

Trends in Lending

May 2009



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 Bank collects these data on behalf of the Lending Panel,⁽²⁾ which was established by the Chancellor in November 2008 to monitor lending to the UK economy and to promote best practice across the industry in dealing with borrowers facing financial difficulties.

The new data set — referred to as 'Lending Panel data' — covers the major UK lenders:⁽³⁾ 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, 50% of the stock of consumer credit, and 70% of the stock of mortgage lending at the end of 2008. These data have provided a useful input to discussions between the major 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 regional Agents and from market contacts, as well as the results of other surveys, such as a new survey of lending to small and medium-sized enterprises set up by the Department for Business, Enterprise and Regulatory Reform. 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.

This second edition of *Trends in Lending* is shorter than the April report, which provided greater historical context to recent developments in lending. The May report focuses more on developments in the most recent monthly data, as will future editions. The report covers official data up to March 2009, supplemented by Lending Panel data and intelligence gathered up to end-April 2009.

Unless stated otherwise, the data reported cover lending in both sterling and foreign currency, are expressed in sterling terms, and are not seasonally adjusted. Lending Panel 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 Lending Panel 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) The Lending Panel comprises Government, lenders, consumer, debt advice and trade bodies, regulators and the Bank of England. See www.hm-treasury.gov.uk/press_126_08.htm.

(3) 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.

Contents

| | |
|--|-----------|
| Executive summary | 3 |
| <hr/> | |
| 1 Lending to UK businesses | 4 |
| <hr/> | |
| Box Lending to small and medium-sized enterprises (SMEs) | 6 |
| 2 Mortgage lending | 8 |
| <hr/> | |
| 3 Consumer credit | 10 |
| <hr/> | |
| Glossary and other information | 11 |

Executive summary

Net [lending to businesses](#) has remained weak, with new facilities granted reported largely to reflect the refinancing of existing lending. Utilisation rates of facilities have increased across a range of industries since 2007, partly reflecting a reluctance of borrowers to maintain unused facilities, given the higher costs of doing so and weaker investment plans. Capital market issuance was relatively high in the first quarter, consistent with efforts by some businesses to diversify their funding sources. Businesses continue to report higher spreads and fees on the renewal of facilities, which lenders partly attribute to higher longer-term funding costs. A new survey on [lending to small and medium-sized enterprises](#) shows a broadly similar picture to that for lending to businesses overall.

[Mortgage lending](#) growth has slowed further, with net and gross lending flows having weakened in March. Mortgage applications have risen in recent months and approvals for house purchase have edged higher, though remain close to historical lows. The number of high loan to value products being offered has stabilised in recent months, though spreads on those products are particularly high.

In 2009 Q1 the quarterly rate of growth of [unsecured lending](#) was the lowest since 1992. Acceptance rates reported by lenders on applications for unsecured credit were little changed in April, and demand is reported to have remained weak. The interest rates charged on consumer credit overall have fallen in recent months, but by less than Bank Rate and Libor.

1 Lending to UK businesses

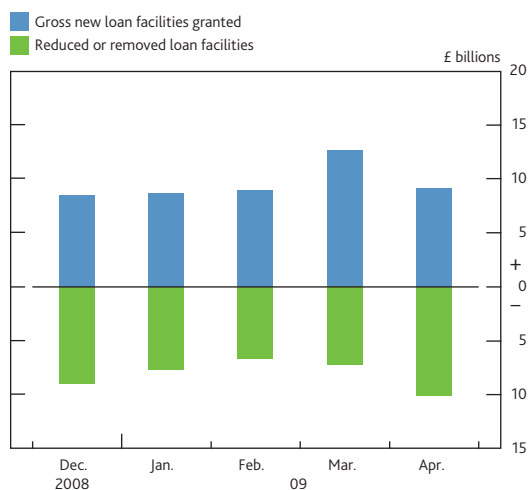
Net lending to businesses has remained weak, with new facilities granted reported largely to reflect the refinancing of existing lending. Utilisation rates of facilities have increased across a range of industries since 2007, partly reflecting a reluctance of borrowers to maintain unused facilities, given the higher costs of doing so and weaker investment plans. Capital market issuance was relatively high in the first quarter, consistent with efforts by some businesses to diversify their funding sources. Businesses continue to report higher spreads and fees on the renewal of facilities, which lenders partly attribute to higher longer-term funding costs.

