Trends in Lending

October 2014

BANK OF ENGLAND

BANK OF ENGLAND

Trends in Lending

October 2014

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 other financial statistics collected by the Bank that cover all monetary financial institutions, and 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 50% of the stock of consumer credit (excluding student loans) at end-June 2014. 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 and intelligence gathered up to end-September 2014. Unless stated otherwise, the data reported cover lending in both sterling and foreign currency, expressed in sterling.

(1) See www.bankofengland.co.uk/statistics/Documents/releasecalendar.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 2014 Q3 were conducted between 13 August and 8 September.

Contents

	Executive summary	3
1	Lending to UK businesses and individuals	4
2	Loan pricing	7
3	Credit supply and demand	10
Box	An update to estimates of external finance for UK businesses	12
	Glossary and other information	16

Executive summary

Over the past six months, the monthly net lending flow to UK businesses has been volatile on a month-to-month basis but, on average, was broadly close to zero. Mortgage approvals by all UK-resident mortgage lenders for house purchase picked up in June, before easing back slightly in August. The average monthly net lending flow by UK-resident mortgage lenders was £2.3 billion in the three months to August, broadly unchanged compared to the previous three months. The annual growth rate in the stock of consumer credit picked up slightly to 6.1% in August.

Pricing on lending to small and medium-sized enterprises continued to drift down over the past year, according to some measures. Quoted interest rates on some fixed-rate mortgages at 75% loan to value ratio fell in September. Quoted rates on some personal loans fell by around 80 basis points since the start of the year.

Contacts of the Bank's network of Agents noted that credit conditions had remained easy for large corporates and availability had remained reasonable for many small and medium-sized enterprises. Respondents to the Bank of England's *Credit Conditions Survey* expected demand for bank lending from corporates to increase in 2014 Q4, particularly from medium-sized companies. Lenders in the survey reported that the availability and demand for secured credit from households fell significantly in Q3.

1 Lending to UK businesses and individuals

Over the past six months, the monthly net lending flow to UK businesses has been volatile on a month-to-month basis but, on average, was broadly close to zero. Mortgage approvals by all UK-resident mortgage lenders for house purchase picked up in June, before easing back slightly in August. The average monthly net lending flow by UK-resident mortgage lenders was £2.3 billion in the three months to August, broadly unchanged compared to the previous three months. The annual growth rate in the stock of consumer credit picked up slightly to 6.1% in August.

Table 1.A Lending to UK businesses (all currency lending)[(a)]

	Averages						2014		
	2010	2011	2012	2013	2014 Q1	2014 Q2	June	July	Aug.
PNFC all currency net monthly flow (£ billions)	-2.1	-0.8	-1.5	-0.7	-1.5	-0.2	-2.3	1.1	-0.1
Three-month annualised growth rate (per cent)	-5.2	-2.0	-3.7	-2.7	-2.8	-0.5	-0.6	0.8	-1.4
Twelve-month growth rate (per cent)	-7.1	-3.3	-3.1	-3.0	-2.5	-1.8	-1.6	-1.7	-1.2

(a) Loans by UK monetary financial institutions (MFIs) to private non-financial corporations (PNFCs) excluding the effects of securitisations and loan transfers. Data cover loans in both sterling and foreign currency, expressed in sterling. Seasonally adjusted.

Table 1.B Lending to UK businesses (M4Lx measure)[(a)]

	Averages						2014		
	2010	2011	2012	2013	2014 Q1	2014 Q2	June	July	Aug.
PNFC M4Lx net monthly flow (£ billions)	-1.4	-1.1	-0.9	-0.2	-2.9	0.7	-5.0	2.8	-1.8
of which:									
sterling loans[(b)]	*-1.6*	*-0.5*	*-1.2*	*-0.5*	*-1.7*	*-0.2*	*-2.0*	*-0.2*	*-0.2*
Three-month annualised growth rate (per cent)	-3.5	-2.3	-2.9	-1.0	-4.7	1.4	2.1	3.1	-4.1
Twelve-month growth rate (per cent)	-3.6	-2.1	-3.2	-2.1	-2.0	-0.4	0.0	0.0	-0.6

(a) Sterling M4 lending by UK MFIs to PNFCs excluding the effects of securitisations and loan transfers. Data cover loans and MFIs' holdings of securities. Seasonally adjusted.
(b) This measure includes loans and MFIs' holdings of bills and acceptances and excludes commercial paper. Seasonally adjusted.

This section presents a summary of the recent data on lending to UK businesses and individuals. The twelve-month growth rate in the stock of loans to UK-resident households and businesses was broadly unchanged at around 1.7% over the three months to August.

Lending to UK businesses

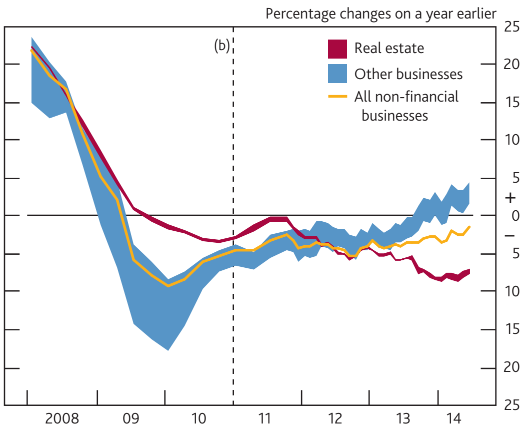
Data covering lending by all UK-resident banks and building societies indicated that over the past six months, the monthly net lending flow to UK businesses has been volatile on a month-to-month basis but, on average, was broadly close to zero. This was in both the all currency loans measure and the sterling lending measure (PNFC M4Lx), consisting of sterling loans — included in the all currency measure — and MFIs' holdings of securities.[(1)] A large part of the movement in PNFCs' M4Lx reflected changes in MFIs' holdings of securities issued by PNFCs.

The twelve-month rate of growth in these measures of the stock of lending to PNFCs was negative in August though less so than at the start of the year (**Tables 1.A** and **1.B**). Similarly, the rate of contraction in the aggregate stock of lending to UK non-financial businesses also eased over this period (**Chart 1.1**).

Much of the weakness in lending to businesses reflects a contraction in lending to the real estate sector (**Chart 1.1**), which accounts for around 30% of the stock of loans. In recent months, this was partly offset by positive contributions to the aggregate growth rate in the stock of lending from industrial sectors other than the real estate sector. These include the distribution, professional and other services, and manufacturing sectors.[(2)]

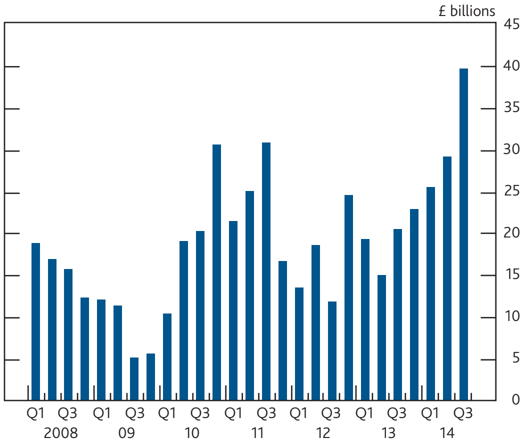
(1) For further details on the definitions of these measures of lending to UK businesses see *Bankstats (Monetary and Financial Statistics)*, August 2014, 'Measures of lending to UK businesses', available at www.bankofengland.co.uk/statistics/Documents/ms/articles/art1sep14.pdf.
(2) For more details see the box on 'Trends in lending and capital market issuance, by major industrial sector' in July 2014 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjuly14.pdf.

