Trends in Lending

October 2013

BANK OF ENGLAND

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This quarterly publication presents the Bank of England's assessment of the latest trends in lending to the UK economy.(1) It draws mainly on long-established official data sources, such as the existing monetary and financial statistics collected by the Bank that cover all monetary financial institutions, and other data collections established since the start of the financial crisis.

These data are supplemented by 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.(2) The major UK lenders(3) are Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland and together they accounted for around 70% of the stock of lending to businesses, 75% of the stock of mortgage lending and 55% of the stock of consumer credit (excluding student loans) at end-June 2013. 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 including the Bank of England's *Bank Liabilities Survey* and *Credit Conditions Survey*.(4) The focus of the report is on lending but broader credit market developments, such as those relating to capital market issuance, are discussed where relevant.

The report covers data up to August 2013 and intelligence gathered up to end-September 2013. Unless stated otherwise, the data reported cover lending in both sterling and foreign currency, expressed in sterling.

(1) See www.bankofengland.co.uk/statistics/2013.pdf for future publication dates.
(2) 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.
(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.
(4) The *Bank Liabilities Survey* and the *Credit Conditions Survey* for 2013 Q3 were conducted between 13 August and 4 September 2013.

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Executive summary

The annual rate of growth in the stock of lending to UK businesses was negative in the three months to August. The stock of lending to small and medium-sized enterprises and to large businesses also contracted over this period. The annual rate of growth in the stock of secured lending to individuals was broadly unchanged at 0.6%. Approvals by all UK-resident mortgage lenders for house purchase and remortgaging rose over the three months to August. Total net consumer credit flows were positive over this period.

Indicative measures of the spread over relevant swap rates on longer-term bank wholesale debt fell slightly over 2013 Q3. Spreads over reference rates on new lending fell slightly for small businesses and fell significantly for medium-sized and large businesses in the three months to early September, according to the Bank of England's *Credit Conditions Survey*. Quoted interest rates on some mortgage products were little changed in 2013 Q3. Spreads on fixed-rate mortgages decreased in this period, with significant falls for longer-term products, as reference rates increased. Effective interest rates on new personal loans fell in the three months to August.

The overall availability of credit to the corporate sector increased slightly in 2013 Q3, according to respondents to the Bank of England's *Credit Conditions Survey*. Contacts of the Bank's network of Agents reported that demand for credit had increased slightly. Lenders in the *Credit Conditions Survey* also reported that the availability of secured credit to households increased significantly in 2013 Q3, as had demand for house purchase.

1 Lending to UK businesses and individuals

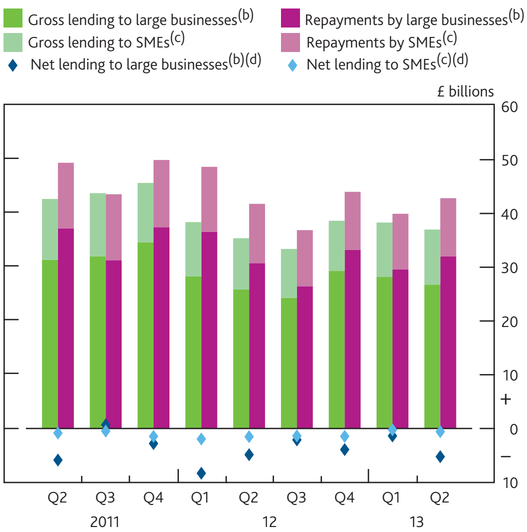
The annual rate of growth in the stock of lending to UK businesses was negative in the three months to August. The stock of lending to small and medium-sized enterprises and to large businesses also contracted over this period. The annual rate of growth in the stock of secured lending to individuals was broadly unchanged at 0.6%. Approvals by all UK-resident mortgage lenders for house purchase and remortgaging rose over the three months to August. Total net consumer credit flows were positive over this period.

Table 1.A Lending to UK businesses[a]

	Averages							2013		
	2007	2008	2009	2010	2011	2012	2013 Q2	June	July	Aug.
Net monthly flow (£ billions)	7.4	3.8	-3.9	-2.1	-0.8	-1.5	-1.8	-0.8	1.0	-2.4
Three-month annualised growth rate (per cent)	20.8	10.7	-7.7	-5.1	-2.1	-3.7	-3.8	-5.0	-3.2	-2.1
Twelve-month growth rate (per cent)	16.8	18.0	-1.8	-7.1	-3.3	-3.1	-3.3	-3.6	-3.3	-3.3

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

Chart 1.1 Gross lending to and repayments by UK non-financial businesses[a]



(a) Loans by UK monetary financial institutions to non-financial businesses and repayments by them. Data exclude overdrafts. Data cover lending in both sterling and foreign currency, expressed in sterling. Non seasonally adjusted.
(b) Large businesses are those with annual debit account turnover on the main business account over £25 million.
(c) SMEs are those with annual debit account turnover on the main business account less than £25 million.
(d) Net lending is defined as gross lending minus repayments.

This section presents a summary of the recent data on lending to UK businesses and individuals. The annual rate of corporate lending growth remained negative over the past three months. Growth in the stock of lending to individuals was positive over the past quarter.

Data from participants in the Funding for Lending Scheme (FLS) indicated that their net lending to UK households and private non-financial corporations (PNFCs) was £1.6 billion in 2013 Q2.[1] This was slightly stronger than in previous quarters. Net lending overall since the start of the Scheme remained broadly flat.

Lending to UK businesses

Data covering lending by all UK-resident banks and building societies indicated that the stock of lending to businesses contracted by £2.3 billion in the three months to August (**Table 1.A**). The annual rate of growth in the stock of lending to businesses by UK-resident lenders was negative over this period.

The contraction in lending to businesses was reflected across all firm sizes, with the annual rate of growth in the stock of lending to small and medium-sized enterprises (SMEs) and to large businesses negative over this period. Gross lending to SMEs was around a quarter of the total flow of lending to non-financial businesses in the first half of 2013, at £10.2 billion per quarter (**Chart 1.1**). Repayments by SMEs were slightly higher over this period, such that net lending — defined as gross lending less repayments — was slightly negative.

Lending to SMEs represents around 35% of the total stock of lending by UK monetary financial institutions to

(1) Net lending data for 2013 Q2 includes lending related to non-bank credit providers for some FLS Groups. For more details, see 'Funding for Lending Scheme — Usage and lending data', available at www.bankofengland.co.uk/markets/Pages/FLS/data.aspx. Non seasonally adjusted.

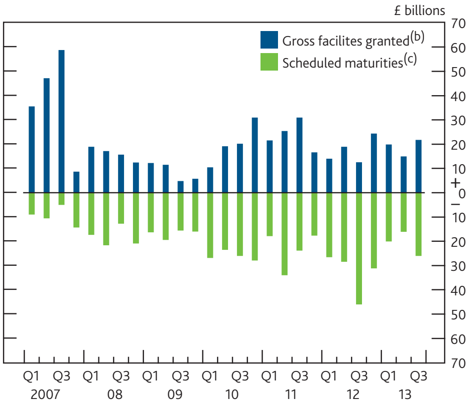
Table 1.B The share of loans to non-financial businesses by major industrial sectors(a)

Per cent	Small and medium-sized enterprises(b)		Non-financial businesses(c)	
Sample:	BBA panel of lenders		Monetary financial institutions	
	July 2011	June 2013	July 2011	June 2013
Agriculture, forestry and fishing	11	14	2	3
Manufacturing	4	4	7	7
Construction	10	7	11	11
Distribution, hotels and restaurants	20	19	14	14
Real estate	28	27	37	36
Professional and legal services	9	9	8	8
Public services	16	16	11	11
Other	3	3	10	10

Sources: BBA, Bank of England and Bank calculations.