Table 1.A Lending to UK businesses^(a)

| | Averages | | 2009 | | |
|---|----------|------|------|------|------|
| | 2007 | 2008 | Jan. | Feb. | Mar. |
| Net monthly flow (£ billions) | 7.0 | 4.0 | 1.9 | 0.3 | 1.5 |
| Three-month annualised growth rate (per cent) | 19.4 | 10.8 | 2.1 | 2.2 | 2.6 |
| Twelve-month growth rate (per cent) | 16.5 | 17.1 | 8.1 | 5.7 | 4.1 |

(a) Lending by monetary financial institutions to private non-financial corporations. Investments and holdings of securities are not included. Seasonally adjusted data.

Chart 1.1 Corporate loan facilities granted and withdrawn^(a)



(a) Lending Panel data, which are generally of lower quality than existing data sources.

Recent lending data

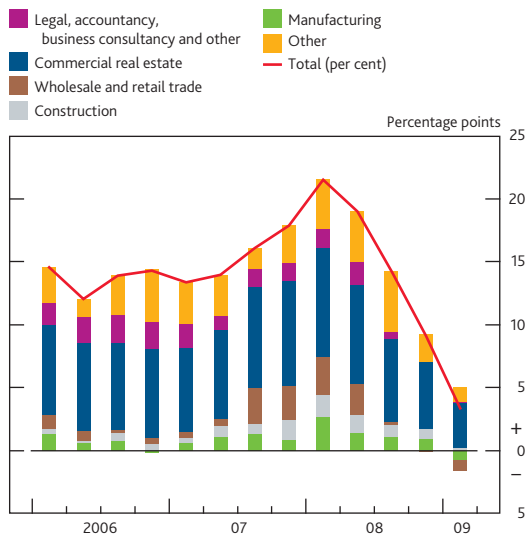
Official data covering lending by all banks and building societies showed that the monthly flow of net lending to UK businesses was subdued, though positive, in March (**Table 1.A**). The annual rate of growth of lending fell further in March, and the major UK lenders reported that their net lending flows remained weak in April.

Lending Panel data suggest that the value of gross new corporate loan facilities granted by the major UK lenders fell in April after an increase in March (**Chart 1.1**). **Chart 1.1** also shows that, to a large extent, gross new facilities have been matched by reduced or removed loan facilities in recent months. Consistent with that, in discussions with the Bank the major UK lenders have said that a high proportion of recent new facilities have been associated with the refinancing or restructuring of their existing customers' facilities. This refinancing would add to gross lending flows but not to net new lending.

A number of sectors have contributed to the slowdown in the growth of lending over the past year. **Chart 1.2** shows that lending to the commercial real estate (CRE) sector has accounted for a significant share of the fall in the annual growth rate over that period. But despite a depressed commercial property market, the annual rate of growth of CRE lending remained relatively strong compared with corporate lending overall, at 8.5% in 2009 Q1. As the economy has weakened, growth in lending to a number of other industries has fallen more sharply, and in the case of wholesale and retail trade and manufacturing, lending has contracted over the past year.

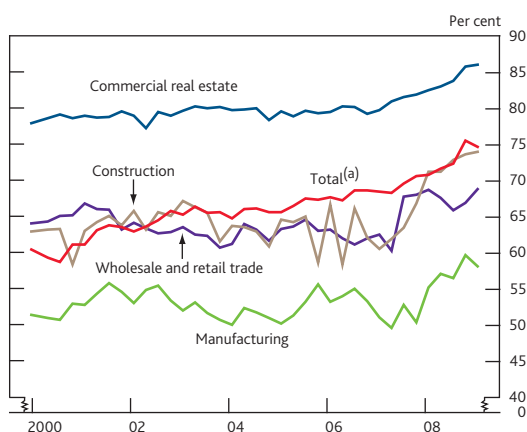
Utilisation rates — the extent to which lending facilities are drawn down by borrowers — have picked up across a number of industries since the start of 2007 (**Chart 1.3**). There are a number of possible explanations. In industries where cash

Chart 1.2 Industrial breakdown of contributions to annual corporate lending growth^(a)



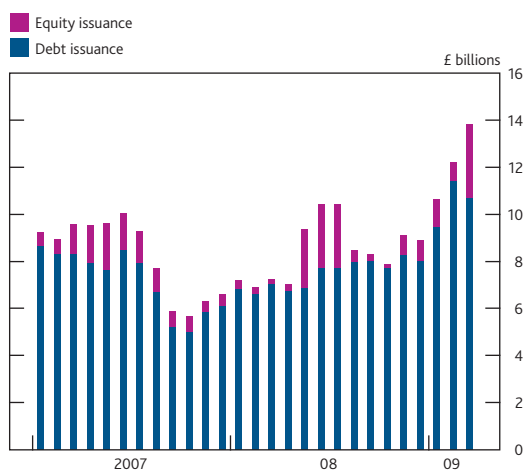
(a) UK private non-financial corporations.

