

# Proposed changes to *Trends in Lending* and the associated data set: a summary of the user consultation and how the Bank intends to proceed

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*In July 2010 the Bank initiated a user consultation on its proposals to migrate to its existing regular statistical data collection elements of a separate data collection established in late 2008 to provide more timely data covering aspects of lending to the corporate and household sectors. The consultation also covered a proposal to reduce the frequency of publication of Trends in Lending. This article summarises the responses received and explains how the Bank will proceed.*

In July 2010 the Bank launched a user consultation on proposals to migrate to its existing regular statistical data collection elements of a separate data collection established in late 2008 to provide more timely data on lending to the corporate and household sectors. This consultation was trailed in the July edition of *Trends in Lending*<sup>1</sup> and formally launched in an article published in *Bankstats*, available at <http://www.bankofengland.co.uk/statistics/ms/articles/art2jul10.pdf>. The consultation closed on 9 September.

The consultation called for responses to the Bank's proposals on the following aspects of *Trends in Lending* and the associated data set: reducing the frequency of publication of *Trends in Lending* from monthly to quarterly; and migrating to the existing regular collection those parts of the new data set judged to have long-term value. Details on the aspects of the new data collection that the Bank proposed to migrate to the regular data collection, the responses from data suppliers and other respondents, and the Bank's intended approach in light of the consultation are set out below.

## *Lending to businesses*

The Bank proposed that several parts of the new data collection should be integrated into the regular collection, as summarised below:

- gross lending and repayment flows and outstanding overdraft balances: for all businesses, and for businesses grouped by industrial classification<sup>2</sup> and by size of business<sup>3</sup>
- stocks of lending classified by business size

<sup>1</sup> Available here:

<http://www.bankofengland.co.uk/publications/other/monetary/TrendsJuly10.pdf>.

<sup>2</sup> These are high-level industrial classifications (including, for example, construction; manufacturing; mining and quarrying; and real estate activities) and are based on the Standard Industrial Classification of Economic Activities (SIC) 2007. More information is available here: [http://www.statistics.gov.uk/methods\\_quality/sic/downloads/sic2007explanatorynotes.pdf](http://www.statistics.gov.uk/methods_quality/sic/downloads/sic2007explanatorynotes.pdf).

<sup>3</sup> The preferred metric is annual debit turnover on the business account of less than £1 million, from £1 million to £25 million, and over £25 million: for smaller SMEs (small and medium-sized enterprises), medium SMEs and larger businesses respectively.

- information to permit a reconciliation of stocks and flows of lending (e.g. on purchases and sales of loans and write-offs).

The Bank consulted data suppliers in a separate exercise<sup>4</sup> and they advised that the bulk of the data collected in the new data collection would not be readily available from source systems. In response to this input the Bank intends to amend the approach proposed in the consultation. The Bank recognises the potential difficulties in adapting source systems to identify these data and will therefore permit suppliers to report data subject to bilaterally agreed reporting standards.

In parallel with this change to the basis on which the data will be reported the reporting panel will be revised to achieve the following:

- to ensure representative coverage; this will be achieved by selecting a panel that covers at least 75% of the stock of UK Monetary Financial Institutions'<sup>5</sup> lending to businesses;<sup>6</sup> and
- to change the reporting basis from the current consolidated group position used for the data collection established in late 2008, to that of legal entity – the latter being the institutional unit that is the basis for the regular collection.

## *Lending to individuals*

Here the Bank proposed that the following elements of the new data set be integrated into the regular data collection: gross secured lending flows by purpose of loan (house purchase, remortgage, other); and gross unsecured lending repayment flows (excluding credit cards).

<sup>4</sup> In accordance with the Bank's *Statistical Code of Practice* (6.2.2), available here:

<http://www.bankofengland.co.uk/statistics/about/code.pdf>.

<sup>5</sup> UK Monetary Financial Institutions is a statistical grouping comprising banks and building societies.

<sup>6</sup> The panel can not be determined directly using gross lending and repayment flows because sufficient back data are not available, stocks of lending are judged to be the best readily available basis for panel selection.

This proposal was not contentious, with data suppliers generally of the view that the breakdowns required are available from source systems.

In accordance with its cost-benefit based approach<sup>7</sup> to implementing new data collections the Bank has agreed with data suppliers that these proposals will be taken forward as follows:

- in the near term those lenders currently reporting the data collection introduced in late 2008 will continue to report gross secured lending flows by purpose.
- gross secured lending by purpose and gross unsecured repayment flows (excluding credit cards) will be included among any other proposed changes when the relevant regular reporting forms are next reviewed.<sup>8</sup>

### *The frequency of Trends in Lending*

The Bank proposed to reduce the frequency of publication of *Trends in Lending* to quarterly from the current monthly timetable, to permit a greater focus on key lending developments.

The responses received to this proposal were broadly supportive with the scope for greater focus on key lending developments seen as a clearly positive development. Some concerns were expressed about the potential loss of data at a monthly frequency.

The Bank intends to reduce the frequency of publication of *Trends in Lending* to quarterly from monthly with effect from October.<sup>9</sup> In response to the concerns expressed about the potential loss of monthly information the Bank intends, for a limited period, to continue to publish to a monthly timetable data that have regularly featured in *Trends in Lending*.<sup>10</sup>

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<sup>7</sup> *Cost-benefit analysis of monetary and financial statistics* is available here: <http://www.bankofengland.co.uk/statistics/about/cba.pdf>.

<sup>8</sup> Existing reporting forms are reviewed on a rolling five year programme using cost-benefit techniques; see 6.1.2 in the Bank's *Statistical Code of Practice*.

<sup>9</sup> October 2010 will be the final monthly version of *Trends in Lending*, the first of the new quarterly versions will be published in January 2011.

<sup>10</sup> From May 2011 onwards major UK lenders' data, including on mortgage approvals and the split of gross mortgage lending by purpose, will no longer be published in advance of the Bank's regular statistical releases. This reflects that as part of these changes the timeliness of these data will be reduced.