(a) Lending in sterling and foreign currency, expressed in sterling. Data include overdrafts. Data are calculated as the share of each major industrial sector in the total stock of loans to non-financial businesses. The agriculture, forestry and fishing sector includes hunting. The distribution sector covers wholesale and retail trade. The real estate sector covers buying, selling and renting of own or leased real estate and includes real estate and related activities on a fee or contract basis. The public services sector covers education, public administration and defence, human health and social work, and recreational, personal and community service activities. The 'other' category covers the transport, storage and communication, electricity, gas and water supply services, and mining and quarrying sectors. Data may not sum to 100% due to rounding. Non seasonally adjusted.
(b) Lending by a BBA panel of lenders to small and medium-sized enterprises (SMEs) in Great Britain. SMEs are defined as those businesses with turnover up to £25 million. For more details on the definitions, see www.bba.org.uk/statistics/article/banks-support-for-smes-quarter-2-2013/small-business. Data are currently available for the period July 2011 to June 2013.
(c) Lending by UK monetary financial institutions (MFIs) to UK non-financial businesses.

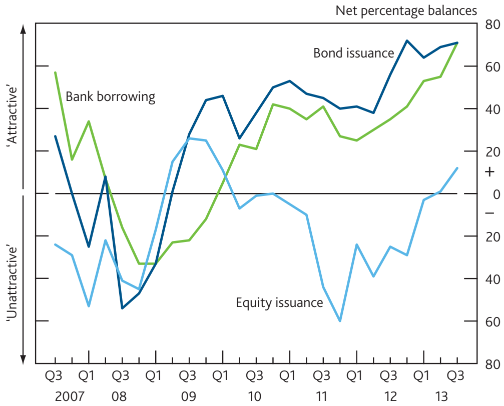
Chart 1.2 Estimates of syndicated lending facilities granted to UK businesses(a)



Sources: Dealogic and Bank calculations.

(a) Defined broadly as PNFCs. Data cover lending facilities in both sterling and foreign currency, expressed in sterling. Data are quarterly. Non seasonally adjusted.
(b) New syndicated lending facilities excluding cancelled or withdrawn facilities.
(c) Scheduled maturities of syndicated lending facilities excluding cancelled or withdrawn facilities. Actual maturities will also reflect the effects of refinancing and prepayments, exchange rate changes and other effects.

Chart 1.3 *Deloitte CFO Survey*: attractiveness of different sources of corporate funding(a)



(a) Net percentage balances are calculated as the percentage of respondents who reported that each source of funding was 'attractive' less the percentage who reported that it was 'unattractive'. A positive balance indicates that a balance of respondents find that particular source of funding 'attractive'.

UK non-financial businesses. The real estate sector had the largest share in the stock of lending to SMEs as at end-June 2013, according to data from a British Bankers' Association (BBA) panel of lenders (**Table 1.B**). This share has been broadly unchanged since the start of the data collection in July 2011.

Gross lending to large businesses was broadly unchanged in the first two quarters of 2013. Repayments increased in 2013 Q2 such that net lending to large businesses was the most negative in five quarters. Net lending to SMEs and large businesses remained negative in July and August.

Larger companies have access to more funding sources than smaller businesses, such as the syndicated lending market. The total value of new gross syndicated lending facilities granted in the UK market rose in 2013 Q3 compared to the previous quarter (**Chart 1.2**). The total value of new gross facilities granted in 2013 to date was higher than in the comparable period last year. The majority of new facilities granted in 2013 so far have been for refinancing purposes, according to Dealogic data. In recent discussions, most major UK lenders noted that mergers and acquisitions, a key driver of syndicated lending activity, were limited in recent months.

Capital markets provide an alternative source of funding for larger companies. Net bond issuance by UK businesses was strong in 2013 H1, followed by negative net issuance in July. Net bond issuance in August was broadly flat. Net equity issuance was negative in July and August such that net capital market issuance was negative over this period. With a net repayment of bank lending by businesses (**Table 1.A**), total net funds raised by UK businesses from UK monetary financial institutions and capital markets were negative in July and August. Gross bond issuance increased in September, according to Dealogic data.

Notwithstanding the recent weakness in bank lending, an equal balance of respondents to the *Deloitte CFO Survey* for 2013 Q3, which covers large companies, indicated that they viewed bank borrowing and bond issuance as 'attractive' sources of finance (**Chart 1.3**). Respondents also reported equity issuance as an 'attractive' source of funding for the first time in four years.

In addition to capital markets, alternative sources of funding for businesses include asset-based finance and leasing and hire purchase. A box on pages 12–16 provides estimates of sources of external finance for UK businesses.

Secured lending to individuals

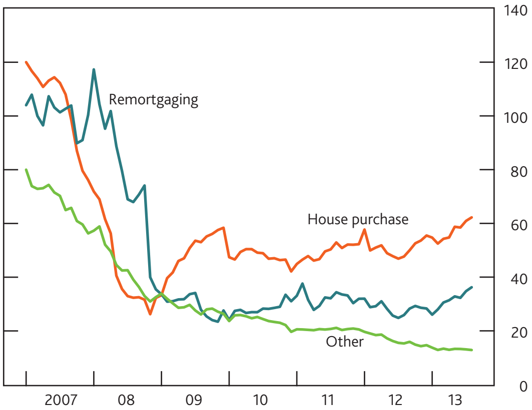
The total flow of net lending in sterling by UK-resident mortgage lenders was positive in the three months to August (**Table 1.C**), with the average monthly flow higher than in the first part of the year. The annual rate of growth in the stock of secured lending was broadly unchanged at 0.6%.

Table 1.C Secured lending to individuals[(a)]

	Averages							2013		
	2007	2008	2009	2010	2011	2012	2013 Q2	June	July	Aug.
Net monthly flow (£ billions)	9.0	3.4	1.0	0.6	0.8	0.7	0.8	1.1	0.8	1.0
Three-month annualised growth rate (per cent)	10.4	4.1	1.0	0.7	0.7	0.7	0.7	0.8	0.8	0.9
Twelve-month growth rate (per cent)	11.1	6.9	1.4	0.9	0.7	0.8	0.5	0.5	0.6	0.6

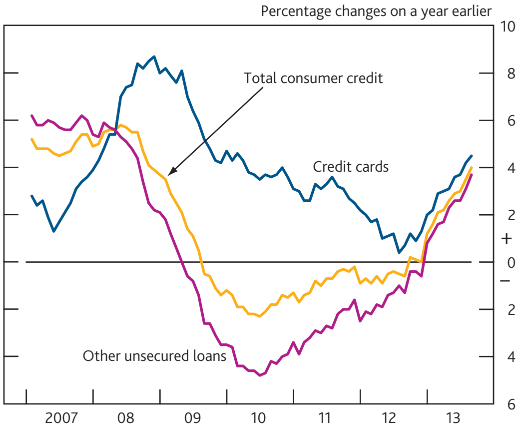
(a) Sterling lending by UK monetary financial institutions and other lenders to UK individuals. Seasonally adjusted.

Chart 1.4 Approvals of loans secured on dwellings[(a)]



(a) Data are for monthly number of approvals covering sterling lending by UK monetary financial institutions and other lenders to UK individuals. Approvals secured on dwellings are measured net of cancellations. Seasonally adjusted.

Chart 1.5 Consumer credit[(a)]



(a) Sterling lending by UK monetary financial institutions and other lenders to UK individuals. Consumer credit consists of credit card lending and other loans and advances. Consumer credit data exclude student loans. Seasonally adjusted.

Mortgage approvals by all UK-resident mortgage lenders for house purchase rose over the three months to August, to the highest number since February 2008 (**Chart 1.4**). The number of approvals for remortgaging also increased to the highest level in over two and a half years.

Reflecting the lag between approvals and lending, gross secured lending rose in the three months to August. Gross lending for house purchase increased.[(1)] Repayments on lending secured on dwellings also rose but by less. Looking ahead, some major UK lenders expected gross and net secured lending to increase, partly reflecting a rise in activity from first-time buyers.

Consumer credit

Total net consumer credit flows (excluding student loans) were positive in the three months to August. Within this, net flows for credit cards and other unsecured lending each accounted for around half of these flows.