Chart 1.3 Corporate loan facility utilisation rates



(a) UK private non-financial corporations.

Chart 1.4 Gross debt and equity issuance by UK businesses^(a)



(a) Rolling three-month average flows of sterling and foreign currency funds raised from corporate bond, commercial paper, and equity markets.

flows have been adversely affected by the economic downturn, firms are reported to be using their existing facilities more intensively. Lenders also report that borrowers have cancelled unused facilities, as investment plans have been cut back and as charges have risen to reflect higher capital requirements under the new Basel II capital adequacy framework.

Many large businesses raise funds from debt and equity issuance in the capital markets, as well as by borrowing from banks. This allows them to diversify their sources of finance though, for businesses overall, bank lending tends to be the dominant source of funds. Market contacts report that capital market conditions have improved in recent months, reflected by higher debt and equity issuance (Chart 1.4). Lenders have attributed greater equity issuance to businesses seeking to reduce their leverage given current economic conditions. Some of the funds raised in capital markets in recent months are reported to have been used to pay down bank debt.

Smaller firms will generally be more reliant on bank borrowing to finance their activities than larger firms. In part, this is because for the relatively small amounts of funds they need it is not economic to incur the costs of obtaining the credit rating usually required to raise debt in capital markets. Data collected by the British Bankers' Association (BBA) indicate that the flow of net lending to small businesses was positive in the first quarter of 2009, though below the average flow in 2008.⁽¹⁾ A box on pages 6–7 provides more information about recent lending to small and medium-sized enterprises (SMEs).

Looking across the corporate sector, the major UK lenders have reported that the effect of lending commitments made by banks was to have marginally eased the availability of lending in April. This is consistent with reports made to the Bank's regional Agents by their business contacts, some of whom have noted a slight increase in banks' appetite to lend. However, contacts have highlighted the negative effect on syndicated loan capacity of foreign-owned banks refocusing on their own domestic markets. So overall credit availability remains tight. Lenders have continued to report subdued demand for new loans, consistent with reported weak investment intentions.

Corporate loan pricing

The total cost of bank finance to a company can be decomposed into the fees charged by the bank to provide facilities, the spread over a given reference rate at which loans are offered, and the prevailing level of that reference rate in the financial markets. Contacts of the Bank's regional Agents have continued to report sharp increases in fees and spreads on the renewal or extension of existing facilities.

(1) See www.bba.org.uk/bba/jsp/polopoly.jsp?d=467 for more details.

Lending to small and medium-sized enterprises (SMEs)

In addition to the Lending Panel data set, the Department for Business, Enterprise and Regulatory Reform (BERR) set up a new survey of lending to small and medium-sized enterprises (SMEs) in November 2008, to inform the work of the Small Business Finance Forum (SBFF) and the Lending Panel.⁽¹⁾ Four major banking groups — Barclays, HSBC, Lloyds and Royal Bank of Scotland — participate in the BERR survey which is estimated to cover around 80% of lending to SMEs. The Bank of England collects the data for this survey and collaborates with BERR in their assessment of it. These data, together with BERR's conversations with the individual banks, and other sources of data — such as the British Bankers' Association (BBA) monthly statistics on bank lending to small businesses of annual turnover of up to £1 million — provide key inputs into the Lending Panel's analysis of lending to SMEs.

The new data set provides information on the supply of, demand for, and cost of loans and overdrafts for businesses with an annual turnover of up to £25 million. Data are reported for the latest month and for the corresponding period in 2007.⁽²⁾ Like the Lending Panel data, these data are reported on a 'best endeavours' basis and will require further quality assurance. Over time, we hope to increase the extent to which these data are included in this report.

