interest rate on new corporate borrowing was broadly unchanged in June.

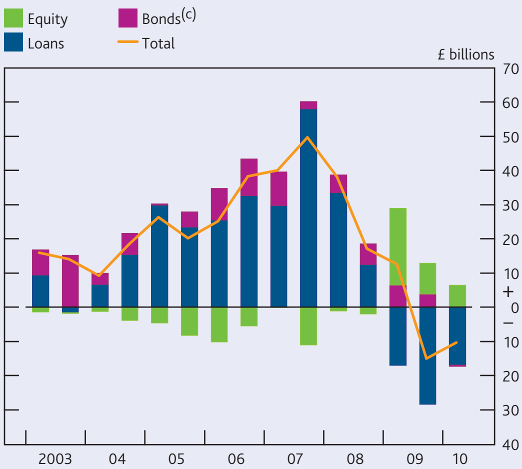
An update on capital market issuance

For larger companies, capital market issuance — such as equity and bond issuance — provides an alternative source of finance to the loan market. The December 2009 edition of *Trends in Lending*[1] provided an assessment of trends in capital market issuance during 2009 and the factors underlying those developments. This box provides an update on capital market issuance in the first half of 2010.

Capital market issuance in 2009 was unusually strong, which lenders reported as partly reflecting businesses raising equity to reduce their leverage as the economy weakened, difficulties in accessing longer-term bank finance, and some delayed issuance following a period of capital market impairment during late 2008. Strong capital market issuance was reported to have been reflected in net repayments of bank debt.

In contrast, net capital issuance slowed in 2010 H1 and, particularly in the case of equity issuance, was markedly lower than the same period a year earlier (**Chart A**). However, bank borrowing continued to contract, and by a similar amount to the same period in 2009. As in 2009 H2, total net funds raised by UK businesses from capital markets and UK-resident banks were negative.

Chart A Net funds raised by UK businesses[a][b]



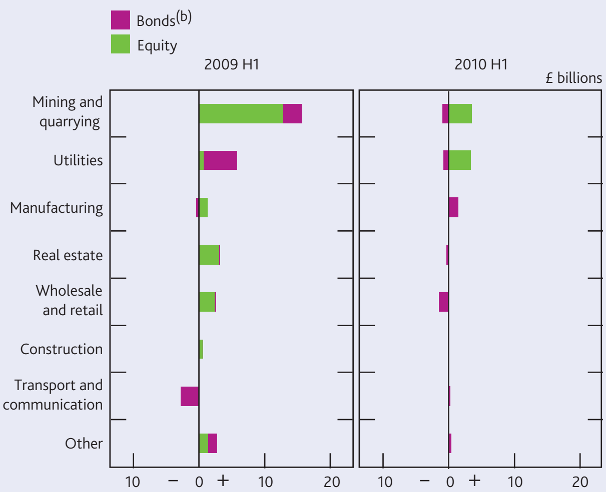
(a) Data are half yearly.
(b) Funds raised by PNFCs from UK monetary financial institutions and capital markets. Data cover funds raised in both sterling and foreign currency, expressed in sterling terms. Loans are seasonally adjusted. Bond, equity and commercial paper issuance are non seasonally adjusted.
(c) Commercial paper is included within bonds.

While net equity issuance in 2010 H1 was considerably lower than a year earlier, it remained higher than the period between 2003 and 2008 when equity buybacks and leveraged buyout activity had contributed to negative equity issuance. By contrast, net bond issuance was negative in the first half of the year — a pattern not seen since these series began in 2003. In recent discussions, the major UK lenders attributed the weakening of capital market issuance relative to a year earlier to the unusual strength of capital market issuance in 2009, with some companies also thought to have pre-funded themselves during this period. Most lenders also noted that the increase in financial market pressures seen since April had particularly affected the level of net bond issuance.

As noted in the July 2010 edition of *Trends in Lending*, the reported effect of recent financial market volatility was also reflected to some extent in the responses of chief financial officers (CFOs) to the *Deloitte CFO Survey* conducted in June. A majority of CFOs indicated that, while it remained the most favoured source of finance, the attractiveness of bond issuance decreased somewhat in 2010 Q2. In some contrast, the attractiveness of bank borrowing was reported to have increased to a level close to that for bond issuance. Notwithstanding positive net equity issuance in 2010 H1, equity raising was not regarded as an 'attractive' source of finance.