Chart 1.1 Lending to the UK real estate sector and other businesses[(a)]



(a) Lending by UK MFIs. Rates of growth in the stock of lending. Non seasonally adjusted. For details on the series included in the swathes see tab 'Chart 1.1 appendix', available at www.bankofengland.co.uk/publications/Documents/other/monetary/lendingtoukbusinessesandindividualsoctober2014.xls.
(b) From January 2011, data are on the SIC 2007 basis. Changes in the SIC codes have led to some components moving between industries. As a result, growth rates in 2011 may be affected.

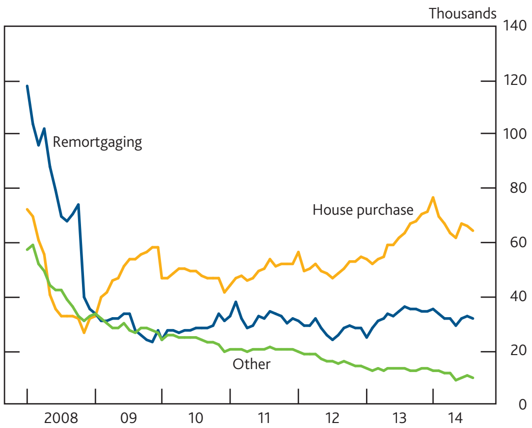
Chart 1.2 Estimates of new syndicated lending facilities granted to UK businesses[(a)]



Sources: Dealogic and Bank calculations.

(a) Defined broadly as PNFCs. New syndicated lending facilities excluding cancelled or withdrawn facilities by UK-resident and non-resident lenders. Data are quarterly and cover lending facilities in both sterling and foreign currency, expressed in sterling. Non seasonally adjusted.

Chart 1.3 Approvals of loans secured on dwellings[(a)]



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

Data from participants in the Funding for Lending Scheme (FLS) Extension showed that their net lending to all businesses was -£3.9 billion in 2014 Q2.[(1)] The fall was concentrated in lending to large companies; net lending to small and medium-sized enterprises (SMEs) was slightly negative, but at -£0.4 billion was less negative than in previous quarters.

Gross lending by all UK MFIs to UK non-financial businesses increased by 21% in the twelve months to August, compared to the previous period. Repayments by businesses also increased, though by less, and remained higher than gross lending. Contacts of the Bank's network of Agents continued to report that many SMEs preferred to repay debt. The annual rate of growth in the stock of lending remained negative across business sizes.

Larger companies have access to more bank lending sources than smaller businesses, such as the syndicated lending market. The total value of new syndicated lending facilities granted in the UK market by UK-resident and non-resident lenders in 2014 Q3 was the largest since 2007 Q3 and over 60% higher than the average of the past four quarters (**Chart 1.2**). There were two large deals in July, which accounted for around a third of the 2014 Q3 volume, according to Dealogic data. Around half the value of the syndicated lending facilities granted in the UK market in 2014 to date was denominated in sterling, similar to 2013.

Capital markets, such as bond and equity markets, provide an alternative source of external finance for larger companies. Net bond issuance was £5.1 billion in July — the highest since February 2013 — partly accounted for by issuance by UK corporations in the wholesale and retail trade sector. Overall, net finance raised by UK businesses from UK MFIs and capital markets was positive in the first two months of 2014 Q3, with positive net bank lending (**Table 1.A**) and capital market issuance.[(2)]

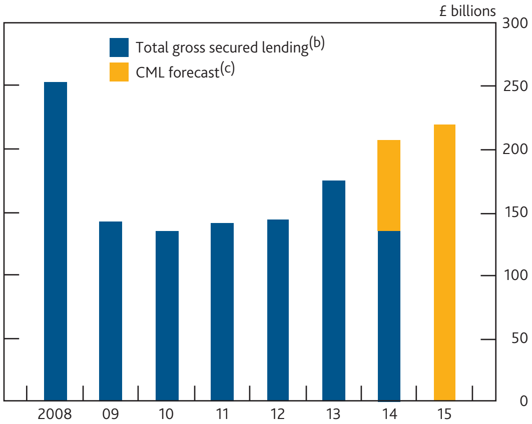
In addition to capital markets, alternative types of funding for businesses include asset-based finance, leasing and hire purchase and peer-to-peer lending/crowdfunding. The box on pages 12–15 provides an update to estimates of external finance for UK businesses for 2013 and 2014 to date.

Secured lending to individuals

Mortgage approvals by all UK-resident mortgage lenders for house purchase picked up in June, before easing back slightly in August (**Chart 1.3**). The number of approvals for remortgaging was broadly unchanged between June and

(1) Net lending in the FLS Extension includes lending related to non-bank credit providers. For more details see 'Funding for Lending Scheme Extension — Usage and lending data', available at www.bankofengland.co.uk/markets/Pages/FLS/extensiondata.aspx. Non seasonally adjusted.
(2) For more details see Table L and Chart 10 of the August 2014 *Money and Credit* statistical release, available at www.bankofengland.co.uk/statistics/Documents/mc/2014/aug/moneyandcredit.pdf.

Chart 1.4 Gross lending secured on dwellings[(a)]



Sources: CML, Bank of England and Bank calculations.

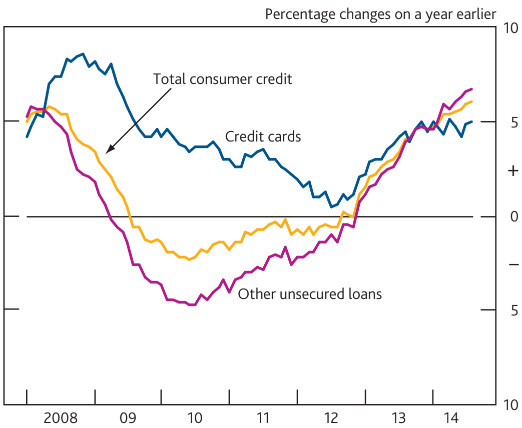
(a) Total gross lending secured on dwellings. Data cover sterling lending by UK MFIs and other lenders to UK individuals. Non seasonally adjusted.
(b) The bar for 2014 comprises the CML forecast for the year with data up to August.
(c) CML forecasts for 2014 and 2015 published in July 2014.

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

	Averages						2014		
	2010	2011	2012	2013	2014 Q1	2014 Q2	June	July	Aug.
Net monthly flow (£ billions)	0.6	0.8	0.9	0.9	1.8	2.2	2.1	2.3	2.3
Three-month annualised growth rate (per cent)	0.7	0.8	0.8	0.8	1.5	2.0	2.1	2.1	2.1
Twelve-month growth rate (per cent)	0.9	0.7	0.9	0.7	1.0	1.4	1.5	1.6	1.7

(a) Sterling lending by UK MFIs and other lenders to UK individuals. Seasonally adjusted.