From data up to March 2009, certain features of bank lending to SMEs are evident and have been discussed at the SBFF. These include:

- Demand for finance remains a key issue. In general, the number of applications by SMEs for new loans and overdrafts has declined significantly compared with a baseline of corresponding months in 2007. This is especially pronounced for SMEs with turnover of less than £1 million.
- Approval rates — that is, approvals of new borrowing considered as a ratio to applications — have fallen for smaller businesses. Likewise, the BERR SME Business Barometer survey in February reported that the proportion of SMEs successfully raising finance had fallen compared with early 2008, although the majority of SMEs could still raise the finance they need.⁽³⁾ Banks attribute the fall in approval rates to a decline in the quality of applications as well as to a tightening in credit policies.
- With the reduced demand for finance and tightening credit policies, the flow of new loans has been markedly lower than in the corresponding months of 2007.
- Overdraft utilisation in March 2009 was higher than in March 2007.

- The total stock of lending to businesses with a turnover of up to £25 million has remained stable over recent months. The BBA, whose survey has a higher coverage of banks but relates to the smaller sub-£1 million turnover segment of SMEs, has reported that the stock of lending to these businesses rose in the first three months of 2009, and was about 5% higher in March 2009 than a year ago.
- Since November 2008, interest rates charged on loans and overdrafts have fallen, but not by as much as Bank Rate. For businesses in the £1 million to £25 million turnover segment, the proportion of new fixed-rate loans below 7%

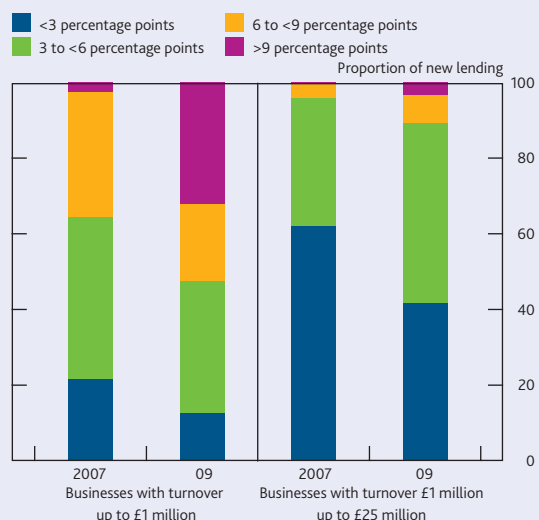
Chart A Distribution of interest rates charged on new fixed-rate lending^(a)



Source: BERR.

(a) Based on numbers of loans approved in March 2007 and March 2009.

Chart B Distribution of interest rate margins over banks' base rates on new variable-rate lending^(a)



Source: BERR.

(a) Based on numbers of loans and overdrafts approved in March 2007 and March 2009.

was higher in March 2009 than in March 2007. However, the corresponding proportion for businesses with under £1 million turnover was little changed (**Chart A**).

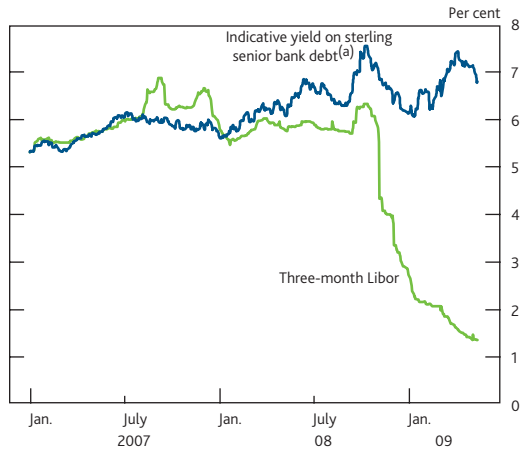
- For variable-rate loans and overdrafts to SMEs, reported margins over banks' base rates have been higher for new agreements in March 2009 than in March 2007 (**Chart B**).

In these respects, the BERR data set has provided a picture for SME lending that is broadly consistent with the conclusions on

lending to businesses presented elsewhere in *Trends in Lending*. The demand for bank lending by SMEs has fallen since 2007 and credit conditions have tightened. Spreads over reference rates charged for new and renewed facilities have increased.

- (1) See BERR Press Release, 12 November 2008 for more details: <http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=383946&NewsAreaID=2&NavigatedFromDepartment=True>.
- (2) The comparison period of 2007 was chosen as it encompasses a period prior to the tightening of credit conditions.
- (3) See Table 17, BERR SME Business Barometer, February 2009, www.berr.gov.uk/files/file51016.doc.