As **Chart B** shows, equity issuance was weak across most sectors in 2010 H1 with only the mining and quarrying and utilities sectors showing significant positive net issuance. In recent discussions, some major UK lenders thought that the strength of equity issuance by companies in those particular sectors partly reflected the strength of demand for their output. More generally, some lenders noted that weak capital issuance across most sectors was likely to reflect weak demand for funds given subdued levels of investment and of mergers and acquisitions (M&A) activity.

Chart B Net capital issuance by UK businesses in 2009 H1 and 2010 H1 by major industrial sectors[a]



(a) Funds raised by PNFCs from capital markets. Data cover funds raised in both sterling and foreign currency, expressed in sterling terms. Data are non seasonally adjusted.
(b) Commercial paper is included within bonds.

In recent discussions, the major UK lenders noted that part of the reported changes in the relative attractiveness of different sources of finance had reflected changes in the relative costs to businesses of raising funds. In particular, spreads on bank lending to large highly rated companies were said to have narrowed relative to those on corporate bonds, and the tenor of available bank lending was reported to have lengthened somewhat. Equity finance was said to have provided an attractive means for companies to rapidly reduce their leverage and strengthen balance sheets earlier in the crisis, but had since become less attractive given that it was generally perceived to be a relatively expensive source of funding.

More recently, most major UK lenders reported that sentiment towards capital market issuance had improved in July. In addition, some lenders had seen a tentative recovery in M&A activity which might support equity issuance going forward. However, a number of lenders also noted that the increase in availability and attractiveness of bank finance for larger companies might act to reduce the need for companies to raise funds from capital markets.

(1) See the box on 'Capital market issuance and bank lending' in *Trends in Lending*, December 2009, available at www.bankofengland.co.uk/publications/other/monetary/TrendsDecember09.pdf.

2 Mortgage lending

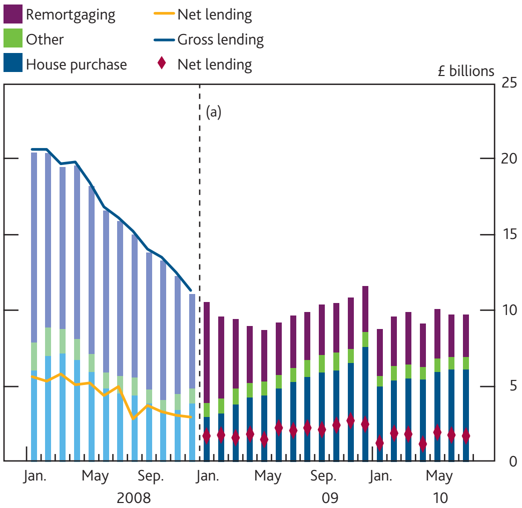
The flow of net mortgage lending by all UK-resident mortgage lenders was little changed in June. Gross lending for house purchase in July was similar to that in June, though approvals for house purchase edged down according to data from the major UK lenders. Some major UK lenders reported that recent higher longer-term funding costs had contributed to a rise in spreads on longer-term fixed-rate mortgage products. The overall effective rate on new mortgages was little changed in June.

Table 2.A Secured lending to individuals[(a)]

	Averages				2010		
	2007	2008	2009	2010 Q1	Apr.	May	June
Net monthly flow (£ billions)	9.0	3.4	0.9	1.0	0.7	0.8	0.7
Three-month annualised growth rate (per cent)	10.4	4.1	0.9	1.3	0.8	0.5	0.7
Twelve-month growth rate (per cent)	11.0	6.9	1.4	1.0	0.8	0.9	0.9

(a) Sterling lending by UK monetary financial institutions and other lenders to UK individuals. Seasonally adjusted.

Chart 2.1 Mortgage lending by the major UK lenders[(a)]



(a) The split in 2008 is estimated using gross lending data and the split of loan approval values between house purchase, remortgaging and other advances. The split from 2009 onwards is reported data from the major UK lenders, rather than estimated data. Data cover lending in both sterling and foreign currency, expressed in sterling terms. Seasonally adjusted.

