

Credit Conditions Survey

Survey results | 2009 Q1





BANK OF ENGLAND

Credit Conditions Survey

2009 Q1

As part of its mission to maintain monetary stability and financial stability, the Bank needs to understand trends and developments in credit conditions. This survey of bank and non-bank lenders is an input to this work. Lenders are asked about the past three months and the coming three months. The survey covers secured and unsecured lending to households and small businesses; and lending to non-financial corporations, and to non-bank financial firms.

This report presents the results of the 2009 Q1 survey. The 2009 Q1 survey was conducted between 23 February and 13 March.

Additional background information on the survey can be found in the 2007 Q3 *Quarterly Bulletin* article 'The Bank of England Credit Conditions Survey'.

This report, covering the results of the 2009 Q1 survey, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

The publication dates in 2009 for future Credit Conditions Surveys are:

2009 Q2 survey on 2 July 2009.

2009 Q3 survey on 1 October 2009.



BANK OF ENGLAND

Credit Conditions Survey

2009 Q1

Supply

- Lenders reported that they had reduced the [availability of secured credit to households](#) in the three months to mid-March 2009. Reduced risk appetite and expectations for house prices were reported to have been the main factors contributing to this tightening. A small net balance of lenders was expecting an increase in overall credit availability over the next three months.
- [Unsecured credit availability to households and small businesses](#) was reported to have been reduced by less than expected. Over the next three months lenders expected unsecured credit availability to remain broadly unchanged.
- [Corporate credit availability](#) had increased slightly over the past three months, contrary to the small fall expected in the 2008 Q4 survey. A further increase in corporate credit availability was anticipated over the next three months.

Demand

- Demand for [secured lending for house purchase and for remortgaging](#) was reported to have declined over the past three months. Lenders expected demand for secured lending to fall further.
- Demand for credit by [private non-financial corporations](#) had fallen over the past three months. Reduced demand for lending for capital investment and from the real estate sector had contributed to these falls. A further decline in demand by medium-sized companies was anticipated, but demand by large firms was expected to increase.

Terms and conditions

- Overall, spreads on [secured lending to households](#) were reported to have widened over the past three months, significantly more than expected. Non-price terms on secured lending were generally reported to have tightened, with further tightening expected.
- Lenders reported a further widening in spreads on [corporate lending](#). They expected spreads to increase further.

Defaults

- Default rates, and losses given default, on [secured and unsecured lending to households and lending to private non-financial corporations](#) were reported to have risen over the past three months. Lenders expected a further increase in both default rates and losses given default.

This report presents the results of the 2009 Q1 survey. The 2009 Q1 survey was conducted between 23 February and 13 March. To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' —

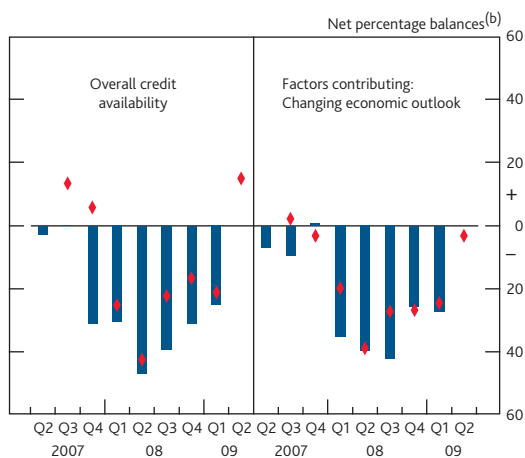
the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100 .

This report, and copies of the questionnaires are available on the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

Credit Conditions Survey

In the three months to mid-March, a net balance of lenders reported that they had reduced the availability of credit to households. Contrary to expectations expressed in the 2008 Q4 survey, a small net balance of lenders reported increased lending to the corporate sector over the past three months. As in previous surveys, concerns about the economic outlook, reduced appetite for risk and falling collateral values had borne down on credit availability. Credit availability to households and corporates was expected to improve over the next three months, associated with an improvement in the cost and availability of funds. Default rates and losses given default on lending to households and private non-financial corporations had risen over the past three months, and were expected to rise further. Spreads on lending to households and corporates had widened by more than had been expected and lenders also reported a tightening in the non-price terms on household and corporate lending.

Chart 1 Household secured credit availability^(a)



(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 so that they can be compared with the actual outturns in the following quarter.

(b) A positive balance indicates that more secured credit is available, or that the change in the factor described has served to increase credit availability.

The Q1 Credit Conditions Survey was conducted between 23 February and 13 March. The survey included some additional questions about the impact of factors associated with recent developments in financial markets.⁽¹⁾ The questions and the aggregate responses to them are provided in the annexes.