Chart 1.5 Three-month Libor rates and secondary market yields on sterling senior bank debt



Sources: Bloomberg and JPMorgan Chase & Co.

(a) This yield is from a JPMorgan Chase & Co. index of sterling senior bank debt that is not exclusively composed of UK bank debt.

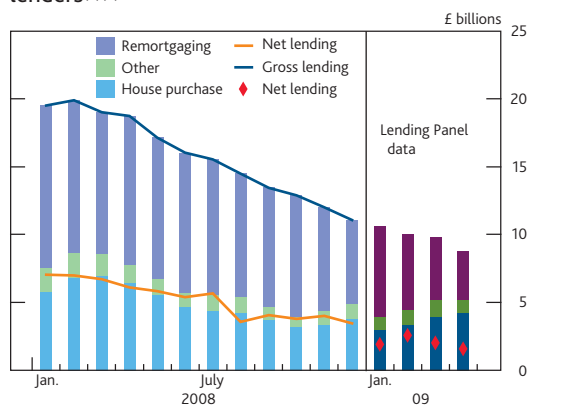
Increases in spreads are likely to reflect in part a repricing due to increased perceptions of credit risk, following a prolonged period earlier in the decade when corporate credit risks were underpriced. Lenders have reported that deteriorating credit quality has led to higher capital requirements and costs, which has also contributed to increases in spreads.

Higher spreads over Libor or Bank Rate are also reported by some lenders to reflect an increase in the cost of longer-term funding relative to those reference rates. Market contacts have said that it remains difficult and expensive for banks to raise new funds at longer maturities (greater than three years). Some lenders report that given pressures to lengthen the term structure of wholesale funding to better match that of assets, longer-term funding rates represent their marginal cost of funding and that this is not well captured by Libor reference rates. Some other banks have said that the spreads charged on longer-term facilities have been increased to reflect better the risks of funding over the lifetime of the facility. As an indication of higher funding costs, **Chart 1.5** shows how secondary market yields on sterling bank debt have risen in recent months.

2 Mortgage lending

Mortgage lending growth has slowed further, with net and gross lending flows having weakened in March. Mortgage applications have risen in recent months and approvals for house purchase have edged higher, though remain close to historical lows. The number of high loan to value products being offered has stabilised in recent months, though spreads on those products are particularly high.

Chart 2.1 Gross mortgage lending by the major UK lenders^{(a)(b)}



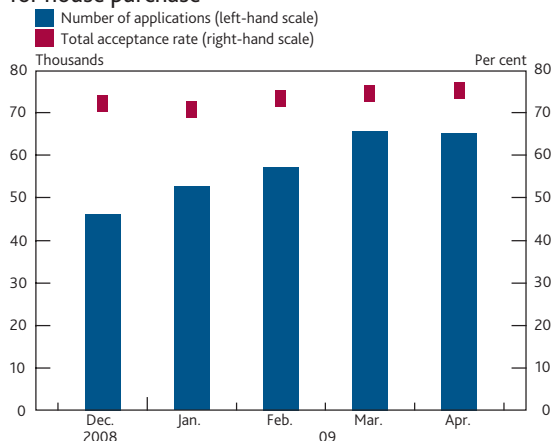
(a) The split in 2008 is estimated using gross lending data and the split of loan approval values between house purchase, remortgaging and other advances. The split using Lending Panel data in 2009 is reported, rather than estimated, data. Seasonally adjusted data.
(b) Lending Panel data are generally of lower quality than existing data sources.

Table 2.A Secured lending to individuals^(a)

| | Averages | | 2009 | | |
|---|----------|------|------|------|------|
| | 2007 | 2008 | Jan. | Feb. | Mar. |
| Net monthly flow (£ billions) | 9.0 | 3.4 | 1.0 | 1.4 | 0.8 |
| Three-month annualised growth rate (per cent) | 10.4 | 4.0 | 1.2 | 1.4 | 1.0 |
| Twelve-month growth rate (per cent) | 11.0 | 6.9 | 2.9 | 2.4 | 2.0 |

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

Chart 2.2 Applications and acceptances for mortgages for house purchase^{(a)(b)(c)}