Chart 1.5 Consumer credit[(a)]



(a) Sterling lending by UK MFIs and other lenders to UK individuals. Consumer credit consists of credit card lending and other unsecured lending (other loans and advances) and excludes student loans. Seasonally adjusted.

August. In recent discussions, most of the major UK lenders reported that operational issues associated with the implementation of the Mortgage Market Review had pushed down on approvals over the summer, but had now largely dissipated.

Total gross secured lending in the three months to August increased compared to the previous period. In forecasts published in July 2014, the Council of Mortgage Lenders (CML) expected gross secured lending by all UK-resident mortgage lenders in 2014 to be 18% higher than in 2013 and for lending in 2015 to be 6% higher than in 2014 (**Chart 1.4**).

The average monthly net lending flow by UK-resident mortgage lenders was £2.3 billion in the three months to August (**Table 1.C**), broadly unchanged compared to the previous three months. The annual rate of growth in the stock of secured lending to individuals rose slightly to 1.7% in August.

Consumer credit

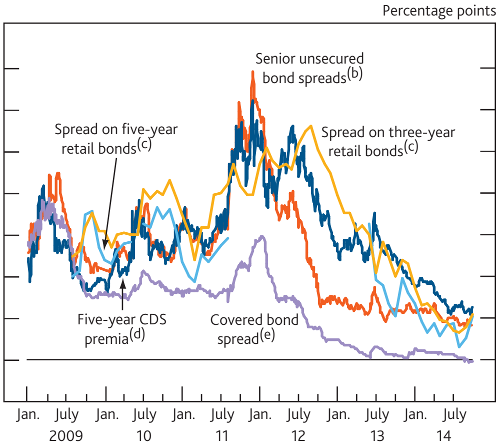
Total net consumer credit flows (excluding student loans) were £2.7 billion in the three months to August, similar to the flows in the previous period. Within this, the net flow of other unsecured lending was more than double that for credit cards.

The annual growth rate in the stock of consumer credit picked up slightly to 6.1% in August (**Chart 1.5**) though remained below pre-crisis levels. Within this, the annual growth rate in the stock of other unsecured lending continued to increase, reaching 6.8% in August.

2 Loan pricing

Pricing on lending to small and medium-sized enterprises continued to drift down over the past year, according to some measures. Quoted interest rates on some fixed-rate mortgages at 75% loan to value ratio fell in September. Quoted rates on some personal loans fell by around 80 basis points since the start of the year.

Chart 2.1 Indicative long-term funding spreads[(a)]



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

(a) All data are to 30 September 2014.
(b) 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.
(c) Spreads for sterling fixed-rate retail bonds over equivalent-maturity swaps. Bond rates are end-month rates and swap rates are monthly averages of daily rates. The bond rates are weighted averages of rates advertised by the banks and building societies in the Bank of England's quoted rate sample, for products meeting the selection 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 to April 2013 as fewer than three institutions in the sample offered products in these periods.
(d) 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.
(e) 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.

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.

An indicative measure of the spread over relevant swap rates on longer-term bank wholesale debt, secondary market bond spreads, was on average slightly lower in 2014 Q3 than in the previous quarter (**Chart 2.1**). The average of the major UK lenders' five-year credit default swap premia — a proxy for the credit risk component of bank funding costs — was also slightly lower. Respondents to the Bank of England's 2014 Q3 *Bank Liabilities Survey* reported a fall in spreads on 'other' funding (which includes short and long-term wholesale debt funding) compared to the previous quarter (**Chart 2.2**).

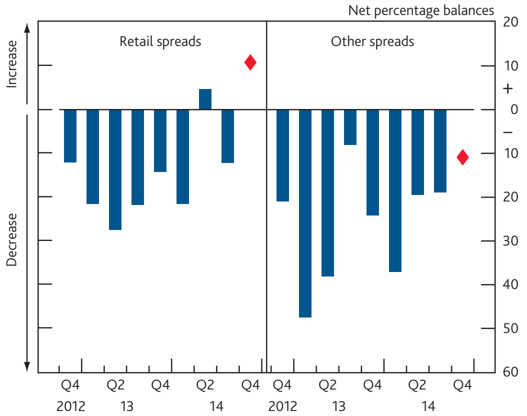
The swap rate, the fixed rate of interest in a swap contract in which floating-rate interest payments are exchanged for fixed-rate interest payments, is a key factor in the setting of retail and fixed mortgage rates. Two and three-year swap rates rose slightly in the first part of 2014 Q3 before falling back in August (**Chart 2.3**). More generally, swap rates in September were lower than those in July.

Spreads over equivalent-maturity swap rates on three-year retail bonds were broadly flat in 2014 Q3 compared to the previous quarter (**Chart 2.1**). Respondents to the *Bank Liabilities Survey* reported that overall retail funding spreads fell in 2014 Q3 (**Chart 2.2**). Looking forward, some major UK lenders expected retail deposit rates to remain at around current levels in the coming months.

Corporate loan pricing

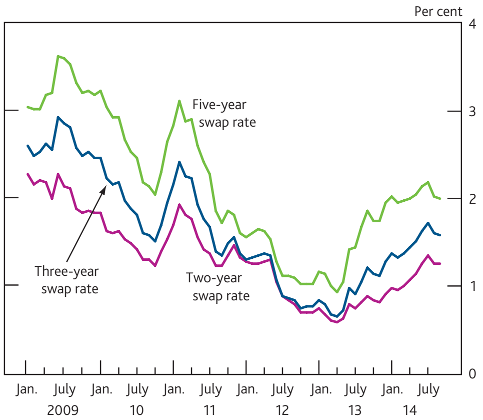
The spread over relevant reference rates that SMEs face on new borrowing can vary widely, taking into account various

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



(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question. The bars show the responses over the previous three months. The diamonds show the expectations over the next three months. Expectations balances have been moved forward one quarter. Where the *Bank Liabilities Survey* and *Credit Conditions Survey* are discussed, descriptions of a 'significant' change refer to a net percentage balance greater than 20 in absolute terms, and a 'slight' change refers to a net percentage balance of between 5 and 10 in absolute terms.
(b) Question: 'How has the average cost of funding changed?'. A positive balance indicates an increase in funding spreads.

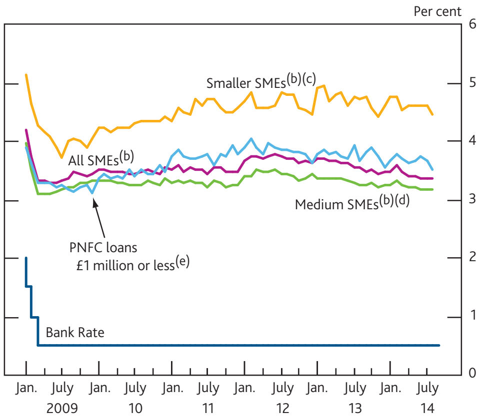
Chart 2.3 Swap rates at different maturities(a)



Sources: Bloomberg and Bank calculations.