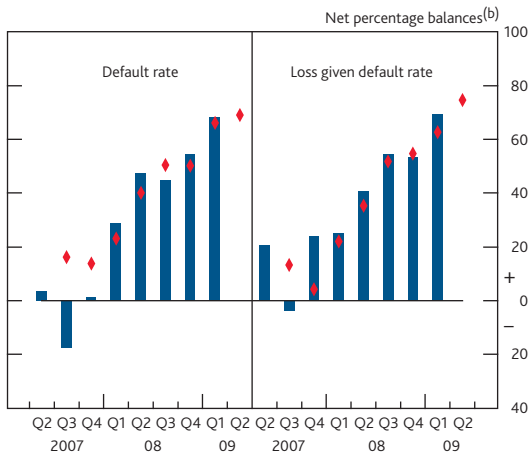
Secured lending to households and small businesses

In the three months to mid-March, a net balance of lenders reported that there had been a tightening in the availability of secured credit to households (Chart 1). This was associated with a larger-than-expected decline in loan approval rates, as lenders had tightened credit scoring criteria by more than they had originally anticipated. Credit availability to households with loan to value (LTV) ratios above 75% tightened by more than expected, while credit availability to households with LTV ratios below 75% loosened slightly.

A net balance of lenders reported that they were expecting a small increase in overall credit availability over the next three months. The economic outlook was no longer expected to be a factor bearing down on credit availability. Improvements in the cost and availability of funds were expected to support increased credit availability over the next three months. Some lenders commented that they had not had enough time to assess the full impact on future lending of recently announced Government schemes to support the banking sector.

(1) For further discussion of recent developments in financial markets, see the 'Markets and operations' article in the 2009 Q1 *Quarterly Bulletin*.

Chart 2 Default rates and loss given default rates on secured loans to households^(a)

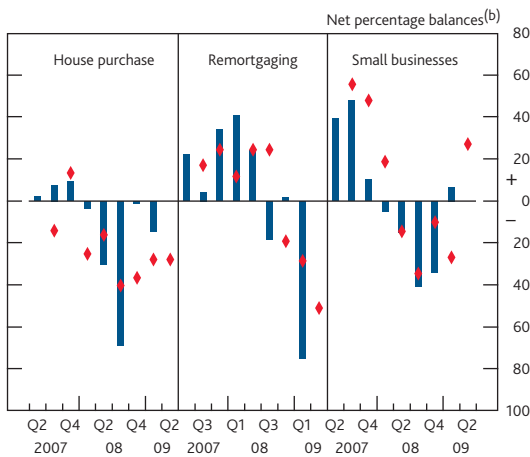


(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates an increase in default and loss given default rates.

Default rates on secured lending to households, and losses on loans in default, had risen over the past three months, broadly in line with expectations (Chart 2). Some lenders commented that an increase in arrears had been associated with rising unemployment. Lenders also commented that declining house prices had driven the increase in losses given default. Default rates, and losses given default, were expected to rise further over the next three months.

Household demand for secured credit for house purchase was reported to have declined by less than expected. But demand for remortgaging had fallen more sharply (Chart 3). Some lenders commented that this may be because low standard variable rates had reduced borrowers' incentive to refinance their mortgages when their existing deals expired. In contrast to households, demand from small businesses was reported to have picked up slightly. Over the next three months, household demand for secured credit was expected to decline while demand from small businesses was expected to increase further.

Chart 3 Demand for household secured lending^(a)



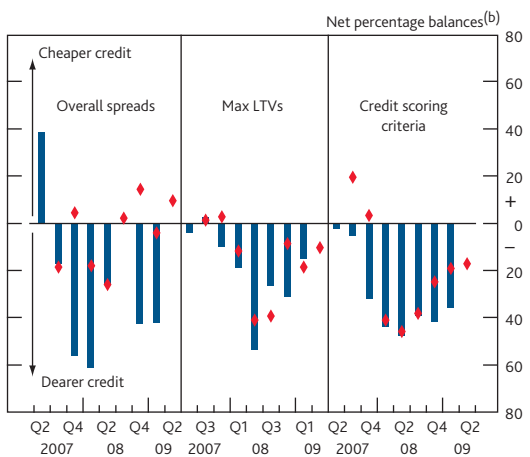
(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates an increase in demand.

Spreads on secured lending were reported to have widened in the three months to mid-March by significantly more than expected (Chart 4). Lenders also reported a tightening in non-price terms, such as maximum LTVs and credit scoring criteria. Maximum loan to income ratios (LTIs), however, remained broadly unchanged. Maximum LTIs were expected to increase slightly over the next three months while other non-price terms were expected to tighten further. Spreads on secured lending to households were expected to narrow slightly.