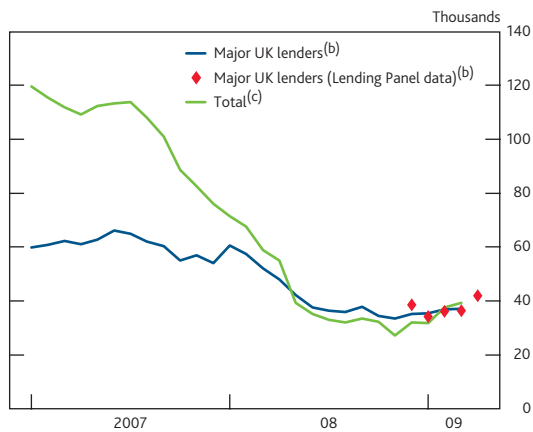
(a) Reported by the major UK lenders in the Lending Panel sample.
(b) Lending Panel data are generally of lower quality than existing data sources.
(c) Absolute levels should be given less weight than any movement over time. The acceptance rate in a given month is unlikely to apply to the applications that month. More than one application may be made for a mortgage.

Recent lending data

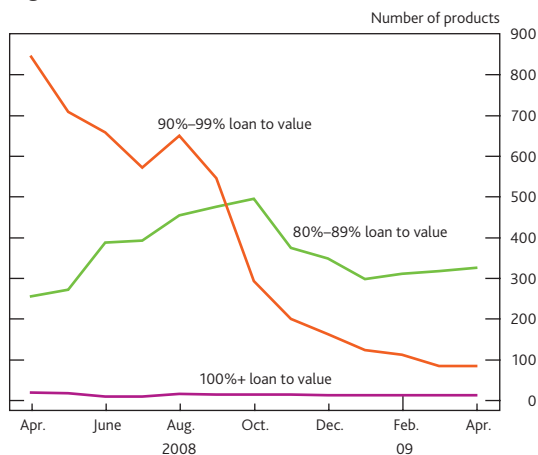
Official data for total gross mortgage lending fell further in March on a seasonally adjusted basis, to the lowest level since February 2001. The major UK lenders, who have accounted for some 80% of total gross lending flows over the past year, reported a further weakening in April (**Chart 2.1**). **Chart 2.1** also provides a split of gross lending by purpose over time, and shows how the fall in gross lending flows over the past 18 months or so has been concentrated in remortgaging activity. As discussed in the April report, the major UK lenders have attributed part of that decline to falls in standard variable mortgage rates, relative to other mortgage rates. With many shorter-term mortgage deals reverting to standard variable rates on maturity, the refinancing of expiring mortgage deals has, as a result, become much less attractive to borrowers than previously.

The flow of secured lending on a net basis — the difference between gross mortgage lending and mortgage repayments — continued to weaken in March (**Table 2.A**), consistent with subdued housing market activity. **Table 2.A** also shows that growth in the stock of secured lending slowed further in March.

But looking ahead, Lending Panel data show that mortgage applications have risen over recent months (**Chart 2.2**). This could partly reflect seasonal factors, but might also be a result of some underlying increase in buyer interest, consistent with recent rises in the Royal Institution of Chartered Surveyors' new buyer enquiry balance. The Lending Panel data suggest acceptance rates by the major lenders are little changed since the start of the year (**Chart 2.2**). Over recent months approvals for house purchase have stabilised and, while still close to historical lows, rose both in the official data for February and March, and in the Lending Panel data for April (**Chart 2.3**). Some lenders have said that difficulties in valuing properties in present market conditions can lead to delays in the mortgage approvals process, so that the lag between a pickup in mortgage applications and approvals may be longer than normal.

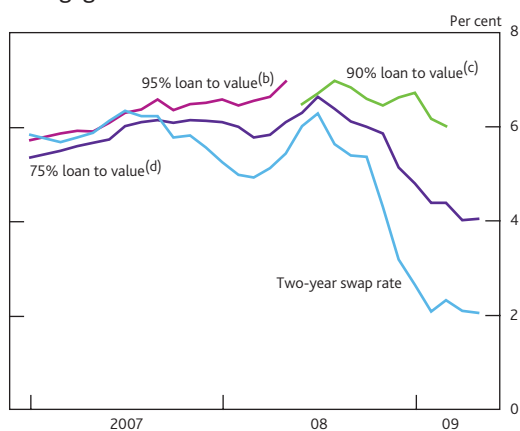
Chart 2.3 Approvals for mortgages for house purchase^(a)

- (a) Seasonally adjusted.
 (b) Gross approvals data.
 (c) 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.