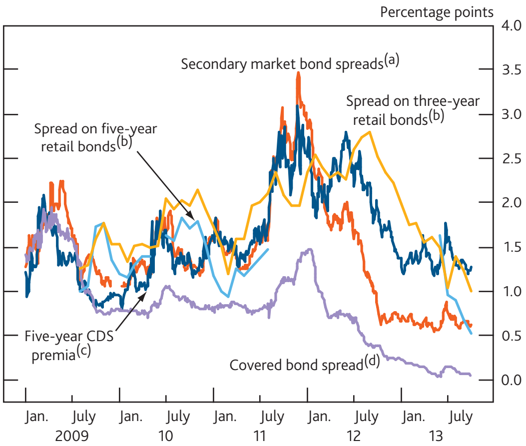
The annual rate of growth in the stock of lending of unsecured credit rose in the three months to August (**Chart 1.5**). The annual rate of growth in credit card lending was 4.5% in August, the highest since February 2010.

(1) For more details, see the 'Gross lending NSA' tab in *Bankstats* Table A5.3 'Lending secured on dwellings', available at www.bankofengland.co.uk/statistics/Documents/bankstats/2013/aug13/taba5.3.xls. Non seasonally adjusted.

2 Loan pricing

Indicative measures of the spread over relevant swap rates on longer-term bank wholesale debt fell slightly over 2013 Q3. Spreads over reference rates on new lending fell slightly for small businesses and fell significantly for medium-sized and large businesses in the three months to early September, according to the Bank of England's *Credit Conditions Survey*. Quoted interest rates on some mortgage products were little changed in 2013 Q3. Spreads on fixed-rate mortgages decreased in this period, with significant falls for longer-term products, as reference rates increased. Effective interest rates on new personal loans fell in the three months to August.

Chart 2.1 Indicative long-term funding spreads



Sources: Bloomberg, Markit Group Limited, Bank of England and Bank calculations.

(a) Constant-maturity unweighted average of secondary market spreads to mid-swaps for the major UK lenders' five-year euro senior unsecured bonds, where available. Where a five-year bond is unavailable, a proxy has been constructed based on the nearest maturity of bond available for a given institution. The gap in the time series between 1 December 2009 and 11 January 2010 is because no suitable bonds were in issuance in that period. Data are to 30 September 2013.
(b) Sterling. Spread over the relevant swap rate for fixed-rate retail bonds. The three and five-year bond rates are end-month rates, and are a weighted average of rates from banks and building societies within the Bank of England's quoted rates sample with products meeting the specific criteria (see www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/household_int.aspx). The series for the five-year bond is not included for May 2010 and August 2011–April 2013 as fewer than three institutions in the sample offered products in these periods. Data are to end-September 2013.
(c) The data show an unweighted average of the five-year senior CDS premia for the major UK lenders, which provides an indicator of the spread on euro-denominated long-term wholesale bonds. Data are to 30 September 2013.
(d) Constant-maturity unweighted average of secondary market spreads to mid-swaps for the major UK lenders' five-year euro-denominated covered bonds, where available. Where a five-year covered bond is unavailable, a proxy has been constructed based on the nearest maturity of bond available for a given institution. Data are to 30 September 2013.

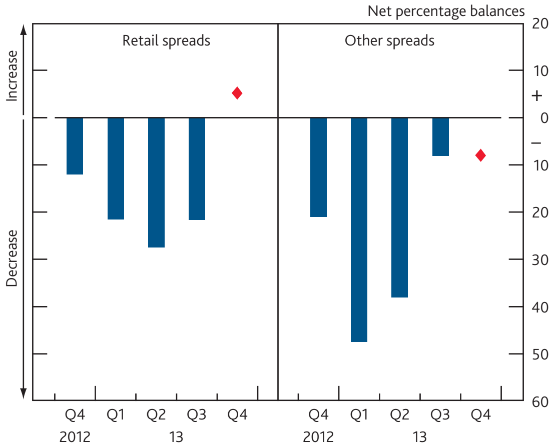
This section discusses recent developments in loan pricing for businesses and individuals based on statistical data, survey evidence and discussions with the major UK lenders.

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

Indicative measures of the spread over relevant swap rates on longer-term bank wholesale debt, such as secondary market bond spreads, fell slightly over 2013 Q3, having risen in June (**Chart 2.1**). The five-year credit default swap premia — a proxy for the credit risk component of bank funding costs — fell in July and were broadly unchanged for the rest of the quarter. Respondents to the Bank of England's *Bank Liabilities Survey* 2013 Q3 reported a small fall in spreads on funding (including wholesale debt funding) over the previous quarter (**Chart 2.2**).

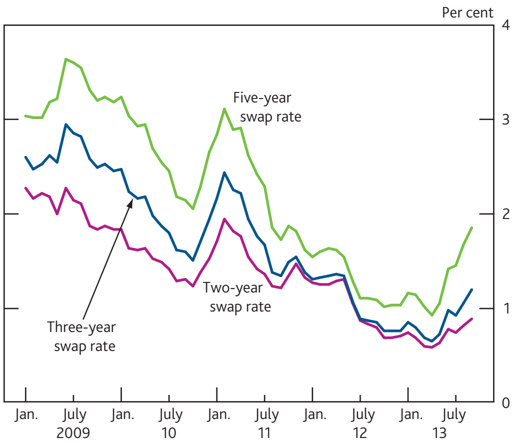
Rates on some longer-term retail deposits — such as three and five-year fixed-rate bonds — were broadly unchanged in 2013 Q3. Spreads, over equivalent-maturity swap rates, on these products were lower in this period compared to the previous quarter (**Chart 2.1**), reflecting an increase in relevant swap rates (**Chart 2.3**). Similarly, respondents to the *Bank Liabilities Survey* reported that retail funding spreads had fallen significantly in 2013 Q3 (**Chart 2.2**). In recent discussions, most major UK lenders reported the pricing on some retail deposit products had fallen slightly over the quarter, and by less than in recent periods. Looking forward, they did not expect a significant change in pricing on retail deposits in Q4.

Chart 2.2 *Bank Liabilities Survey*: funding spreads(a)(b)(c)



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The blue bars show the responses over the previous three months. The red diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter.
(b) Question: 'How has the average cost of funding changed?'.
(c) A positive balance indicates an increase in funding spreads.

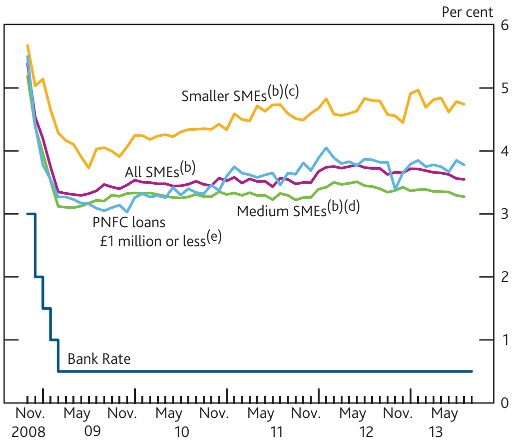
Chart 2.3 Swap rates at different maturities(a)



Sources: Bloomberg and Bank calculations.

(a) Swap rates are monthly averages of daily data. Data are to end-September 2013.

Chart 2.4 Indicative interest rates on lending to SMEs(a)



Sources: BIS, Bank of England and Bank calculations.

(a) These indicative rates do not reflect the impact of cashback deals or fees. Data for Bank Rate are to end-September, and for all other series to end-August. Non seasonally adjusted.
(b) Median by value of SME facilities (new loans, new and renewed overdrafts) priced at margins over base rates, by four major UK lenders (Barclays, HSBC, Lloyds Banking Group and Royal Bank of Scotland). Data cover lending in both sterling and foreign currency, expressed in sterling.
(c) Smaller SMEs are those with annual debit account turnover on the main business account less than £1 million.
(d) Medium SMEs are those with annual debit account turnover on the main business account between £1 million and £25 million.
(e) Weighted average of new lending to PNFCs of all sizes by UK monetary financial institutions (MFIs) for advances less than or equal to £1 million. Data cover lending in sterling. The Bank's effective interest rates series are currently compiled using data from 23 UK MFIs.