Unsecured lending to households and small businesses

Lenders reported that they had reduced the amount of unsecured credit made available to households over the past three months, but by less than they had expected. The decline in credit availability was driven mainly by concerns about the economic outlook and reduced appetite for risk. Credit scoring criteria were reported to have tightened significantly for both credit cards and other loans. Over the next three months lenders expected unsecured credit availability to remain broadly unchanged.

Chart 4 Terms on household secured lending^(a)

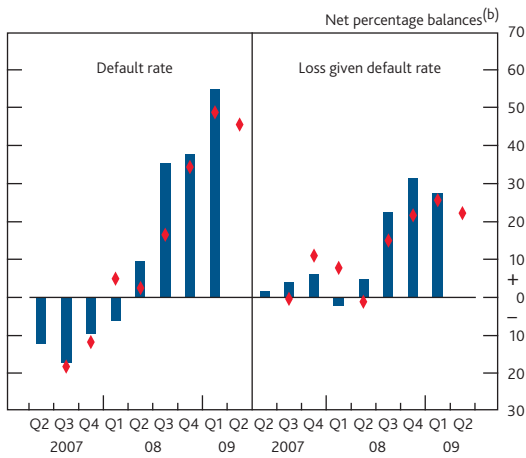


(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates that spreads have become narrower, such that it is cheaper for households to borrow, or that the terms and conditions on which credit was provided had become looser.

Default rates on unsecured lending, and losses on unsecured loans in default, were reported to have increased over the past three months (Chart 5). In their comments some lenders attributed these to economic conditions. Further increases were expected in both defaults and losses given default.

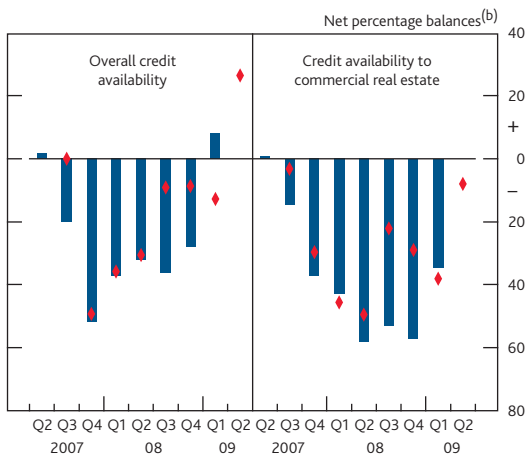
Lenders reported a fall in demand for unsecured lending from households over the past three months, and anticipated a further fall over the next three months. By contrast, demand from small businesses for unsecured lending had picked up. Over the next three months lenders expected a further

Chart 5 Default rates and loss given default rates on unsecured lending to households^(a)



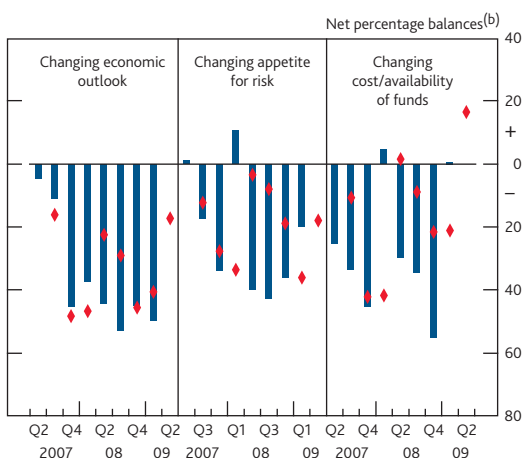
(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates an increase in default rates and loss given default rates.

Chart 6 Corporate credit availability^(a)



(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates more corporate credit is available.

Chart 7 Factors contributing to changes in corporate credit availability^(a)



(a) See footnote (a) of Chart 1.
 (b) A positive balance indicates that the change in the factor described has served to increase credit availability.

increase in demand for unsecured lending from small businesses.

Spreads on credit cards and other loans were reported to have widened over the past three months. Little change was expected on credit card spreads over the next three months, while spreads on other loans were expected to widen further.

Lending to corporates

Contrary to expectations expressed in the previous survey in mid-December, overall credit availability to the corporate sector was reported to have increased over the three months to mid-March (Chart 6). Within that, the commercial real estate sector continued to experience reduced credit availability.