(a) Sterling swap rates. Swap rates are monthly averages of daily data. Data are to end-September 2014.

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 businesses with annual debit account turnover on the main business account less than £1 million.
(d) Medium SMEs are businesses 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 MFIs for advances less than or equal to £1 million, an indicator of pricing for small business loans. Data cover lending in sterling. The Bank's effective interest rates series are currently compiled using data from 23 UK MFIs.

business-specific risk and credit quality factors. As a result there is no single definitive measure of loan pricing: statistical and survey data can provide broad estimates, but these may not entirely reflect the true cost of credit faced by SMEs.[1]

Pricing on lending to SMEs has continued to drift down, according to some measures. Indicative median interest rates (**Chart 2.4**) and spreads on new variable-rate facilities to all small and medium-sized enterprises fell by around 10 basis points over the past year, according to survey data from the Department for Business, Innovation and Skills (BIS). The Federation of Small Businesses' *Voice of Small Business Index* 2014 Q3 reported that 45% of firms that were approved a loan were offered an interest rate of 4% or less, compared to a little over 30% of firms a year ago. The Bank's measure of effective rates on new corporate lending for advances of £1 million or less — an indicator of pricing on loans to smaller businesses — fell in the year to August 2014 (**Chart 2.4**).

Spreads over reference rates on new lending to small businesses remained unchanged in 2014 Q3 according to lenders in the Bank of England's *Credit Conditions Survey* (**Chart 2.5**). Respondents continued to report that for medium-sized firms they had fallen significantly.

Pricing on lending to large companies remained favourable, according to survey evidence. The balance of respondents to the *Deloitte CFO Survey* — which covers large companies — reporting the cost of credit to be 'cheap' increased slightly in 2014 Q3 to its highest level since the survey began in 2007 Q3. Respondents to the 2014 Q3 *Credit Conditions Survey* reported that spreads on new lending to large businesses fell significantly (**Chart 2.5**). Lenders in the survey noted that non-price terms (the average of balances for maximum credit lines, fees and commissions and loan covenants) had loosened significantly for these corporates. In recent discussions, the major UK lenders reported that intense competition was leading to further downward pressure on price and non-price terms for large businesses.

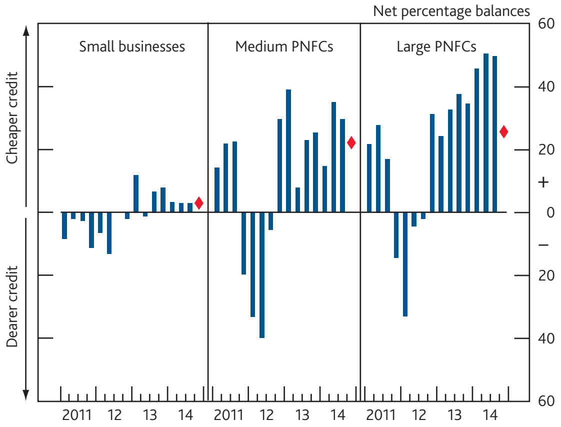
Looking forward, respondents to the *Credit Conditions Survey* expected spreads on new business lending in 2014 Q4 to fall significantly for both medium-sized and large companies and for spreads for small businesses to be unchanged (**Chart 2.5**).

Mortgage pricing

The proportion of new mortgage business at fixed rates increased over the past few years from 64% in 2012 to 88% in 2014 Q2. As more new business secured on dwellings was undertaken at fixed rates, the share of fixed-rate products in the stock of mortgage lending increased from 29% to 38% over the same period.

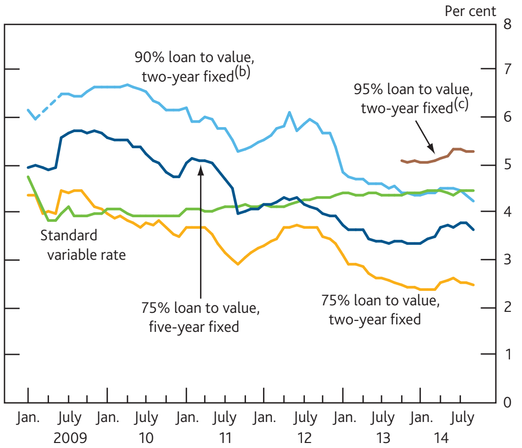
(1) For more details see the box on 'Recent trends in lending to small and medium-sized enterprises' in July 2013 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjuly13.pdf.

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



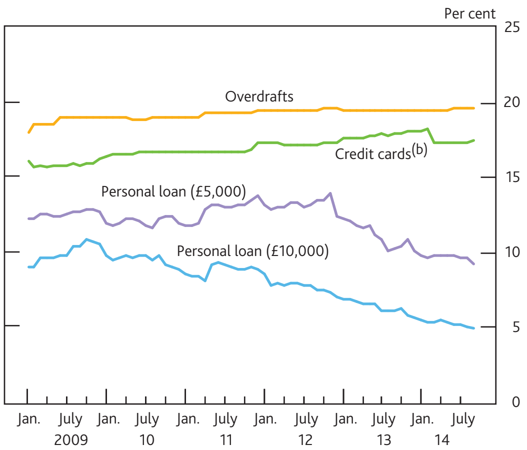
(a) See footnote (a) to **Chart 2.2**. A positive balance indicates that spreads over reference rates have fallen, such that all else being equal it is cheaper for corporates to borrow.
(b) Small businesses are defined as those with annual turnover of less than £1 million; medium-sized corporates are 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 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 MFIs. End-month rates. Non seasonally adjusted.
(b) This series was not available between March and May 2009 as fewer than three products were offered in that period.
(c) This series was not available between May 2008 and September 2013 as fewer than three products were offered in that period.

Chart 2.7 Quoted interest rates on consumer credit[(a)]



(a) Sterling. The Bank's quoted interest rates series are currently compiled using data from up to 23 UK MFIs. End-month rates. Non seasonally adjusted.
(b) This series does not include 0% introductory offers on credit cards.

The Bank's measure of the effective rate on new mortgages was broadly unchanged over the three months to August. Within this, the effective fixed-rate ticked up.

The quoted interest rates on two and five-year fixed-rate mortgages at 75% loan to value (LTV) ratio fell by 9 and 15 basis points respectively between end-August and end-September 2014, having been unchanged in the previous month (**Chart 2.6**). With equivalent maturity swap rates having fallen by a similar amount between July and September (**Chart 2.3**), spreads on these 75% LTV ratio products were little changed. The quoted interest rate on the two-year 90% LTV ratio product fell by 24 basis points over this period, such that the spread over the two-year swap rate reduced. In recent discussions with the major UK lenders, falling swap rates and increased competition were both mentioned as factors contributing to the decline in some mortgage rates in September.

Quoted interest rates on some floating-rate products, such as the standard variable (**Chart 2.6**) and lifetime tracker rates, were broadly unchanged over 2014 Q3. With Bank Rate unchanged, spreads on these floating-rate mortgages were little changed. In some contrast, the two-year 75% variable rate fell by 31 basis points in September.