Corporate loan pricing

The spread over relevant reference rates that small and medium-sized enterprises (SMEs) face on new borrowing can vary widely, taking into account various business-specific risk and credit quality factors. As a result, there is no single definitive measure of loan pricing, though statistical and survey data can provide broad estimates.

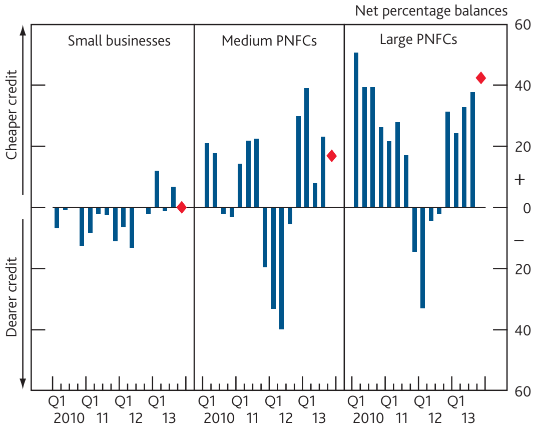
Indicative median interest rates (**Chart 2.4**) and spreads on new variable-rate facilities to all SMEs fell slightly in recent months, according to survey data from the Department for Business, Innovation and Skills. Another indicator of pricing on loans to smaller businesses — the Bank's measure of effective rates on new corporate lending for advances of £1 million or less — was broadly unchanged over this period. Both these measures may not entirely reflect the true cost of credit facing SMEs, as they do not include the impact of cash-back deals or changes in fees. In addition, these rates may be affected by changes in the risk profile of borrowers, which could vary over time. For example, a change in rates could reflect banks' willingness to lend to different types of businesses.

Qualitative survey data also provide an indicator of loan pricing to SMEs. The Federation of Small Businesses' *Voice of Small Business Index* 2013 Q3 reported that interest rates on lending to small firms fell by around 80 basis points compared to the same period a year ago. Spreads over reference rates on new lending to small businesses fell slightly in 2013 Q3, according to respondents to the Bank of England's *Credit Conditions Survey* (**Chart 2.5**). Fees and commissions for small businesses were also reported by respondents to have fallen slightly. Lenders in the survey reported that spreads on new lending to medium-sized firms fell significantly.

Spreads over reference rates on new lending for large businesses tightened significantly in 2013 Q3, according to the *Credit Conditions Survey* (**Chart 2.5**). This was the fourth consecutive quarter in which respondents to the survey had reported a significant fall in spreads on lending to large businesses. Fees and commissions also fell for large businesses in 2013 Q3, according to respondents to the survey. The balance of respondents to the *Deloitte CFO Survey* — which covers large companies — reporting the cost of credit to be 'cheap' rose in 2013 Q3 to its highest level since the survey began in 2007 Q3.

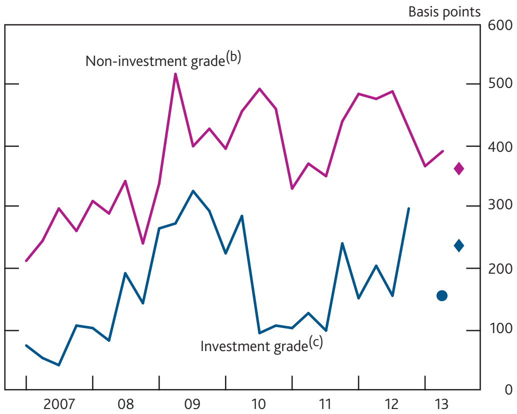
Spreads on syndicated lending, typically applying to lending to large businesses, fell slightly for the non-investment grade segment in 2013 Q3, according to Dealogic data (**Chart 2.6**). Spreads on investment-grade deals increased in Q3, based on the smaller number of deal tranches where pricing was disclosed. In recent discussions, most major UK lenders noted that there was downward pressure on pricing for certain segments of syndicated lending.

Chart 2.5 *Credit Conditions Survey*: spreads over reference rates on lending to corporates by firm size(a)(b)



(a) See footnote (a) to **Chart 2.2**. A positive balance indicates that spreads over reference rates have fallen, such that all else being equal it is cheaper for corporates to borrow.
(b) Small businesses are defined as those with annual turnover of less than £1 million; medium-sized corporates are defined as those with annual turnover of between £1 million and £25 million; and large corporates are defined as those with annual turnover of over £25 million.

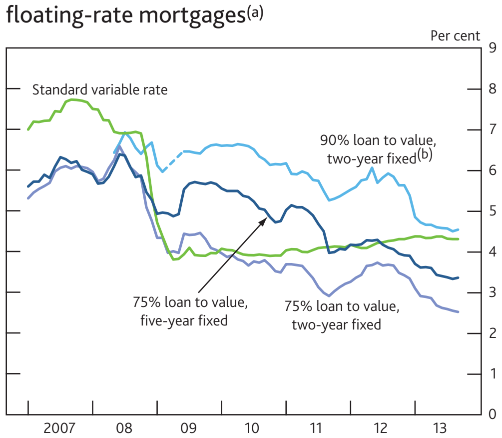
Chart 2.6 Average estimated spreads on syndicated loans(a)



Sources: Dealogic and Bank calculations.

(a) Average disclosed spreads over reference rates in the currency in which loan tranches are denominated, weighted by tranche size. Classification may be adjusted if ratings change over the life of the loan providing this is confirmed by the banks involved in the loan. The share of loans for which spread details are disclosed varies over time. Data for 2013 Q3, denoted by diamonds, are based on deal information available at the time of publication. Data are quarterly. Non seasonally adjusted.
(b) Non-investment grade is Dealogic leveraged and highly leveraged categories.
(c) Investment grade is classified by Dealogic as a rating of BBB- or higher, on announcement of the loan. If there is no rating then the loan spread on origination is used as the basis for classification, with any spread up to 250 basis points classified as investment grade. There are no disclosed spreads for investment-grade deals in 2013 Q1 in the current data. Spreads for 2013 Q2 are denoted by the blue circle.

Chart 2.7 Quoted interest rates on fixed-rate and floating-rate mortgages(a)



(a) Sterling. The Bank's quoted interest rates series are currently compiled using data from up to 23 UK monetary financial institutions. End-month rates. Non seasonally adjusted.
(b) Series is only available on a consistent basis back to May 2008, as earlier periods require a greater degree of estimation, and is not published for March–May 2009 as fewer than three products were offered in that period.

Contacts of the Bank's network of Agents reported that competition among lenders had increased, which had led to the price of credit to edge down further. Looking forward, respondents to the *Credit Conditions Survey* expected spreads on new business lending to fall significantly further for large companies, to fall for medium-sized companies, and to be little changed for small businesses in 2013 Q4 (**Chart 2.5**).

Mortgage pricing

The Bank's measure of the effective mortgage rate on overall new lending fell slightly over the three months to August. Within this, the fixed and floating rates fell by broadly the same amount.

Quoted interest rates on fixed-rate mortgage products, such as the two-year and five-year rates at 75% loan to value ratio, were little changed in 2013 Q3 (**Chart 2.7**). With swap rates rising over this period (**Chart 2.3**), spreads on these fixed-rate mortgages decreased with significant falls for longer-term products. In recent discussions, most major UK lenders reported that the recent increase in swap rates had been largely absorbed and suggested that this partly reflected competition in the mortgage market.

Quoted interest rates on some floating-rate products, such as the standard variable rate, were also little changed in 2013 Q3 (**Chart 2.7**). With Bank Rate unchanged, spreads on these floating-rate mortgages were also unchanged.

Respondents to the *Credit Conditions Survey* reported that spreads on overall secured lending to households had tightened significantly in 2013 Q3 for the fourth consecutive quarter. Looking ahead, respondents to the survey expected a further significant fall in spreads on overall secured lending in Q4.