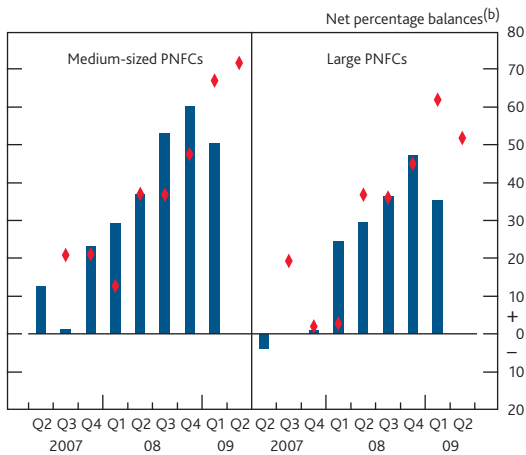
The worsening economic outlook, changing sector specific risks and a reduction in lenders' appetite for risk had acted to reduce credit availability (Chart 7). On the other hand, a small net balance of lenders cited market share objectives and reduced pressures from capital markets as factors contributing to increased credit availability. Falls in commercial property prices were reported to have led lenders to reduce credit availability to the commercial real estate sector and other secured lending to private non-financial corporations (PNFCs).

Over the next three months, credit availability to the corporate sector was expected to increase further. A small net balance of lenders expected improvements in the cost and availability of funds to increase corporate credit availability, while the economic outlook, changing sector specific risks and reduced risk appetite were expected to continue to bear down on it.

Lenders reported a tightening in non-price terms to the corporate sector. Loan covenants had been tightened by more than had been expected. Maximum credit lines had fallen and collateral requirements had increased slightly. Non-price terms had tightened by more for other financial corporations (OFCs) than for PNFCs; there was no significant difference reported between medium and large PNFCs. Further tightening in non-price terms was expected over the next three months.

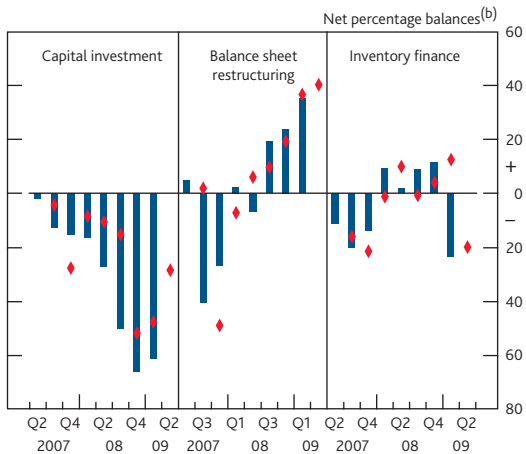
Default rates for PNFCs were reported to have risen further (Chart 8). Losses on loans in default were also reported to have increased. Further significant increases in both default rates and losses given default were anticipated over the next three months, particularly for medium-sized corporates.

Demand for new credit facilities by PNFCs was reported to have fallen by more than anticipated over the past three months. Drawdowns on existing committed credit lines were reported to have remained broadly unchanged. Over the next three months, lenders expected a further decline in demand

Chart 8 Default rates on corporate lending^(a)

(a) See footnote (a) of Chart 1.

(b) A positive balance indicates an increase in default rates.

Chart 9 Drivers of changes in demand for corporate lending^(a)

(a) See footnote (a) of Chart 1.

(b) A positive balance indicates that the change in the factors described have served to increase demand for corporate borrowing.

for new credit by medium-sized PNFCs and an increase in demand by large PNFCs. Demand for credit by OFCs was reported to be broadly unchanged and was expected to remain so over the next three months.

Lenders reported a significant decline in demand for credit by corporates for capital investment over the past three months (Chart 9). Demand for credit for mergers and acquisitions activity and for inventory finance had also declined. These factors were expected to contribute to a further weakening in demand for credit by corporates. Demand for credit driven by corporate balance sheet restructuring was reported to have increased and further increases in demand for that reason were expected.

In the three months to mid-March, spreads on new lending to PNFCs and OFCs had increased by more than had been expected. Commissions and fees on lending also increased. Lenders anticipated further increases in spreads and fees over the next three months.