Consumer credit pricing

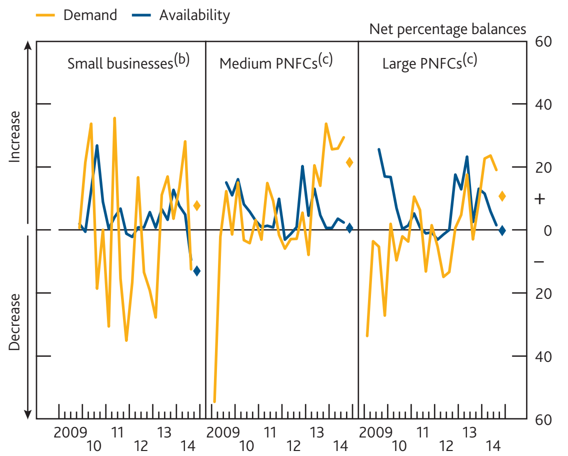
Quoted rates on some personal loans fell by around 80 basis points since the start of the year (**Chart 2.7**). Respondents to the 2014 Q3 *Credit Conditions Survey* expected a slight narrowing in spreads on other unsecured lending in Q4.

The quoted rate on credit cards was little changed in 2014 Q3 (**Chart 2.7**). Respondents to the 2014 Q3 *Credit Conditions Survey* noted that competition in this market continued to be centred around the length of balance transfer offers.

3 Credit supply and demand

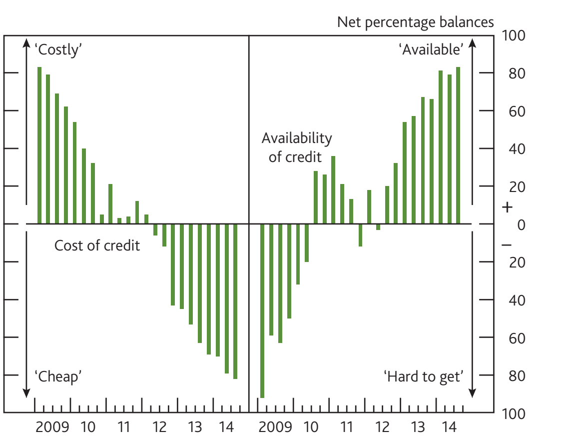
Contacts of the Bank's network of Agents noted that credit conditions had remained easy for large corporates and availability had remained reasonable for many small and medium-sized enterprises. Respondents to the Bank of England's *Credit Conditions Survey* expected demand for bank lending from corporates to increase in 2014 Q4, particularly from medium-sized companies. Lenders in the survey reported that the availability and demand for secured credit from households fell significantly in Q3.

Chart 3.1 *Credit Conditions Survey*: availability and demand for credit across firm sizes[a]



(a) See footnote (a) to **Chart 2.2** (for this chart lines rather than bars are used to show the responses over the previous three months) and footnote (b) to **Chart 2.5**. A positive balance indicates that more credit is available or an increase in demand.
(b) Questions on small businesses were introduced in 2009 Q4.
(c) Questions on the availability of credit to medium and large PNFCs were introduced in 2009 Q3.

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

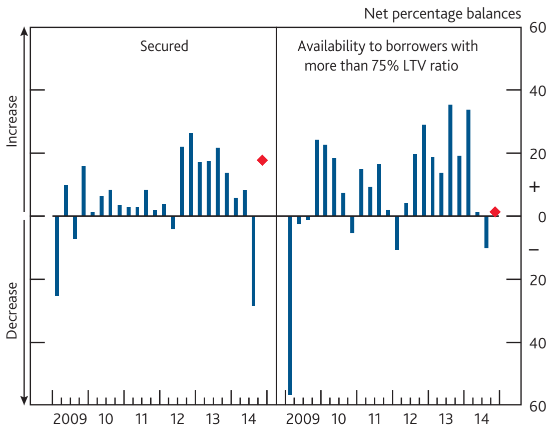
The overall availability of credit to the corporate sector was broadly unchanged in 2014 Q3, according to respondents to the Bank of England's *Credit Conditions Survey*. Lenders in the survey reported that credit availability was unchanged for medium-sized companies and large corporates (**Chart 3.1**). The balance of respondents to the *Deloitte CFO Survey* 2014 Q3 — which covers large companies — who reported that credit was 'available' remained close to 80% (**Chart 3.2**), the highest since the survey began in 2007 Q3.

Credit availability fell slightly for small businesses in 2014 Q3 according to respondents to the *Credit Conditions Survey* (**Chart 3.1**). The Federation of Small Businesses' *Voice of Small Business Index* 2014 Q3 reported that 52% of small firms in the survey found that the availability of credit was 'poor' or 'very poor', down from 75% two years ago, and around half believed that credit was unaffordable.

Contacts of the Bank's Agents noted that credit conditions had remained easy for large corporates. Contacts also reported that availability had remained reasonable for many SMEs, apart from very small firms or for those operating in certain sectors such as housebuilding or hospitality.

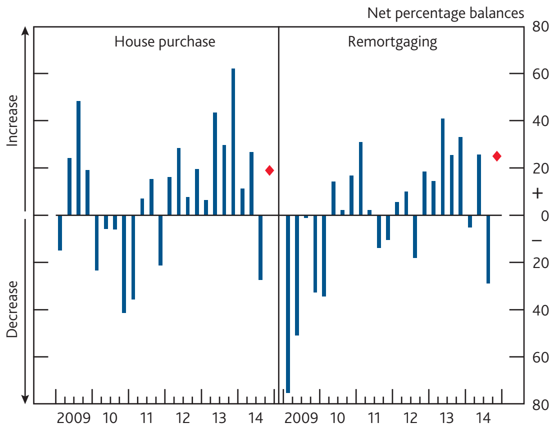
Lenders in the *Credit Conditions Survey* reported that demand for bank lending from small businesses fell in 2014 Q3 (**Chart 3.1**). More generally, the proportion of SMEs not seeking finance (bank loans, overdrafts) in the previous

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



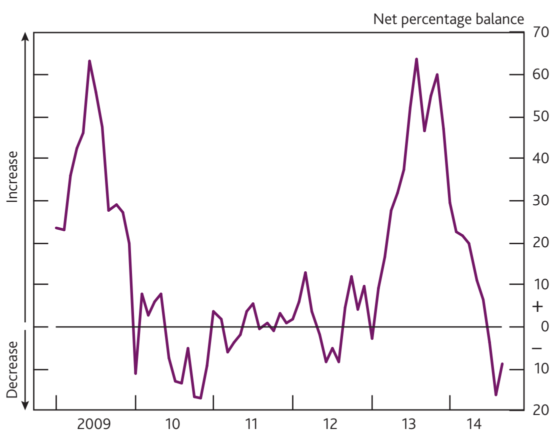
(a) See footnote (a) to **Chart 2.2**. A positive balance indicates that more credit is available.

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)]



(a) 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.

twelve months was 78% in 2014 Q2 and similar to the previous quarter, according to the *SME Finance Monitor*.[(1)]

Respondents to the 2014 Q3 *Credit Conditions Survey* reported that demand for bank lending increased significantly from medium-sized companies and also increased from large corporates (**Chart 3.1**). In recent discussions, most major UK lenders noted that demand for credit from large corporates was largely for refinancing purposes to secure lower rates.