Consumer credit pricing

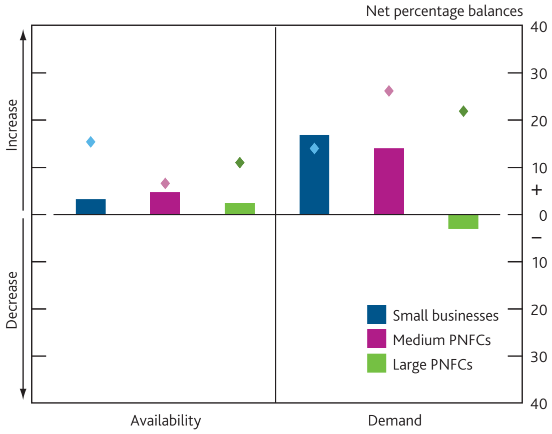
Effective interest rates on new personal loans fell in the three months to August. Respondents to the 2013 Q3 *Credit Conditions Survey* reported that spreads on other unsecured lending products, such as personal loans, fell significantly in Q3 having fallen in the previous three quarters. Lenders in the survey expected spreads on other unsecured lending products to tighten further significantly in 2013 Q4.

Spreads on credit card lending increased slightly in Q3, having been little changed since 2011 Q3, according to respondents to the *Credit Conditions Survey*. Some lenders in the survey noted an increase in the duration of 0% balance transfer offers. Lenders in the survey expected spreads on credit card lending to remain unchanged in 2013 Q4.

3 Credit supply and demand

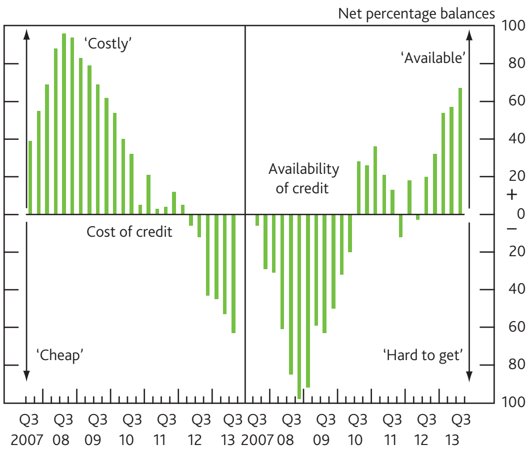
The overall availability of credit to the corporate sector increased slightly in 2013 Q3, according to respondents to the Bank of England's *Credit Conditions Survey*. Contacts of the Bank's network of Agents reported that demand for credit had increased slightly. Lenders in the *Credit Conditions Survey* also reported that the availability of secured credit to households increased significantly in 2013 Q3, as had demand for house purchase.

Chart 3.1 *Credit Conditions Survey*: availability and demand for credit across firm sizes reported in the 2013 Q3 survey[a]



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The bars in the chart show the net percentage balance reported over the three months to early September. The diamonds show the associated expectations for the next three months. In the first panel, a positive balance indicates that more credit is available. In the second panel, a positive balance indicates an increase in demand. See also footnote (b) to **Chart 2.5**.

Chart 3.2 *Deloitte CFO Survey*: cost and availability of credit[a]



(a) Net percentage balances for the cost of credit are calculated as the percentage of respondents reporting that bank credit is 'costly' less the percentage reporting that it is 'cheap'. Net percentage balances for the availability of credit are calculated as the percentage of respondents reporting that credit is 'available' less the percentage of respondents reporting that it is 'hard to get'. A positive balance indicates that a net balance of respondents report that credit is 'costly' or credit is 'available'.

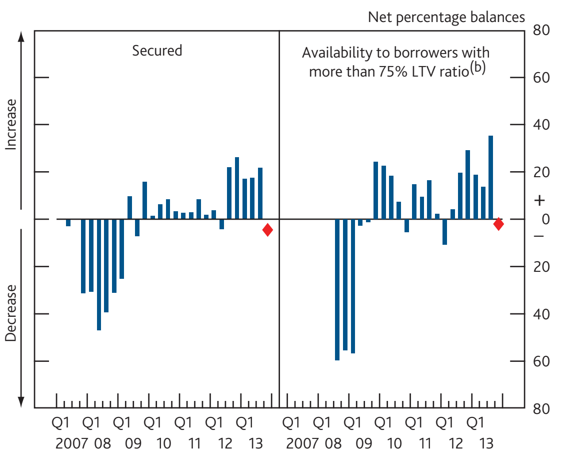
The amount of lending and its price depend on the interaction of demand and supply factors. Disentangling the separate influences of changes in the supply of and demand for credit is difficult, though survey data can help. This section looks at recent trends in credit supply and demand, drawing on surveys, reports from the Bank's network of Agents, and discussions with the major UK lenders.

Credit conditions for businesses

The overall availability of credit to the corporate sector increased slightly in 2013 Q3, according to respondents to the *Credit Conditions Survey*. Lenders in the survey reported changes in availability were similar across all firm sizes (**Chart 3.1**). Respondents to the *Deloitte CFO Survey* 2013 Q3 — which covers large companies — reported that credit was more 'available' than at any time in the last six years (**Chart 3.2**). Contacts of the Bank's network of Agents noted that credit supply to corporates had edged higher recently, though conditions remained tight for smaller companies holding fewer assets or operating in riskier sectors. Looking forward, lenders in the *Credit Conditions Survey* expected credit availability to increase for small and large businesses and to increase slightly for medium-sized businesses in the coming quarter.

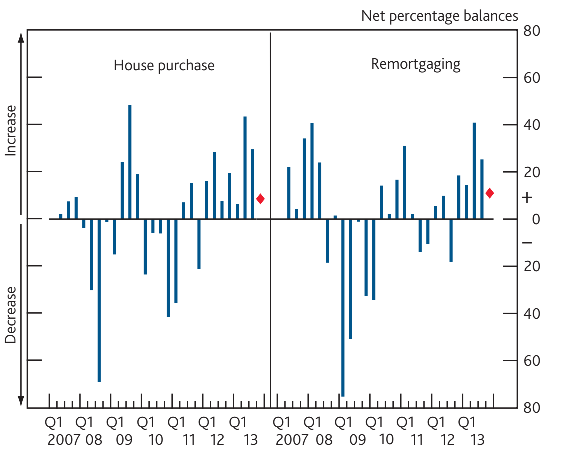
Demand for credit from both small and medium-sized businesses picked up in 2013 Q3, according to lenders in the *Credit Conditions Survey* (**Chart 3.1**). Demand from large companies was reported to have been little changed. Contacts of the Bank's Agents reported that demand for credit had increased slightly, with commercial property lending beginning to resurface tentatively. In recent discussions, the major UK lenders noted that the demand for credit from companies was still fairly subdued, although it was expected to pick up further in 2013 Q4 given signs of an improvement in business confidence. Respondents to the *Credit Conditions Survey* also expected demand for credit to increase across all firm sizes in Q4.

Chart 3.3 *Credit Conditions Survey*: availability of secured credit to households(a)



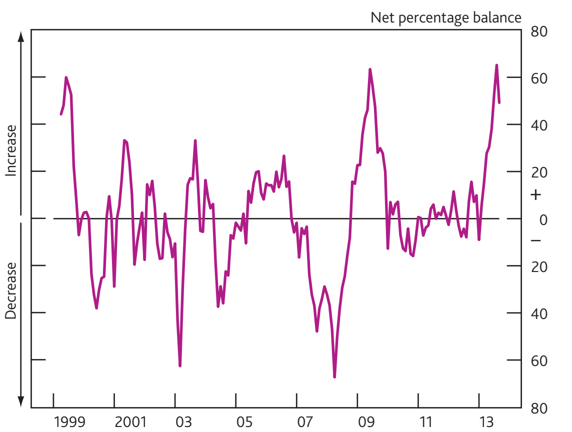
(a) See footnote (a) to **Chart 2.2**. A positive balance indicates that more credit is available.
(b) This question was introduced in 2008 Q3.

Chart 3.4 *Credit Conditions Survey*: demand for household secured lending(a)



(a) See footnote (a) to **Chart 2.2**. A positive balance indicates an increase in demand.