Annex 1

Secured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100 . This annex reports the net percentage balance of respondents for each question in the secured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How has the availability of secured credit provided to households changed?	Past three months	-2.9	0.1	-31.2	-30.7	-47.0	-39.3	-31.1	-25.2
	Next three months	13.4	5.8	-25.3	-42.5	-22.3	-16.8	-21.2	14.8
Factors contributing to changes in credit availability:^(b)									
changing economic outlook	Past three months	-7.2	-9.6	0.5	-35.3	-39.8	-42.2	-25.7	-27.3
	Next three months	2.1	-3.3	-19.9	-38.9	-27.4	-26.8	-24.5	-3.3
market share objectives	Past three months	20.0	21.3	-7.6	5.7	7.3	-0.1	-5.5	-28.0
	Next three months	29.6	19.7	-25.5	-11.1	3.8	-2.9	-5.7	0.0
changing appetite for risk	Past three months	1.8	-1.5	-35.2	-33.2	-30.3	-24.2	-23.0	-40.4
	Next three months	13.4	14.3	-28.0	-46.5	-24.8	-20.1	-18.5	-8.9
changing cost/availability of funds	Past three months	-9.3	10.0	-12.5	-12.2	-21.4	-11.4	-22.7	-19.0
	Next three months	13.3	-15.1	-17.3	-6.7	-3.2	4.8	-9.3	9.5
How have credit scoring criteria for granting loan applications by households changed?	Past three months	-2.4	-5.7	-32.3	-43.9	-47.5	-39.3	-42.0	-35.9
	Next three months	19.5	3.1	-41.0	-45.9	-38.2	-24.8	-19.2	-17.3
How has the proportion of household loan applications being approved changed?	Past three months	-5.3	-2.7	-21.5	-6.8	-38.1	-18.6	-43.5	-43.2
	Next three months	9.5	5.6	-3.8	-21.2	-33.3	-16.6	-32.6	-44.2
Has there been any change in the use of securitisations associated with secured lending to households?	Past three months	13.3	-9.1	-34.7	-33.8	4.8	42.1	43.4	-10.9
	Next three months	4.1	-20.5	-37.7	-36.6	-20.1	-34.8	-18.6	-13.9
Has there been any change in 'target hold' levels associated with secured lending to households?^(a)	Past three months	-6.6	2.6	1.3	29.1	-2.8	8.5	n.a.*	n.a.*
	Next three months	13.3	5.9	2.2	29.1	4.3	8.5	n.a.*	n.a.*
How has the default rate on secured loans to households changed?	Past three months	3.5	-17.5	1.3	28.6	47.3	44.8	54.6	68.2
	Next three months	16.1	13.8	23.0	40.1	50.4	50.1	66.1	69.2
How has loss given default on secured loans to households changed?	Past three months	20.7	-3.9	24.0	25.3	40.5	54.6	53.4	69.3
	Next three months	13.2	4.1	22.1	35.3	51.9	54.7	62.8	74.6
How has demand for secured lending for house purchase from households changed?	Past three months	2.1	7.5	9.4	-3.8	-30.2	-69.1	-1.2	-15.0
	Next three months	-14.0	13.2	-25.2	-16.1	-40.5	-36.5	-27.8	-28.0
<i>of which: demand for prime lending</i>	Past three months	-3.3	-3.8	4.4	-1.1	-38.6	-50.8	-3.3	-14.1
	Next three months	-14.0	15.8	-17.6	-13.5	-39.2	-33.3	-27.6	-28.9
<i>of which: demand for buy-to-let lending</i>	Past three months	14.1	10.2	14.7	6.9	10.4	-28.6	-35.1	-29.6
	Next three months	-0.1	-4.9	-30.9	-5.8	-16.9	-6.6	-26.3	-28.9
<i>of which: demand for other lending</i>	Past three months	n.a.*	4.8	15.0	17.5	-36.4	-46.2	-17.9	-25.8
	Next three months	n.a.*	-30.4	-21.1	6.8	-29.2	-7.9	-12.1	-7.4

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How has demand for secured lending for remortgaging from households changed?	Past three months	22.0	4.3	34.2	40.8	24.0	-18.5	1.5	-75.3
	Next three months	17.1	24.3	11.6	24.4	24.3	-19.1	-28.5	-51.0
How has demand for other lending secured on dwellings from households changed?	Past three months	2.0	-17.6	-17.1	-0.9	-26.1	-60.8	-24.8	-66.3
	Next three months	2.3	-16.2	-17.1	7.5	-20.0	-43.3	-18.5	-51.3
How has demand for secured lending from small businesses changed?	Past three months	39.1	47.8	10.3	-5.0	-15.1	-40.6	-34.0	6.7
	Next three months	55.5	47.8	18.6	-14.4	-34.7	-10.3	-26.9	27.1
How have overall secured lending spreads changed?^(a)	Past three months	38.5	-17.6	-56.2	-61.4	-25.8	0.0	-42.8	-42.2
	Next three months	-18.7	4.3	-17.9	-26.0	2.1	14.3	-4.0	9.5
<i>of which: spreads on prime lending^(a)</i>	Past three months	42.1	-17.0	-53.2	-58.1	-25.0	4.0	-40.6	-33.5
	Next three months	-18.7	5.0	-9.8	-24.9	-5.5	16.4	-4.1	4.1
<i>of which: spreads on buy-to-let lending^(a)</i>	Past three months	20.8	3.1	-54.5	-61.6	-66.4	-2.9	-52.9	-33.6
	Next three months	-4.9	-5.8	-15.8	-25.6	3.8	17.4	2.8	8.0
<i>of which: spreads on other lending^(a)</i>	Past three months	-1.1	4.4	-53.8	-70.8	-31.2	-5.2	-20.8	-26.9
	Next three months	-3.4	-4.5	-12.0	-28.6	1.2	6.7	-3.3	-2.9
How have fees on secured lending changed?^(a)	Past three months	5.9	3.4	-2.7	-1.9	-12.3	-7.3	-7.5	-0.7
	Next three months	-2.5	-6.1	-3.8	-3.8	-3.5	-3.0	-0.8	0.2
How have maximum loan to value ratios changed?	Past three months	-4.0	2.8	-10.2	-18.9	-53.8	-26.6	-31.4	-15.2
	Next three months	1.3	2.6	-11.9	-41.2	-39.4	-8.6	-18.7	-10.5
How have maximum loan to income ratios changed?	Past three months	-4.4	-1.4	-3.3	-11.5	3.5	-1.7	-15.9	2.7
	Next three months	-4.4	3.1	2.1	-13.1	-6.5	-7.7	-18.2	7.4