Looking forward, lenders in the *Credit Conditions Survey* expected overall credit availability to remain unchanged in 2014 Q4. Respondents to the survey expected demand for bank lending from corporates to increase in Q4, particularly from medium-sized companies.

Credit conditions for households

After eight consecutive quarters of expansion, the availability of secured credit to households fell significantly in the three months to early September, according to respondents to the *Credit Conditions Survey* (**Chart 3.3**). Many lenders in the survey noted that operational issues associated with the implementation of the Mortgage Market Review had pushed down on credit availability over the summer. Lenders in the survey also reported that credit availability for borrowers with LTV ratios above 75% fell, and they had become less willing to lend at LTV ratios above 90%. Looking ahead, the availability of secured credit was expected to increase over the next three months.

Demand for secured lending for house purchase and remortgaging was also reported to have fallen significantly over the past quarter, according to respondents to the *Credit Conditions Survey* (**Chart 3.4**). The Royal Institution of Chartered Surveyors' (RICS) new buyer enquiries balance became negative in 2014 Q3, consistent with a fall in demand for house purchase (**Chart 3.5**). Lenders in the *Credit Conditions Survey* expected demand for secured credit for house purchase and remortgaging to increase in 2014 Q4 (**Chart 3.4**). In recent discussions, some major UK lenders noted that they were particularly uncertain about the pace of underlying demand for secured lending.

Respondents to the *Credit Conditions Survey* indicated that the amount of unsecured credit made available to households increased in 2014 Q3. Lenders expected a further rise in the availability of unsecured credit in 2014 Q4.

Demand for credit card lending increased in 2014 Q3, according to respondents to the *Credit Conditions Survey*. Lenders reported that demand for other unsecured lending products, such as personal loans, was unchanged. Demand for credit card and other unsecured lending was expected to increase significantly over the next three months, according to lenders in the survey.

(1) These SMEs are those that had not had a borrowing event, and also said that nothing had stopped them from applying for any (future) loan/overdraft funding in the previous twelve months.

An update to estimates of external finance for UK businesses

There are many sources of finance for businesses for working capital, capital investment and other purposes. Recent trends in external finance for UK businesses were discussed in the October 2013 edition of *Trends in Lending*.(1) It drew 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. The analysis concluded that debt financing from banks and capital markets was a significant proportion of external finance raised by all businesses. The available data suggested that some alternative types of external funding were of a reasonable size and growing, including asset-based finance and lending by insurance companies and pension funds.

This box presents updated estimates, where available, of external finance for 2013 and 2014, drawing on Bank of England statistics, consultations with officials from BIS and HMT and other information (**Tables 1** and **2**). It also includes new estimates on the flows of peer-to-peer lending/crowdfunding, which were unavailable last year. No updated estimates were available for private equity, business angels and private placements.(2)

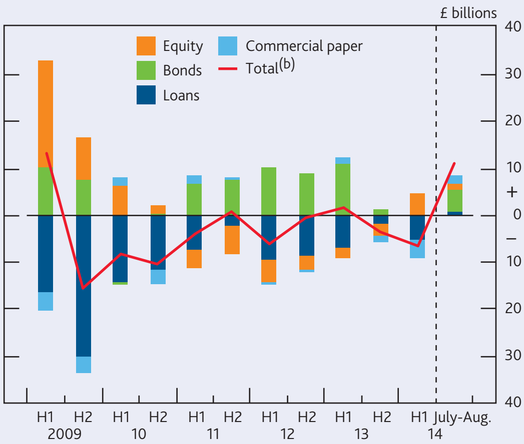
The stock of debt finance raised by all businesses from banks and capital markets (**Table 1**) remained a significant proportion of external finance as at 2014 Q2. Gross bank lending by monetary financial institutions (MFIs) to UK non-financial businesses remained substantial in 2013 and 2014 to date (**Table 2**).(3) Gross bond and equity issuance by corporate businesses was also significant. These flows were larger than those from alternative and newer sources of funding, such as peer-to-peer business lending.

Data on lending flows

The flow and cost 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 £120 billion in 2014 to August (**Table 2**), 19% higher than the comparable period in 2013. Repayments by these businesses to MFIs also increased. Net bank lending to businesses remained negative in 2013 and 2014 to August (**Tables 1.A, 1.B** and **2**).

Larger businesses have greater access to alternative types of funding such as capital markets. Gross equity issuance by UK private non-financial corporations (PNFCs) was larger in 2014 to September than in each of the previous four years, according to data from Dealogic (**Table 2**). This partly reflected a buoyant initial public offering (IPO) market, according to market contacts. The value of total UK IPO issuance in 2014 Q2 was the largest since the start of the data collection in 1984 Q2.(4) Net equity issuance by UK PNFCs in 2014 H1 was positive for the first time since the second half of 2010, according to Bank of England data (**Chart A**).

Chart A Net external finance raised by UK businesses from banks and capital markets(a)



(a) Finance raised by PNFCs from MFIs and capital markets. Bonds data cover debt issued by UK companies via UK-based Issuing and Paying Agents. Data cover funds raised in both sterling and foreign currency, expressed in sterling. Seasonally adjusted. Bonds, equity and commercial paper are non seasonal.
(b) Owing to the seasonal adjustment methodology, this series may not equal the sum of its components.

Gross bond issuance in 2014 H1 was lower than that in 2013 H1 (**Chart B**). Net bond issuance was close to zero in the year to 2014 H1, in contrast to positive issuance in the previous three years (**Chart A**). It increased in the first two months of Q3, as noted in Section 1, alongside positive net issuance of commercial paper.(5)

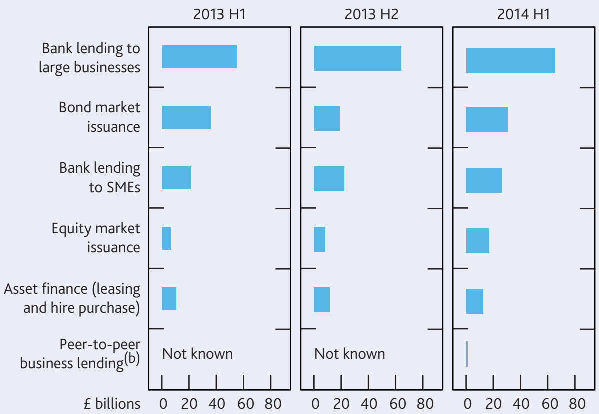
The vast majority of gross flows of external finance raised by UK businesses in recent years were from bank lending and capital market issuance, based on available data (**Chart B** and **Table 2**). The largest flow of external finance raised was bank lending to large businesses. The flow of new asset finance (leasing and hire purchase) was smaller in comparison, though

(1) For more details see the box 'Estimates of sources of external finance for UK businesses' on pages 12–16 in October 2013 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsoctober13.pdf.
(2) For brief descriptions of the terms used in this box see Table 1 of the October 2013 *Trends in Lending* box on page 12, available from the link in footnote (1).
(3) The data on gross lending by MFIs are sourced from the Bank of England and include loans, overdrafts and finance leases granted if on the MFI's balance sheet. For more details see 'Explanatory notes — monetary financial institutions loans to non-financial businesses, by size of business', available at www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/loans_to_non-financial_businesses.aspx.
(4) For more details see 'Markets and operations', *Bank of England Quarterly Bulletin*, Vol. 54, No. 3, page 325, available at www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q3.pdf.
(5) For a description of recent trends in capital market issuance by major industrial sector, see the box on pages 7–9 in July 2014 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsjuly14.pdf.

was slightly higher in 2014 H1 compared to 2013 H1. Some of this lending is likely to be to small and medium-sized enterprises (SMEs).