Recent lending data

The flow of net sterling mortgage lending by all UK-resident mortgage lenders was little changed in June at £0.7 billion, and the annual rate of growth in the stock of lending was stable at 0.9% (**Table 2.A**). According to data from the major UK lenders, net mortgage lending flows were broadly unchanged in July (**Chart 2.1**).

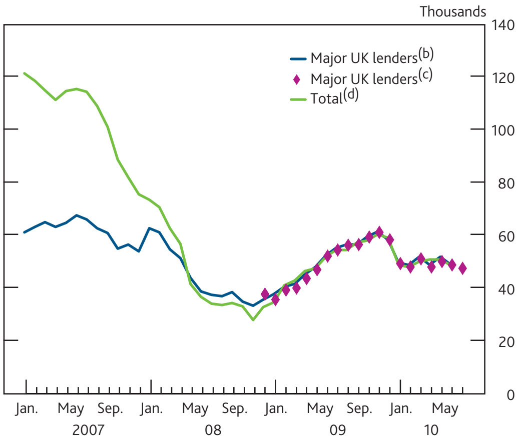
Data provided by the major UK lenders also include a split of gross lending between house purchase and the refinancing of existing mortgages (remortgaging). Gross mortgage lending for house purchase was unchanged in July, remaining close to levels seen during 2010 Q2 (**Chart 2.1**). Remortgaging activity continued to be weak.

The stability in gross lending by the major UK lenders for house purchase in recent months has also been reflected in the official data on approvals for house purchase. Data from the major UK lenders indicated that their mortgage approvals edged down in July (**Chart 2.2**).

In recent discussions, most major UK lenders reported that demand for secured lending, including for remortgaging, remained weak. Consistent with that, the Royal Institution of Chartered Surveyors' new buyer enquiries balance remained negative in July, indicating a decline in demand for house purchase. Contacts of the Bank's network of Agents reported that demand for housing continued to be constrained by the availability of mortgage finance.

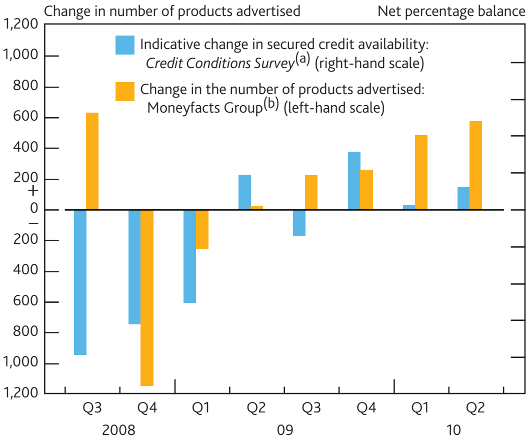
The availability of secured credit to households has not changed significantly since the start of the year, as reported by lenders in the Bank of England's *Credit Conditions Survey* (**Chart 2.3**). In some contrast to this measure of secured credit availability, the total number of advertised mortgage products increased markedly in the first two quarters of the year, according to data from Moneyfacts Group. Most major UK lenders noted that their view of recent changes in

Chart 2.2 Approvals for mortgages for house purchase(a)



(a) Seasonally adjusted.
(b) Gross approvals data covering lending in both sterling and euros.
(c) Gross approvals from additional, more timely, data reported by the major UK lenders since late 2008. Data cover lending in all currencies.
(d) UK monetary financial institutions and other lenders. These data are net of cancellations and hence the total can fall below the gross approvals data shown for the major UK lenders. Data cover lending in sterling only.

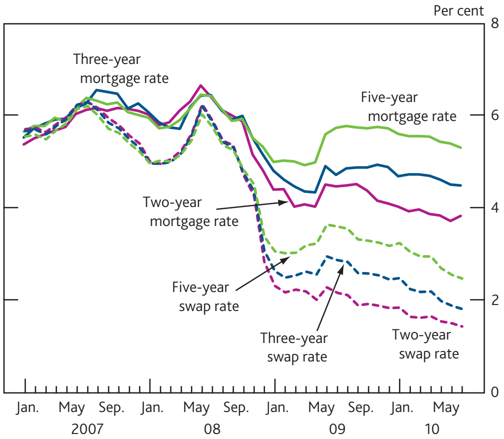
Chart 2.3 Secured credit availability in the *Credit Conditions Survey* and number of advertised mortgage products in Moneyfacts



Sources: Bank of England, Moneyfacts Group and Bank calculations.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The bars show the responses over the previous three months. A positive balance indicates that more credit is available.
(b) The change is calculated as the difference between the number of advertised products in the last month of each quarter.