Chart 2.4 Number of mortgage products available at higher loan to value ratios^(a)

Sources: Moneyfacts Group and Bank calculations.

- (a) Excludes buy-to-let and self-certified mortgages.

Chart 2.5 Quoted interest rates on two-year fixed-rate mortgages^(a)

Sources: Moneyfacts Group and Bank calculations.

- (a) The Bank's quoted interest rates series are based on data from a subset of the 29 monetary financial institutions reporting effective rates that offer household lending and deposit products.
 (b) Series finishes in April 2008, as thereafter only two or fewer products are offered.
 (c) Series is only available on a consistent basis back to May 2008, as earlier periods require a greater degree of estimation, and finishes in February 2009 as thereafter only two or fewer products are offered.
 (d) This series has been changed since the original May 2009 publication as that version incorrectly showed the discounted variable rate rather than fixed-rate series.

The April edition of *Trends in Lending* highlighted how mortgage availability had fallen markedly over the past 18 months, as a number of lenders had withdrawn from new lending and as there had been a reduction in the number of higher-risk mortgage products, such as those with high loan to value ratios (LTVs). However, in recent weeks some major UK lenders have introduced new mortgage products at higher LTVs. Indeed, after a period of falling numbers of higher LTV mortgage products on offer, this declining trend appears to have levelled off in recent months (Chart 2.4).

Mortgage pricing

In March, the effective interest rates on new floating-rate and fixed-rate mortgages both fell by 0.2 percentage points to 3.0% and 4.9% respectively. The overall rate on new mortgage lending was little changed, as borrowers have increasingly chosen to take out fixed-rate mortgages, which currently have a higher interest rate than floating-rate mortgages. Since the start of May, some lenders have announced increases in interest rates on fixed-rate mortgages as swap rates have risen.

Over the past six months, effective interest rates on new floating-rate and fixed-rate mortgage lending have fallen by less than Bank Rate and swap rates respectively, consistent with a widening of mortgage spreads. Some lenders have partly attributed that to increases in the price of their long-term funding, which is reported to have risen over and above swap rates (see also Section 1), but also to heightened concerns about credit risks on mortgage lending.

While spreads across mortgage products are generally elevated, the average figures mask an increased degree of differentiation in pricing between products of different LTVs. Chart 2.5 indicates that, on the available data, quoted interest rates on fixed-rate higher LTV mortgages have fallen by much less than swap rates over the past six months or so. As a result, spreads on these higher LTV mortgages are particularly high. Quoted rates on 75% LTV mortgages have fallen by over 2 percentage points, so that the widening of spreads on these products has been less marked. Some lenders report that this differential in pricing partly reflects the higher capital requirements for relatively riskier higher LTV lending.

3 Consumer credit

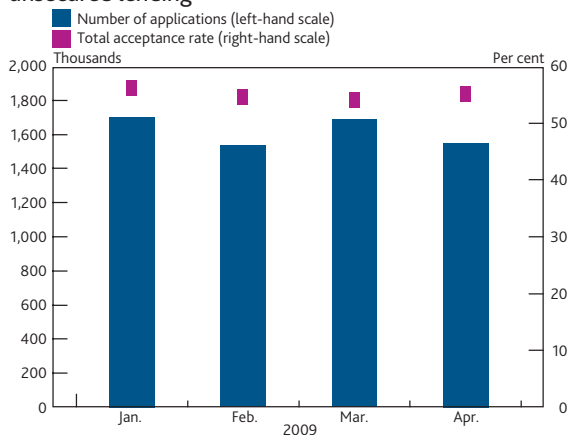
In 2009 Q1 the quarterly rate of growth of unsecured lending was the lowest since 1992. Acceptance rates reported by lenders on applications for unsecured credit were little changed in April, and demand is reported to have remained weak. The interest rates charged on consumer credit overall have fallen in recent months, but by less than Bank Rate and Libor.