SMEs can also use other types of external finance such as peer-to-peer lending/crowdfunding. Flows of peer-to-peer business lending increased in 2014 Q2 compared to the previous quarter, though at £0.3 billion for the first half of 2014 were small compared to gross bank lending to SMEs (**Chart B**). Flows of other forms of peer-to-peer lending/crowdfunding, such as equity-based and reward-based crowdfunding, were very small in 2013 (**Table 2**).

Chart B Gross flows of external finance for UK businesses, 2013 H1–2014 H1[(a)]



Sources: Dealogic, Finance & Leasing Association, Peer-to-Peer Finance Association, Bank of England and Bank calculations.

(a) For further details on the data sources, see **Table 2** on page 15.
(b) Data can include some invoice trading. 'Not known' indicates that there were no half-yearly flows available.

Data on stocks of lending

The stock of lending to UK PNFCs by UK banks and building societies was £399 billion as at end-August 2014 and UK businesses had £318 billion of corporate bonds outstanding as at 2014 Q2 (**Table 1**). The stock of lending by insurance companies and pension funds continued to be a reasonable size at £36 billion.

The stock of asset-based finance was smaller, though grew by 10% in the year to end-June 2014, according to data from the Asset Based Finance Association (**Table 1**). Around 40% of the total outstanding advances were to businesses with annual turnover of over £50 million. Data on the stocks of other forms of finance raised, such as private equity, were unavailable.

Qualitative information

A number of surveys provide qualitative information on various external funding sources. The *Deloitte CFO Survey* for 2014 Q3 — which covers large companies — reported that a balance of around 75% of respondents to the survey viewed each of bank lending and bond issuance as 'attractive' sources of funding, similar to recent quarters. Respondents to the survey also viewed equity issuance as an 'attractive' source of funding in 2014 Q3, as they have for over a year.

Capital markets are not commonly used by medium-sized businesses for external finance, according to a survey conducted by the British Business Bank in 2013.[(1)] Respondents to the survey — those with annual turnover between £10 million and £500 million — reported that the most widely used forms of external finance were trade credit[(2)] (59%), leasing or hire purchase (52%) and credit cards (46%). Respondents also reported using a range of different loan facilities, including overdrafts (32%).

The proportion of SMEs using only bank loans, bank overdrafts or credit cards declined between 2011 and 2014 H1 from 29% to 20%, according to the *SME Finance Monitor* (**Chart C**).[(3)] Notwithstanding this, these 'core' products remained the most used option for those using external finance. The share of respondents to the survey using 'other' forms of finance (eg leasing, hire purchase or vehicle finance) remained broadly similar over this period. More generally, the proportion of SMEs using neither 'core' products or 'other' forms of finance increased slightly over this period.

Chart C Use of external funding by SMEs[(a)]

Source: *SME Finance Monitor* 2014 Q2.

(a) The proportion of SMEs responding to the question: 'Which of the following forms of external finance does the business currently use?'. 'Core' products are bank overdrafts, bank loans/commercial mortgages and credit cards. 'Other' forms of finance are leasing, hire purchase or vehicle finance, loans/equity from directors/family/friends, invoice finance, grants and loans from third parties. 'None' refers to SMEs not using either 'core' or 'other' forms of finance. The components may not sum to 100% due to rounding.

Trade credit was also reported to have been used by 30% of SMEs in 2014 H1, according to the *SME Finance Monitor*. When combined with those respondents who reported using

(1) Available at http://british-business-bank.co.uk/performance/british-business-bank-research-medium-sized-businesses-access-finance-lessons-tomorrows-medium-sized-businesses/.
(2) Trade credit occurs when a company buys goods or services from a supplier with an agreement to pay later.
(3) Available at www.sme-finance-monitor.co.uk/.

'core' and 'other' sources of finance in the survey, around half of SMEs reported using some form of external finance in this period.

Contacts of the Bank's network of Agents continued to report a growing use of non-bank finance by SMEs, including peer-to-peer lending and crowdfunding. Contacts noted that these non-traditional funding providers were often more expensive than high street banks, but could provide funds more flexibly or quickly, and were willing to look at lending opportunities that other banks had turned away.

Some main external financing options, such as bank lending, asset-based finance and leasing and hire purchase, are generally used by all types of businesses. For details on the use of various external funding sources by business size, see Table 2 in October 2013 *Trends in Lending*. Overall, the use by business size has not materially changed over the past year.

Table 1 Estimates of the stock of some types of external finance for UK businesses[(a)]

	Source	Type	2009	2010	2011	2012	2013	2014
£ billions								
Bank lending	Bank of England	Amounts outstanding[(b)]						
		PNFCs[(c)]	531	479	450	427	406	399
		Total non-financial businesses[(d)]	583	536	504	472	448	445
		SMEs[(e)]			189	176	166	169
		Large[(e)]			315	296	282	276
								(August)
Bonds markets (public)	ONS[(f)]	Amounts outstanding	293	290	319	371	349	318
								(Q2)
Insurance companies, pension funds	ONS[(g)]	Loans	22	23	31	34	35	36
								(Q2)
Asset-based finance (eg factoring and invoice discounting)	Asset Based Finance Association[(h)]	Total advances[(i)]	14	15	16	16	18	19
		£0–£10 million	6	6	6	6	6	6
		£10 million–£50 million	3	4	5	4	5	5
		Over £50 million	5	5	5	6	7	8
								(June)

(a) The information contained in this table should be viewed as indicative as data and definitions are not directly comparable across different sources. Stock data are as at end-December, unless stated otherwise. Non seasonally adjusted. For a description of the terms used see Table 1 of the box 'Estimates of sources of external finance for UK businesses' in October 2013 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsoctober13.pdf.
(b) Amounts outstanding data include overdrafts and loans in both sterling and foreign currency, expressed in sterling. Non seasonally adjusted. Movements in amounts outstanding can reflect breaks in data series as well as underlying flows. For further details see www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/Changes_flows_growth_rates.aspx. For changes and growth rates data, please use the appropriate series or data tables from *Bankstats*, available at www.bankofengland.co.uk/statistics/Pages/bankstats/current/default.aspx.
(c) Loans by UK-resident MFIs to PNFCs excluding the effects of securitisations and loan transfers.
(d) Loans by UK-resident MFIs to UK non-financial businesses. Data for 2009 and 2010 are not directly comparable to later years. The total may not equal the sum of its components due to rounding.
(e) 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.
(f) Release *United Kingdom Economic Accounts*, Q2 2014, Chapter 3.3.9, Office for National Statistics. Available at www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-economic-accounts/q2-2014/bod-ukea-2014q2.pdf. Data are not directly comparable to gross and net bond issuance data in **Table 2**.
(g) Release *MQ5* Q2 2014, Table A, Office for National Statistics. Stock data are holdings at market value of loans to UK borrowers. For 2013 and 2014, stock data are calculated by adding quarterly flows to the previous year's stock. Available at www.ons.gov.uk/ons/rel/fi/mq5--investment-by-insurance-companies--pension-funds-and-trusts/q2-2014/rft-mq5-ref-tables-q2-2014.xls.
(h) Available at www.abfa.org.uk/members/statistics.asp.
(i) Data cover the UK and Irish markets and are presented in client annual turnover bands. The total may not equal the sum of its components due to rounding.