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Additional questions

		Net percentage balances ^(a)					
		2007		2008		2009	
		Dec.	Mar.	June	Sep.	Dec.	Mar.
How have the following factors affected overall household secured credit availability?^(b)							
Tighter wholesale funding conditions:	Past three months	-52.7	-48.7	-37.7	-15.0	-14.8	-2.9
	Next three months	-28.0	-46.5	-38.8	-25.4	-16.8	16.8
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	Past three months	-43.3	-29.6	-4.8	-3.9	2.8	-3.2
	Next three months	-9.8	-31.5	-14.9	-3.9	2.8	-3.2
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	Past three months	-34.9	-34.9	-17.0	-4.9	0.0	0.0
	Next three months	-21.6	-44.9	-13.0	-3.6	-11.9	13.2
Expectations for house prices:	Past three months	-7.0	-43.0	-55.0	-58.5	-50.2	-52.5
	Next three months	-38.2	-46.1	-69.2	-60.5	-44.7	-34.7
How has the availability of household secured credit to the following types of borrower changed?							
Borrowers with low LTVs (75% or less):	Past three months	n.a.**	n.a.**	n.a.**	12.7	-9.9	4.1
	Next three months	n.a.**	n.a.**	n.a.**	6.3	-0.6	4.9
Borrowers with high LTVs (more than 75%):	Past three months	n.a.**	n.a.**	n.a.**	-59.5	-55.3	-56.6
	Next three months	n.a.**	n.a.**	n.a.**	-38.5	-27.1	-21.0
How has the average credit quality of new secured lending to households changed?^(c)	Past three months	n.a.**	n.a.**	n.a.**	23.5	18.9	-14.9
	Next three months	n.a.**	n.a.**	n.a.**	22.6	10.0	-1.7
What percentage of your existing secured loan book is contractually committed to passing on any further cuts in Bank Rate?	Median ^(d)	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	47.4

** Additional question not asked in survey.

- (a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
- (b) A positive balance indicates that the changes in the factors described have served to increase credit availability.
- (c) A positive balance indicates an improvement in the credit quality of new borrowing.
- (d) Unlike the other questions in this survey, lenders were asked to select a numerical range that the percentage of their existing loan book contractually committed to passing on any further cuts in Bank Rate is (0%–20%, 20%–40%, 40%–60%, 60%–80%, 80%–100%). A weighted median response, based on lenders' market shares, was then calculated assuming that lenders' responses were uniformly distributed across each numerical range.

Annex 2

Unsecured lending to households and small businesses questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100 . This annex reports the net percentage balance of respondents for each question in the unsecured lending questionnaire.