Chart 3.5 *RICS Residential Market Survey*: new buyer enquiries(a)



Source: Royal Institution of Chartered Surveyors.

(a) The net percentage balance for new buyer enquiries is calculated as the proportion of respondents reporting an increase in enquiries over the previous month, less the proportion reporting a decrease. A positive balance indicates an increase in enquiries. Seasonally adjusted. Data start in April 1999.

Credit conditions for households

The availability of secured credit to households increased significantly in the three months to early September, according to respondents to the *Credit Conditions Survey* (**Chart 3.3**). Lenders in the survey also reported a significant increase in availability for borrowers with loan to value (LTV) ratios above 75%, although lenders' willingness to lend at LTV ratios above 90% was little changed. Looking ahead, the availability of secured credit was expected to be broadly unchanged over the next three months, according to respondents to the *Credit Conditions Survey*. Some lenders have joined the Government's Help to Buy Scheme. Consistent with that, lenders in the *Credit Conditions Survey* expected to be more willing to lend at LTV ratios above 90% in Q4.

Overall demand for secured lending for house purchase increased significantly over the past quarter, according to respondents to the *Credit Conditions Survey* (**Chart 3.4**). Lenders in the survey reported that demand for remortgaging also increased significantly. Lenders suggested that low mortgage rates, driven in part by the Funding for Lending Scheme, had stimulated demand. Other factors cited by lenders included an improvement in consumer confidence and a pickup in house price growth. The Royal Institution of Chartered Surveyors' (RICS) new buyer enquiries balance increased in 2013 Q3, and in August 2013 was the highest since the survey began in 1999 (**Chart 3.5**). Contacts of the Bank's Agents reported that demand for housing continued to gather pace, driven by greater mortgage availability, confidence among buyers and, in England, the Help to Buy Scheme. Lenders in the *Credit Conditions Survey* expected overall demand for secured credit to increase slightly for house purchase, and to increase for remortgaging in 2013 Q4.

Respondents to the *Credit Conditions Survey* indicated that the amount of unsecured credit made available to households rose in the three months to early September, driven by market share objectives and, to a slightly lesser extent, an improvement in the economic outlook. The availability of unsecured credit was expected to increase in 2013 Q4, according to lenders in the survey.

Demand for total unsecured lending was broadly unchanged in 2013 Q3, according to respondents to the *Credit Conditions Survey*. Within this, demand for credit card lending was flat. Demand for other unsecured lending products increased significantly in Q3, which lenders interpreted partly as a response to the recent fall in loan rates. Lenders in the survey also noted particular strength in lending to finance car purchases.

Demand for total unsecured credit was expected to be broadly unchanged in the coming quarter according to lenders in the survey, although demand for other unsecured lending was expected to decrease slightly.

Estimates of sources of external finance for UK businesses

There are many sources of finance for businesses for working capital, capital investment and other purposes. Debt finance from banks and capital markets are important sources for those businesses seeking external finance. Many firms also use other external sources of finance, with the type of finance required varying according to firm size, growth intentions and wider economic conditions. Firms can also use internal finance — cash flow generated from their operations after operating costs have been paid — to provide working capital and support investment. This box provides estimates of sources of external finance for UK businesses, drawing on existing statistics collected by the Bank of England, consultations with officials from the Department for Business, Innovation and Skills (BIS) and HM Treasury (HMT), and wider information.

Brief descriptions of some of the terms used in this box are listed in **Table 1**.

The main external financing options generally used by businesses, by size, are provided in **Table 2**.(1) Borrowing from banks, asset-based finance and leasing and hire purchase are sources of finance used by businesses. Other sources of external finance such as public capital markets are mostly used by larger companies, while peer to peer lending is more likely to be used by individuals and smaller businesses.

The relative importance of borrowing from banks and other sources of external finance for businesses is difficult to assess. The available qualitative and quantitative data are not directly comparable, partly reflecting differences in definition and concept across a variety of sources. For example, data on loans and advances to businesses by monetary financial institutions (MFIs) collected by the Bank of England include amounts receivable under finance leases. For lending data, the Bank defines small and medium-sized enterprises (SMEs) as those with annual debit account turnover on the main business account less than £25 million, whereas the Asset Based Finance Association (ABFA) provides statistics on members' advances to clients by annual turnover bands including ranges from £5 million to £10 million and £10 million to £50 million. For qualitative responses, the BIS's *SME Business Barometer* surveys owners/managers of SMEs employing between one and 249 people. There could be some double counting across estimates, eg some lending by insurance companies and pension funds may also be included in the data for private equity.

Although there is a general lack of comparability across data sources, the available data suggest that debt financing from banks and capital markets is a significant proportion of external finance raised by all businesses. The stock of lending to UK non-financial businesses by MFIs was £536 billion at end-December 2010 (**Table 3**) and UK private non-financial corporations (PNFCs) had an estimated £290 billion of corporate bonds and £346 billion of public equity outstanding that year.(2) The stock of lending to UK non-financial businesses was over £450 billion at end-December 2012 and UK PNFCs had £355 billion of corporate bonds outstanding.

Some alternative sources of external funding are of a reasonable size, and are growing, eg lending by insurance companies and pension funds, and asset-based finance

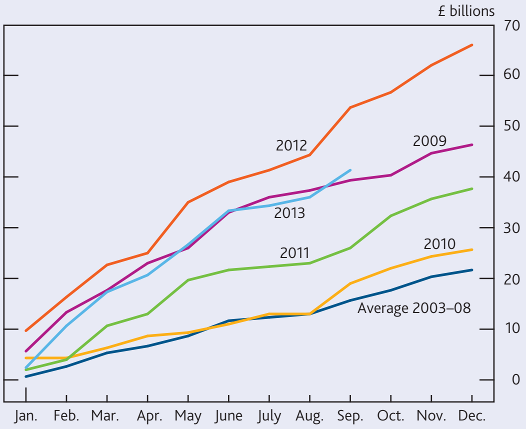
Table 1 Brief descriptions of some terms used in this box

Term	Description	Term	Description
Asset-based finance (eg factoring, invoice discounting and asset-based lending)	A generic term. These facilities involve funding against a range of corporate assets including invoices, stock, property and plant and machinery.	Peer to peer lending, crowdfunding	Online platforms that allow individuals or companies to make available surplus capital.
Asset finance	Leasing and hire purchase of business equipment.	Private equity	The provision of medium to long-term finance to unquoted companies in return for an equity stake.
Business Angels	High-net worth individuals or sophisticated investors who invest in early stage or high growth businesses, either directly or through organised networks and syndicates.	Private placements	A longer-term, fixed interest debt instrument issued by a corporate directly to institutional investors, including pension funds and insurance companies.
Factoring	Funding against invoices. Similar to invoice discounting, but the sales ledger and debt collection are contracted out by the business to an external organisation.	Supply chain finance	A way by which large companies can use the strength of their balance sheet to support their suppliers.
Mezzanine finance	A form of debt that shares characteristics of equity but ranks below senior debt.	Invoice discounting	Funding against invoices. Similar to factoring but the business maintains its own sales ledger and debt collection, sending out invoices in its own name.
Mid-cap businesses	There is no single definition of firm size. For the purposes of the box, mid-sized companies are those with turnover of between £25 million and £500 million.	Venture capital	A subset of private equity and relates to the financing of young early stage businesses with the potential for high growth. Differs from Business Angels in that they invest other people's money (mainly institutions).

(**Table 3**). Newer forms of lending such as peer to peer lending are small in size, though are growing fast.

The flow of funding available from the different sources of external finance is relevant for businesses' decisions on working capital, capital investment and other purposes. Gross bank lending to non-financial businesses by MFIs was £146 billion in 2012 (**Chart 1.1**, **Table 3**), with gross bond issuance by UK PNFCs 45% of that (**Chart A**). The flow of funds from other external sources of finance, such as public (**Chart B**) and private equity is smaller in comparison.