Table 2 Estimates of the flows of some types of external finance for UK businesses[(a)]

	Source	Type	2009	2010	2011	2012	2013	2014
Net flows £ billions								
Bank lending[(b)]	Bank of England	PNFCs[(c)]	-46	-24	-9	-18	-9	-2
		Total non-financial businesses[(d)]				-27	-16	-6
		SMEs[(e)]				-8	-4	-2
		Large[(e)]				-19	-12	-4
								(to August)
Bonds markets (public)	Bank of England[(f)]	Net issuance	18	-0.1	15	19	12	5
								(to August)
Equity markets (public)	Bank of England[(f)]	Net issuance	32	8	-10	-8	-5	6
								(to August)
Insurance companies, pension funds	ONS[(g)]	Net loans	-2	1	8	3	1	1
								(to Q2)
Gross flows £ billions								
Bank lending	Bank of England	Gross lending[(h)]						
		Total non-financial businesses				146	163	120
		SMEs				38	43	33
		Large				108	120	87
								(to August)
Bonds markets (public)	Dealogic[(i)]	Gross issuance	48	27	38	67	55	46
								(to September)
Equity markets (public)	Dealogic[(i)]	Gross issuance	26	12	5	8	14	21
								(to September)
Asset finance (leasing and hire purchase)	Finance & Leasing Association[(j)]	New finance	21	21	21	22	22	16
								(to August)
Private equity	British Venture Capital Association[(k)]	Amount invested		8	7	6	Not known	Not known
of which venture capital				*0.3*	*0.3*	*0.3*		
Peer-to-peer lending/crowdfunding	Nesta[(l)]							
Peer-to-peer business lending[(l)]	Peer-to-Peer Finance Association[(m)]	New business lending			0.02	0.06	0.19	0.28[(m)]
								(to Q2)
Invoice trading[(l)]		New business lending			0.00	0.04	0.10	Not known
Equity-based crowdfunding[(l)]		Amount invested			0.00	0.00	0.03	Not known
Reward-based crowdfunding[(l)]		Amount invested			0.00	0.00	0.02	Not known
Business Angels	UK Business Angels Association[(n)]	Investment	An estimated £850 million per annum is invested by Angels in the United Kingdom.					Not known
Private placements	Breedon Report[(o)]	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.					Not known

(a) The information contained in this table should be viewed as indicative as data and definitions are not directly comparable across different sources. There can be some double counting across estimates. Flows data are cumulative totals for the year or to the date stated. Non seasonally adjusted. Most numbers have been rounded to the nearest billion. For a description of the terms used, see Table 1 of the box 'Estimates of sources of external finance for UK businesses' in October 2013 *Trends in Lending*, available at www.bankofengland.co.uk/publications/Documents/other/monetary/trendsoctober13.pdf.
(b) Data include overdrafts and loans in both sterling and foreign currency, expressed in sterling.
(c) Loans by UK-resident MFIs to PNFCs excluding the effects of securitisations and loan transfers.
(d) Loans by UK-resident MFIs to UK non-financial businesses. For more details see *Bankstats* Table A8.1, available at www.bankofengland.co.uk/statistics/Pages/bankstats/default.aspx. The total may not equal the sum of its components due to rounding.
(e) 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.
(f) Data are not comparable to gross issuance data in this table due to the different sources.
(g) Release *MQ5* Q2 2014, Table A, Office for National Statistics. Flows data are net investment and are calculated as the change in stock. Available at www.ons.gov.uk/ons/rel/fi/mq5--investment-by-insurance-companies--pension-funds-and-trusts/q2-2014/rft-mq5-ref-tables-q2-2014.xls.
(h) Data exclude overdrafts and cover loans in both sterling and foreign currency, expressed in sterling. See footnote (e) for definitions of SMEs and large businesses. The total may not equal the sum of its components due to rounding. For net lending data excluding overdrafts see *Bankstats* Table A8.1, available from the link in footnote (d).
(i) Bond issuance data may include issuance via the Order book for Retail Bonds (ORB). Data are not comparable to net issuance data in this table due to the different sources.
(j) Available at www.financeleasingassociation.co.uk/wp-content/uploads/2014/03/FLA_keyfacts2012.pdf and via www.fla.org.uk/media.
(k) Available at www.bvca.co.uk/portals/0/library/files/news/2013/RIA_2012.pdf. The data include Management Buy Outs (MBO) and expansion capital for larger businesses.
(l) Data for 2011–13 are from Nesta, available at www.nesta.org.uk/publications/rise-future-finance. 2013 data were captured between 25 November and 5 December and incorporate expected volumes for the remainder of the year. Peer-to-peer business lending is debt-based transactions between individuals and existing businesses who are mostly SMEs. Invoice trading is firms selling invoices or receivables to a pool of individuals or institutional investors. Equity-based crowdfunding is the sale of registered securities by mostly early-stage firms to investors. Reward-based crowdfunding are transactions where donors have an expectation that recipients will provide a tangible (but non-financial) reward or product in exchange for their contribution.
(m) Data on new peer-to-peer business lending for 2014 are from the Peer-to-Peer Finance Association, available at http://p2pfa.info/about-p2p-finance. Data can include some invoice trading.
(n) Available at www.ukbusinessangelsassociation.org.uk/investors/background-angel-investment.
(o) Data from 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.

Abbreviations

BIS — Department for Business, Innovation and Skills.
CDS — credit default swap.
CFO — chief financial officer.
CML — Council of Mortgage Lenders.
FLS — Funding for Lending Scheme.
HMT — HM Treasury.
Libor — London interbank offered rate (see below).
LTV ratio — loan to value ratio (see below).
M4Lx — Sterling M4 lending excluding the effects of securitisations etc.
MFIs — monetary financial institutions (see below).
ONS — Office for National Statistics.
PNFCs — private non-financial corporations (see below).
RICS — Royal Institution of Chartered Surveyors.
SIC — Standard Industrial Classification.
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.
Specialist/other mortgage lenders	Providers of mortgage loans for niche markets that generally fall outside the scope of mainstream mortgage lending.
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 retail and fixed mortgage rates.
Syndicated loan	A loan granted by a group of banks to a single borrower.

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.

ISSN: 2040-4042 (online)