Chart 2.4 Quoted interest rates on 75% loan to value ratio fixed-rate mortgages and swap rates(a)



Sources: Bank of England and Bloomberg.

(a) Sterling only. The Bank's quoted interest rate series are end-month rates and comprise data from up to 24 UK monetary financial institutions. Swap rates are monthly averages of daily data. Non seasonally adjusted.

secured credit availability was closer to that indicated by the *Credit Conditions Survey*. In recent discussions, lenders offered a number of potential reasons for the increase in the number of advertised mortgage products, including increased marketing activity and some new or returning entrants to the market. To some extent, the increase was said to reflect a greater differentiation of products. In particular, reports of some increase in competition by lenders at higher loan to value (LTV) ratios could have increased the number of advertised mortgage products, as lenders offered a wider range of products around the same LTV ratio. Looking forward, the major UK lenders expected secured lending to remain subdued in the coming months.

Mortgage pricing

In June, the Bank's measure of the overall effective rate on new mortgages was broadly unchanged, though it has fallen since the middle of 2008. Advertised fixed mortgage rates at 75% LTV ratios have also fallen since the middle of 2008, though the fall for three and five-year mortgages has been less than for two-year products (**Chart 2.4**).

Swap rates have also fallen since the middle of 2008, and by more than advertised fixed mortgage rates so that spreads over swap rates for fixed-rate products have risen during this period (**Chart 2.4**). For longer-term fixed-rate products, spreads have widened further in recent months which some lenders have partly attributed to recent increases in their longer-term funding costs (Section 1).

3 Consumer credit

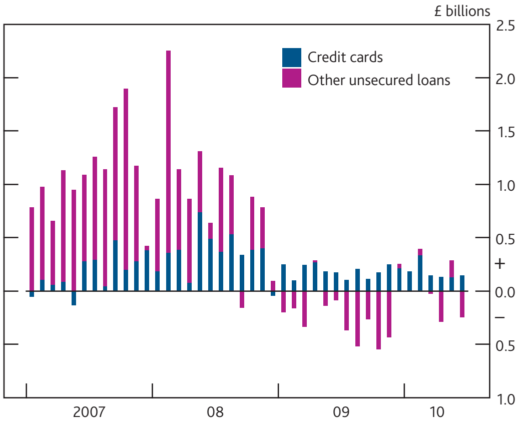
The flow of net consumer credit decreased in June, though the annual growth rate of the stock of lending remained broadly unchanged and close to zero. Effective interest rates on credit cards increased slightly in June, while rates on personal loans edged lower. Most major UK lenders reported no significant changes in credit availability or demand in July.

Table 3.A Consumer credit(a)

	Averages				2010		
	2007	2008	2009	2010 Q1	Apr.	May	June
Net monthly flow (£ billions)	1.1	0.9	-0.1	0.2	-0.2	0.3	-0.1
Three-month annualised growth rate (per cent)	6.5	5.2	-0.2	1.1	0.6	0.5	0.1
Twelve-month growth rate (per cent)	6.1	6.3	1.7	0.0	-0.1	0.0	-0.1

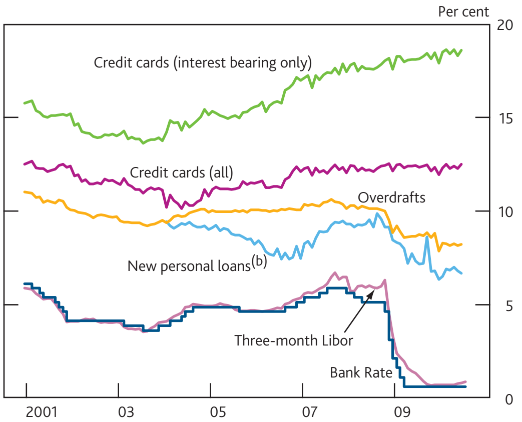
(a) Sterling lending by UK monetary financial institutions and other lenders to UK individuals. Seasonally adjusted.