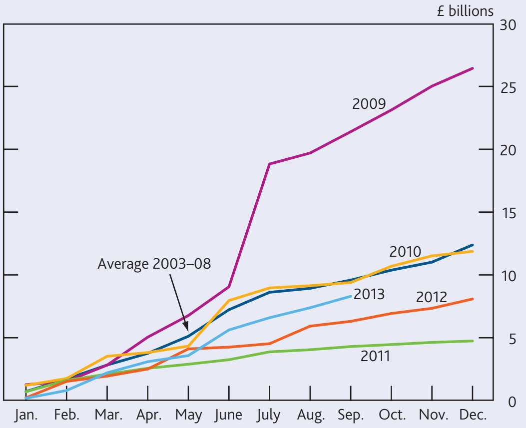
Chart A Cumulative gross bond issuance by UK businesses[(a)]



Sources: Dealogic and Bank calculations.

(a) Issuance by private non-financial corporations where the issuer's country of incorporation and that of any parent or guarantor is the United Kingdom. Data cover issuance in both sterling and foreign currency, expressed in sterling. Includes investment-grade and non-investment grade bonds. Data are subject to periodic revisions. 2003–08 is an average over the period.

Chart B Cumulative gross equity issuance by UK businesses[(a)]



(a) Issuance by private non-financial corporations where the issuer's country of incorporation and that of any parent or guarantor is the United Kingdom. Data cover issuance in both sterling and foreign currency, expressed in sterling. Data include initial public offerings and follow-on equity issuance, but not the issuance of convertible bonds. Data include public equity issuance by non-financial corporations as well as by government and supranational entities, but not by financial institutions. Data are subject to periodic revisions. 2003–08 is an average over the period.

Sources of funding by firm size

Quantitative data on these external sources of corporate finance by firm size are limited. The annual rate of contraction in the stock of bank lending by MFIs to SMEs has been less than that for large businesses since early 2012.

According to the *SME Finance Monitor*, 44% of SMEs used external finance, including existing funding arrangements, in 2013 Q2.[(3)] A majority of SMEs who used external finance reported using a 'core' form of funding defined in the survey as bank overdraft, bank loan or credit cards. A BIS survey of owners/managers of SMEs seeking finance in the last six months also indicated that over the past four years, bank loans were the most commonly sought form of external finance.[(4)] Notwithstanding this, SMEs' use of alternative sources of finance to borrowing from banks is increasing. Contacts of the Bank's network of Agents recently reported a growing use of non-bank finance by SMEs, albeit from low levels, including peer to peer lending, crowdfunding, venture capital funds, insurance companies and pension funds.[(5)] SMEs do not generally access capital markets due to their size and the small amounts of money they are seeking.[(6)] But government schemes and financial support programmes are available for SMEs seeking external finance.[(7)]

Mid-cap businesses surveyed in 2010 used a wide range of financial instruments.[(8)] Credit cards, leasing or hire purchase, and bank overdraft facilities were common forms of external finance used. Other survey data from BIS indicated that subsidiaries of larger companies could draw upon group finance.[(9)]

For larger businesses, bank debt is an important source of funding though they have greater access to alternative sources, such as capital markets. Respondents to the *Deloitte CFO Survey* 2013 Q3 indicated that they viewed bank borrowing and bond issuance as equally 'attractive' sources of finance with bond issuance being viewed as more 'attractive' than bank borrowing over the previous four years (**Chart 1.3**).[(10)] Although a small number of UK companies issue public bonds and equity, those that do account for a relatively large share of domestic investment.

Recent trends in some external finance markets

Recent developments in bank lending to SMEs and large businesses are described in more detail in Section 1. Details on some alternative sources of external finance for businesses are provided below.

Capital markets

Gross bond issuance in 2012 and 2013 to date was stronger than in the previous two years, according to Dealogic data (**Chart A**). Gross issuance from 2009 onwards was higher than the annual average issuance between 2003 and 2008. Net bond issuance was positive in 2011 and 2012, and in 2012 reached its highest value since the Bank of England series began in 2003.(11) Net bond issuance in 2013 to date continues to be positive.

Annual gross equity issuance from 2011 was lower than the average of the pre-crisis period (**Chart B**). This is consistent with the views of respondents to the *Deloitte CFO Survey*, who reported equity issuance as an 'unattractive' source of funding for most of the past three years (**Chart 1.3**). Net equity issuance was negative in 2011 and 2012, having been positive in the previous two years, according to Bank of England data. Net equity issuance in 2013 to date continues to be negative.(12)

Asset finance (leasing and hire purchase)

Finance & Leasing Association (FLA) members funded £21 billion of finance for assets such as plant and machinery and commercial vehicles in the twelve months to August 2013.(13) The BIS's *SME Business Barometer* June 2013 noted that since February 2013, there has been a significant increase in the proportion of owners/managers of SMEs seeking leasing or hire purchase products. Similarly, respondents to the *SME Finance Monitor* 2013 Q2 reported that the use of other forms of finance such as leasing, hire purchase or vehicle finance, increased over the past year, though the proportion of SMEs using them remained lower than those using 'core' products.

Asset-based finance (eg factoring and invoice discounting)

The stock of asset-based finance — of which around 80% is pure invoice finance — has been growing in recent years and reached its highest balance in over four years in 2013 Q2 (**Table 3**). Data from ABFA show that around 90% of their members' clients had an annual turnover of £10 million or below in Q2.(14) A small proportion of SMEs used invoice discounting as a source of external finance in 2013 Q2, according to the *SME Finance Monitor*.

(1) Also see HMT and BIS (2010), 'Financing a private sector recovery', July, report presented to Parliament, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/31975/10-1081-financing-private-sector-recovery.pdf and CBI (2013), 'Ripe for the picking: A guide to alternative sources of finance', May, available at www.cbi.org.uk/campaigns/access-to-finance/guide-to-forms-of-alternative-finance/.
(2) Data on bonds outstanding are from the ONS 'United Kingdom Economic Accounts', Table A57, Quarter 2 2013, available at www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-economic-accounts/q2-2013/bod-ukea-2013q2.pdf. The estimate for equities outstanding is from Pattani, A, Vera, G and Wackett, J (2011), 'Going public: UK companies' use of capital markets', *Bank of England Quarterly Bulletin*, Vol. 51, No. 4, pages 319–30, available at www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb110403.pdf.
(3) BDRC Continental (2013), *SME Finance Monitor*, Q2, available at www.bdrc-continental.com/EasySiteWeb/GatewayLink.aspx?alId=6721.
(4) BIS (2013), *SME Business Barometer*, June, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/226565/13-75b-sme-business-barometer-june-2013.pdf.
(5) For more details on peer to peer lending to SMEs, see Centre for the Study of Financial Innovation (2012), 'Seeds of Change: Emerging sources of non-bank funding for Britain's SMEs', July, available at www.csfi.org/files/Seeds_of_Change_by_Andy_Davis_PDF.pdf.
(6) BIS (2012), *BIS Economics Paper no. 16*, 'SME Access to External Finance', January, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/32263/12-539-sme-access-external-finance.pdf.
(7) For more details, see BIS (2013), *SME Access to Finance Schemes*, 'Measures to support SME growth', April, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/192618/bis-13-p176b-sme-access-to-finance-measures.pdf.
(8) BIS (2010), 'Results from the 2010 Finance Survey of Mid-cap Businesses', December, available at www.bis.gov.uk/assets/BISCore/enterprise/docs/R/10-p108-results-2010-finance-survey-mid-cap-businesses.pdf.
(9) BIS (2011), 'Research into Mid-Size Business Growth', November, available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/16422/11-1409-research-mid-size-business-growth.pdf.
(10) Available at www.deloitte.com/assets/Dcom-UnitedKingdom/Local%20Assets/Documents/Research/CFO%20Survey/uk-insights-cfo-survey-2013-q3-full-report-v2.pdf.
(11) For more details see the box 'An update on capital market issuance' in *Trends in Lending* January 2013, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjanuary13.pdf.
(12) For more data on capital issuance, see the Bank of England 'Capital Issuance statistical release', August 2013, available at www.bankofengland.co.uk/statistics/Pages/ci/2013/aug/default.aspx.
(13) FLA (2013), 'Core asset finance sees fifth consecutive month of growth', October, available at www.fla.org.uk/media/cassetfifthmonthgrowth.
(14) Asset Backed Finance Association quarterly statistics to June 2013, available at www.abfa.org.uk/statistics/ABFAStatsQ22013.pdf.