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances ^(a)								
		2007				2008				2009
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	
How has the availability of unsecured credit provided to households changed?	Past three months	-14.3	-10.2	-13.6	-21.1	-24.0	-27.5	-30.5	-17.1	
	Next three months	4.9	-2.9	-7.0	-13.7	-25.3	-32.0	-37.4	-2.3	
Factors contributing to changes in credit availability:^(b)										
changing economic outlook	Past three months	-8.0	-13.4	-11.9	-17.9	-19.6	-34.7	-24.1	-25.5	
	Next three months	-2.6	-12.2	-23.2	-10.8	-32.7	-35.4	-29.3	-16.7	
market share objectives	Past three months	6.5	-0.8	7.5	-0.7	0.5	-5.3	-9.0	-3.4	
	Next three months	13.6	-3.6	-2.5	-1.2	0.5	-5.3	-9.4	-2.3	
changing appetite for risk	Past three months	-3.4	-8.0	-14.3	-8.3	-9.3	-28.0	-17.4	-19.1	
	Next three months	1.4	-11.7	-18.7	-16.6	-21.0	-32.3	-37.3	-9.9	
changing cost/availability of funds	Past three months	17.4	1.0	1.2	-1.6	0.3	-5.0	-7.4	-2.3	
	Next three months	18.8	0.0	-10.2	-1.4	-1.1	-5.5	-7.4	-2.7	
How have credit scoring criteria for granting credit card loan applications by households changed?	Past three months	-15.0	-7.8	7.9	-16.6	4.5	-33.1	-26.7	-60.9	
	Next three months	-1.0	-13.7	-16.4	0.2	-34.3	-41.4	-46.8	-16.2	
How have credit scoring criteria for granting other unsecured loan applications by households changed?	Past three months	-12.0	19.9	-8.5	-20.8	-26.7	-31.6	-35.0	-50.4	
	Next three months	-5.6	-24.2	-24.2	-21.8	-48.6	-26.4	-54.3	-41.7	
How have credit scoring criteria for granting total unsecured loan applications by households changed?	Past three months	-14.2	-0.8	3.7	-17.7	-3.0	-32.8	-28.5	-58.8	
	Next three months	-2.2	-16.3	-18.3	-5.2	-37.8	-37.9	-48.5	-21.3	
How has the proportion of credit card loan applications from households being approved changed?	Past three months	33.2	15.1	10.0	-6.7	-16.3	-15.8	4.5	-29.1	
	Next three months	6.1	-2.5	-26.3	-7.6	-9.2	-46.0	-43.8	-12.4	
How has the proportion of other unsecured loan applications from households being approved changed?	Past three months	6.1	14.8	-17.7	-24.9	-11.3	-31.1	-36.4	-38.0	
	Next three months	2.6	-18.1	-28.5	-26.8	-27.2	-13.5	-46.6	-27.3	
How has the proportion of total unsecured loan applications from households being approved changed?	Past three months	25.9	15.0	3.0	-11.2	-15.1	-19.3	-4.3	-30.8	
	Next three months	5.2	-6.4	-26.9	-12.4	-13.5	-38.5	-44.4	-15.4	
How has the default rate on credit card loans to households changed?	Past three months	-14.6	-20.8	-8.8	-10.0	6.4	33.9	34.6	61.0	
	Next three months	-17.3	-13.3	9.0	2.1	17.3	36.9	50.1	49.3	
How has the default rate on other unsecured loans to households changed?	Past three months	-6.0	-6.5	-11.4	5.5	19.2	40.9	49.0	30.1	
	Next three months	-20.8	-7.5	-7.6	3.2	13.7	25.7	44.1	30.1	
How has the default rate on total unsecured loans to households changed?	Past three months	-12.3	-17.2	-9.5	-6.2	9.5	35.5	37.7	54.8	
	Next three months	-18.2	-11.8	4.8	2.4	16.4	34.3	48.8	45.5	

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How has loss given default on credit card loans to households changed?	Past three months	-2.9	5.9	5.2	-3.7	3.9	25.3	36.7	28.0
	Next three months	-3.7	12.8	4.6	-3.0	13.3	21.4	25.6	24.1
How has loss given default on other unsecured loans to households changed?	Past three months	13.9	-1.4	8.8	1.4	7.2	12.6	12.3	25.1
	Next three months	8.8	5.8	17.2	4.3	20.3	22.4	25.7	14.1
How has loss given default on total unsecured loans to households changed?	Past three months	1.6	4.1	6.1	-2.4	4.7	22.4	31.4	27.4
	Next three months	-0.3	11.0	7.8	-1.2	15.0	21.6	25.6	22.1
How has demand for credit card lending from households changed?	Past three months	1.2	-2.2	10.5	-11.0	23.1	-14.6	13.0	-23.5
	Next three months	5.2	3.2	-5.9	5.1	1.2	-6.1	-20.4	-17.9
How has demand for other unsecured lending from households changed?	Past three months	-20.4	-4.9	-11.7	7.8	-44.8	-17.9	-36.8	-25.6
	Next three months	1.3	-4.5	2.3	-23.3	-12.0	7.3	-12.0	-24.9
How has demand for total unsecured lending from households changed?	Past three months	-4.6	-2.9	4.9	-6.4	6.7	-15.4	2.3	-23.9
	Next three months	4.2	1.2	-3.8	-1.9	-2.0	-3.0	-18.6	-19.3
How has demand for credit card lending from small businesses changed?	Past three months	14.7	-4.9	5.2	-1.6	20.1	4.4	4.2	17.3
	Next three months	0.9	-2.4	19.7	-1.6	1.9	13.0	9.1	32.3
How has demand for other unsecured lending from small businesses changed?	Past three months	2.6	-11.4	-9.2	-14.5	-5.5	-16.2	-52.1	2.6
	Next three months	2.6	-9.2	-10.5	-13.9	-19.0	-19.1	-15.8	-8.5
How has demand for total unsecured lending from small businesses changed?	Past three months	11.8	-6.7	0.2	-5.3	13.8	-0.1	-8.8	14.2
	Next three months	1.3	-4.2	9.4	-5.2	-3.2	6.1	3.4	23.7
How have spreads on credit cards changed? ^(a)	Past three months	6.6	16.2	-3.5	-4.8	-4.4	-8.3	1.8	-24.7
	Next three months	5.7	0.4	-1.2	-11.9	-3.2	-10.9	21.0	-1.6
How have spreads on other unsecured lending products changed? ^(a)	Past three months	-6.9	6.7	-15.8	-21.5	-18.6	-12.6	-34.8	-35.0
	Next three months	-2.9	-16.0	-18.8	-4.0	-4.4	-4.6	-11.2	-16.2
How have overall unsecured lending spreads changed? ^(a)	Past three months	3.0	13.8	-6.6	-8.9	-7.8	-9.3	-6.1	-26.7
	Next three months	3.4	-3.7	-5.7	-10.0	-3.5	-9.5	14.0	-4.5
How have credit card limits changed?	Past three months	-10.4	25.1	16.8	13.9	-15.0	-24.3	-21.4	-17.4
	Next three months	12.7	-2.7	7.9	-2.3	-12.7	-15.2	-25.1	-27.9
How has the minimum proportion of credit card balances to be paid changed? ^(a)	Past three months	-4.6	-2.9	3.2	-4.7	0.1	-7.0	-3.7	-12.0
	Next three months	11.0	8.5	-0.1	-5.2	-9.4	4.1	-26.1	-10.5
How have maximum maturities on loans changed?	Past three months	-2.5	0.0	-2.3	3.7	-8.0	-14.8	-10.3	18.5
	Next three months	0.0	-0.9	0.0	0.0	-10.3	-14.8	-8.3	15.2