Chart 3.1 Net consumer credit lending flows(a)



(a) Sterling lending by UK monetary financial institutions and other lenders to UK individuals. Seasonally adjusted.

Chart 3.2 Effective interest rates on consumer credit(a)



(a) Sterling only. The Bank's effective interest rates series comprise data from 24 UK monetary financial institutions. The rate for personal loans is for new business. For the other series the rates shown are for the stock of lending, as comparable data for new lending are not available. Data for Bank Rate and three-month Libor are to end-July and for effective rates to end-June. Non seasonally adjusted.
(b) Only available from January 2004.

Recent lending data

Total net consumer credit flows turned slightly negative in June, following an uptick in May (**Table 3.A**). The three-month annualised growth rate fell from 0.5% in May to 0.1% in June, with the annual rate of growth remaining broadly unchanged and close to zero. The decline in net lending was driven by a weakening of the net flow of non credit card lending (**Chart 3.1**). Net credit card flows were broadly unchanged in June, remaining positive.

Net lending flows for consumer credit were weak in July, according to most major UK lenders. In recent discussions, most major UK lenders reported no significant changes in credit availability or demand.

Consumer credit pricing

Effective interest rates on credit cards increased slightly in June, while rates on personal loans edged lower (**Chart 3.2**). Spreads on consumer credit as a whole remain significantly wider than in late 2008, which lenders report partly reflects heightened credit risk. Consistent with that, the Insolvency Service reported that, in England and Wales, personal insolvencies in 2010 Q2 were 5% higher than in the same period a year ago, though they had declined slightly from the previous quarter — the first quarterly fall since 2007 Q4.

Abbreviations

BBA — British Bankers' Association.
BIS — Department for Business, Innovation and Skills.
CFO — chief financial officer.
Libor — London interbank offered rate (see below).
LTV ratio — loan to value ratio (see below).
M&A — mergers and acquisitions.
PNFCs — private non-financial corporations (see below).
SMEs — small and medium-sized enterprises.

Glossary

Bank Rate	The official rate paid on commercial bank reserves by the Bank of England.
Businesses	Private non-financial corporations.
Consumer credit	Borrowing by UK individuals to finance expenditure on goods and/or services. Consumer credit is split into two components: credit card lending and 'other' lending (mainly overdrafts and other loans/advances).
Effective interest rates	The weighted average of calculated interest rates on various types of sterling deposit and loan accounts. The calculated annual rate is derived from the deposit or loan interest flow during the period, divided by the average stock of deposit or loan during the period.
Facility	An agreement in which a lender sets out the conditions on which it is prepared to advance a specified amount to a borrower within a defined period.
Gross lending	The total value of new loans advanced by an institution in a given period.
Loan approvals	Lenders' firm offers to advance credit.
Loan to value (LTV) ratio	Ratio of outstanding loan amount to the market value of the asset against which the loan is secured (normally residential or commercial property).
London interbank offered rate (Libor)	The rate of interest at which banks borrow funds from each other, in marketable size, in the London interbank market.
Major UK lenders	Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland.
Monetary financial institutions	A statistical grouping comprising banks and building societies.
Mortgage lending	Lending to households, secured against the value of their dwellings.
Net lending	The difference between gross lending and gross repayments of debt in a given period.
Private non-financial corporations (PNFCs)	All corporations whose primary activity is non-financial, and that are not controlled by central or local government.
Reference rate	The rate on which loans are set, with an agreed margin over the reference rate (typically this will be Bank Rate, Libor or a swap rate).
Remortgaging	A process whereby borrowers repay their current mortgage in favour of a new one secured on the same property. A remortgage would represent the financing of an existing property by a different mortgage lender.
Swap rate	The fixed rate of interest in a swap contract in which floating-rate interest payments are exchanged for fixed-rate interest payments. Swap rates are a key factor in the setting of fixed mortgage rates.

Symbols and conventions

Except where otherwise stated the source of data in charts is the Bank of England.

On the horizontal axes of graphs, larger ticks denote the first observation within the relevant period, eg data for the first quarter of the year.

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