Table 3.A Unsecured lending to individuals^(a)

| | Averages | | 2009 | | |
|---|----------|------|------|------|------|
| | 2007 | 2008 | Jan. | Feb. | Mar. |
| Net monthly flow (£ billions) | 1.1 | 1.0 | 0.1 | 0.1 | 0.1 |
| Three-month annualised growth rate (per cent) | 6.4 | 5.3 | 2.1 | 1.0 | 0.6 |
| Twelve-month growth rate (per cent) | 6.1 | 6.3 | 4.7 | 3.7 | 3.2 |

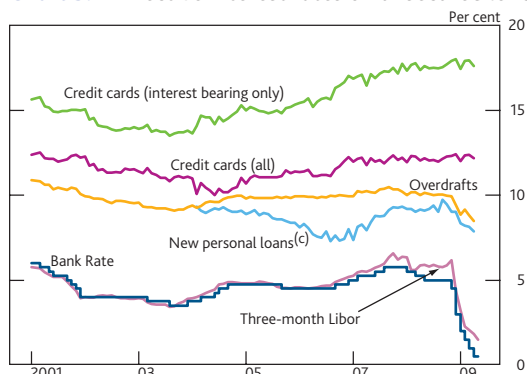
(a) Lending by monetary financial institutions and other lenders to UK individuals. Seasonally adjusted data.

Chart 3.1 Applications and acceptances for total unsecured lending^{(a)(b)(c)}



(a) Reported by the major UK lenders in the Lending Panel sample.
 (b) Lending Panel data are generally of lower quality than existing data sources.
 (c) Absolute levels should be given less weight than any movement over time. The acceptance rate in a given month does not necessarily apply to the applications that month. More than one application may be made for an unsecured loan or a credit card.

Chart 3.2 Effective interest rates on unsecured lending^{(a)(b)}



(a) The Bank's effective interest rates series comprises data from 29 monetary financial institutions.
 (b) 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.
 (c) Only available from January 2004.

Recent lending data

The slowdown in total unsecured lending that started in the middle of the decade has intensified in recent months. The annual growth rate fell to 3.2% in March 2009 (**Table 3.A**), and the quarterly rate of growth in 2009 Q1 was the lowest since 1992. The major UK lenders reported that lending continued to be subdued in April.

Lenders reported a tightening of credit conditions in the 2009 Q1 *Credit Conditions Survey* and they expected credit availability to be broadly unchanged in 2009 Q2. Acceptance rates on unsecured lending reported by the major UK lenders have, however, remained broadly flat in recent months (**Chart 3.1**). **Chart 3.1** also suggests that applications for unsecured lending have edged lower since the start of the year. In recent discussions, the major UK lenders expected the trend of weak demand for unsecured credit to continue in the coming months, notwithstanding the recent pickup in retail sales for April reported in the *CBI Distributive Trades Survey* and the British Retail Consortium's *Retail Sales Monitor*.⁽¹⁾

Consumer credit pricing

Effective interest rates charged on unsecured lending fell slightly in March. Nonetheless, over the past six months interest rates on different forms of unsecured lending have fallen by considerably less than Bank Rate and Libor, and for credit cards have been little changed, consistent with a widening of spreads (**Chart 3.2**). This widening is reported to reflect in part lenders' perceptions of heightened credit risk on unsecured lending — write-off rates on unsecured lending remained at a historically high level in 2008 Q4. It may also reflect a tightening of credit supply over this period.

(1) Section 2 of the May 2009 *Inflation Report* provides an account of recent trends in consumption.

Abbreviations

BBA – British Bankers’ Association.
BERR – Department for Business, Enterprise and Regulatory Reform.
CBI – Confederation of British Industry.
CRE – commercial real estate.
Libor – London interbank offered rate (see below).
LTV – loan to value ratio (see below).
SBFF – Small Business Finance Forum.
SMEs – small and medium-sized enterprises.

Glossary

Bank Rate The official rate paid on commercial bank reserves by the Bank of England.

Basel II An international framework for banks’ capital requirements (revised from the previous Basel I framework).

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 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 commit to advance a specified amount to a borrower within a defined period.

Gross lending The total value of loans advanced by an institution in a given period.

Loan approvals Lenders’ firm offers to advance credit.

Loan to value ratio (LTV) 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.

Quoted interest rates The weighted average of a sample of advertised household deposit and loan rates: weights calculated from Bank of England statistical collections.

Reference rate The rate on which loans to businesses are set, with an agreed margin over the reference rate (typically these will be Bank Rate or Libor).

Remortgaging A process whereby borrowers repay their current mortgage in favour of a new one secured on the same property.

Secondary market A market in which existing securities are traded.

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.

Term funding Funds raised for a fixed period of time.

Symbols and conventions

Except where otherwise stated, data are not seasonally adjusted and 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.