Table 2 Uses of various external sources of finance by UK businesses, by firm size[(a)]

	SMEs	Mid-sized companies	Large companies
Bank lending	Yes	Yes	Yes
Bond markets (public)	No	Limited	Yes
Equity markets (public)	Limited	Limited	Yes
Private placements	No	Limited	Yes
Asset finance (leasing and hire purchase)	Yes	Yes	Yes
Asset-based finance (eg factoring and invoice discounting)	Yes	Yes	Yes
Private equity	Yes	Yes	Yes
of which venture capital	*Yes*	*Yes*	*No*
Business Angels	Yes	No	No
Peer to peer lending, crowdfunding	Yes	Limited	No
Insurance companies, pension funds	Limited	Yes	Yes
Mezzanine finance	Limited	Yes	Yes
Asset managers (loan funds)[(b)]	Yes	Yes	Yes
Supply chain finance	Yes	Yes	Yes
Other trade finance[(c)]	Yes	Yes	Yes

Sources: BIS, Breedon (2012),[(d)] CBI,[(e)] HMT and Bank of England.

(a) The information contained in this table should be viewed as indicative. There is no single definition of firm size. The European Commission, for example, define SMEs based on a combination of turnover, employee headcount and total size of a firm's balance sheet. For access to finance purposes, SMEs could be viewed as those firms with turnover less than £25 million, mid-sized companies as those with turnover of between £25 million and £500 million and large companies with turnover above £500 million. For a description of some external sources of finance listed, see **Table 1**.
(b) A number of asset managers, including some private equity companies, have recently set up loan funds to lend to European corporates. Loans generally vary from under £10 million up to £100 million, with maturities of three to ten years. For more details see the box on 'New sources of non-bank finance', Bank of England *Financial Stability Report*, June 2012, available at www.bankofengland.co.uk/publications/Pages/fsr/2012/fsr31.aspx.
(c) Other trade finance includes international trade finance.
(d) Breedon, T (2012), *Boosting Finance Options for Business: Report of industry-led working group on alternative debt markets*, available at www.bis.gov.uk/assets/biscore/enterprise/docs/b/12-668-boosting-finance-options-for-business.pdf.
(e) See footnote (1) in this box.

Table 3 Use of some external sources of finance by UK businesses[(a)]

	Source	Type	2009	2010	2011	2012	2013
Stock[(b)] £ billions							
Bank lending	Bank of England[(c)]	Amounts outstanding					
		All non-financial businesses	583	536	504	472	454
		SMEs[(d)]			189	176	169
		Large[(d)]			315	296	286
							(August)
Insurance companies, pension funds	ONS[(e)]	Loans	22	23	31	34	35 (Q2)
Asset-based finance (eg factoring and invoice discounting)	Asset Based Finance Association[(f)]	Total advances	14	15	16	17	17
		£0–£10 million	6	6	6	6	6
		£10 million–£50 million	3	4	5	4	5
		Over £50 million	5	5	5	6	7
							(Q2)
Peer to peer lending	Open Data Institute[(g)]	Loans					0.4 (May)
Flows £ billions							
Bank lending	Bank of England	Gross lending[(h)]				146	101
		All non-financial businesses				38	27
		SMEs				108	74
		Large					(to August)
Bond markets (public)	Dealogic[(i)]	Gross issuance	46	26	38	66	41 (to September)
Equity markets (public)	Dealogic	Gross issuance	26	12	5	8	8 (to September)
Asset finance (leasing and hire purchase)	Finance & Leasing Association[(j)]	New finance	21	21	21	21	14 (to August)
Private equity	British Venture Capital Association[(k)]	Amount invested		8	7	6	
of which venture capital				*0.3*	*0.3*	*0.3*	
Business Angels	UK Business Angels Association[(l)]	Investment	An estimated £850 million per annum is invested by Angels in the United Kingdom.				
Insurance companies, pension funds	ONS[(e)]	Loans	-2	1	8	3	1 (to Q2)
Crowdfunding	Nesta[(m)]	Amount invested			0.1	0.2	
Private placements	Breedon (2012)[(n)]	Issuance	UK issuers account for nearly 21% of the global private investment market, though the majority of these issues are placed with US based investors. If UK institutional investors invested in private placements in the same proportion as US private placement investors, an additional £15 billion of non-bank lending could be available for mid-sized businesses in the United Kingdom.				

Sources: As listed in the table.

(a) The information contained in this table should be viewed as indicative as data and definitions are not directly comparable across different sources. For a description of some external sources of finance listed, see **Table 1**. Most numbers have been rounded to the nearest billion.
(b) Stock data are amounts outstanding as at end-December, unless stated otherwise.
(c) Lending by UK-resident monetary financial institutions to UK non-financial businesses. Data for 2009 and 2010 are not directly comparable to later years. For more details on the data, see *Bankstats* Table A8.1 and C1.2, available at www.bankofengland.co.uk/statistics/Pages/bankstats/default.aspx. Amounts outstanding data on loans include overdrafts. Movements in amounts outstanding can reflect breaks in data series as well as underlying flows. The total may not equal the sum of its components due to rounding.
(d) SMEs are defined as those businesses with annual debit account turnover less than £25 million. Large businesses are defined as those with annual debit account turnover greater than £25 million.
(e) Release MQ5 Q2 2013, Table A. Stock data are holdings at market value of loans to UK borrowers. For 2012 and 2013, stock data are calculated by adding quarterly flows to the previous years stock. Flows data are net investment. Available at www.ons.gov.uk/ons/rel/fi/mq5--investment-by-insurance-companies--pension-funds-and-trusts/q2-2013/index.html.
(f) Available at www.abfa.org.uk/members/statistics.asp. The total may not equal the sum of its components due to rounding and revisions to the aggregate figure.
(g) Available at http://smtm.labs.theodi.org/ODI-P2P-report-16jul13.pdf. The sample used in the report covers 92% of the peer to peer lending market. Estimates include unsecured personal lending.
(h) Data on gross lending exclude overdrafts. See footnote (d) for definitions of SMEs and large businesses. The total may not equal the sum of its components due to rounding.
(i) Data may include issuance via the Order book for Retail Bonds (ORB).
(j) Available at www.fla.org.uk/filegrab/FLA_KeyFacts2012.pdf?ref=819 and www.fla.org.uk/filegrab/FLA-AR.pdf?ref=977.
(k) Available at www.bvca.co.uk/Portals/0/library/Files/News/2013/RIA_2012.pdf. The data include management buyouts and expansion capital for larger businesses.
(l) Available at www.ukbusinessangelsassociation.org.uk/investors/background-angel-investment.
(m) Crowdfunding data include equity, donations and peer to peer lending. Available at www.nesta.org.uk/areas_of_work/economic_growth/crowdfunding and www.nesta.org.uk/library/documents/CrowdingInwebv3.pdf.
(n) See footnote (d) to **Table 2**.

Abbreviations

ABFA — Asset Based Finance Association.
BBA — British Bankers' Association.
BIS — Department for Business, Innovation and Skills.
CBI — Confederation of British Industry.
CDS — credit default swap.
CFO — chief financial officer.
FLA — Finance & Leasing Association.
FLS — Funding for Lending Scheme.
HMT — HM Treasury.
Libor — London interbank offered rate (see below).
LTV ratio — loan to value ratio (see below).
MFIs — monetary financial institutions (see below).
ONS — Office for National Statistics.
PNFCs — private non-financial corporations (see below).
RICS — Royal Institution of Chartered Surveyors.
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 (MFIs) 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 repayments of debt in a given period.

Private non-financial corporations (PNFCs) All corporations (and partnerships) 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.

Please see **Table 1** on page 12 for explanations of some of the terms used in the box.

Symbols and conventions

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

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

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