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

(b) A positive balance indicates that the changes in the factors described have served to increase credit availability.

Annex 3

Corporate lending questionnaire results

To calculate aggregate results, each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. These scores are then weighted by lenders' market shares. The results are analysed by calculating 'net percentage balances' — the difference between the weighted balance of lenders reporting that, for example, demand was higher/lower or terms and conditions were tighter/looser. The net percentage balances are scaled to lie between ± 100 . This annex reports the net percentage balance of respondents for each question in the corporate lending questionnaire, including specific questions for private non-financial corporations (PNFCs) and other financial corporations (OFCs).

Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How has the availability of credit provided to the corporate sector overall changed?	Past three months	1.8	-20.2	-51.8	-37.3	-32.1	-36.2	-28.2	7.8
	Next three months	0.0	-49.3	-35.7	-30.7	-9.2	-8.8	-12.8	26.3
<i>of which: commercial real estate sector</i>	Past three months	0.8	-14.7	-37.1	-43.0	-58.2	-52.8	-57.0	-34.4
	Next three months	-3.2	-29.8	-45.6	-49.5	-22.2	-29.1	-38.1	-8.0
Factors contributing to changes in credit availability:^(b)									
changing economic outlook	Past three months	-4.5	-11.2	-45.1	-37.4	-44.3	-53.0	-44.8	-49.7
	Next three months	-16.2	-48.4	-46.7	-22.5	-29.2	-45.6	-40.5	-17.2
changing sector-specific risks	Past three months	-29.5	-25.7	-38.8	-1.6	-41.1	-42.9	-49.8	-21.9
	Next three months	-15.5	-37.3	-45.5	-10.7	-17.5	-42.2	-32.9	-13.6
market share objectives	Past three months	21.0	0.0	-27.4	-7.4	-6.8	-20.2	-21.6	5.9
	Next three months	4.1	0.0	-29.9	-16.8	-3.9	-19.2	-19.6	5.9
market pressures from capital markets	Past three months	25.1	-31.6	-38.2	21.2	-19.9	-19.3	-13.0	6.4
	Next three months	0.2	-50.1	-23.3	-7.4	-21.9	-18.3	-7.1	0.4
changing appetite for risk	Past three months	1.1	-17.5	-33.9	10.5	-39.9	-43.0	-36.1	-19.9
	Next three months	-12.3	-27.7	-33.5	-3.5	-7.9	-18.9	-36.1	-18.0
changing cost/availability of funds	Past three months	-25.1	-33.7	-45.2	4.8	-29.6	-34.5	-55.2	0.5
	Next three months	-10.8	-42.2	-41.6	1.6	-8.9	-21.6	-21.0	16.5
How has the proportion of loan applications from medium PNFCs being approved changed?	Past three months	-20.9	-21.6	-29.2	-16.1	-25.7	-30.5	-43.6	-29.1
	Next three months	-10.2	-26.4	-28.7	-13.9	-17.1	-10.8	-37.8	-25.9
How has the proportion of loan applications from large PNFCs being approved changed?	Past three months	3.4	-16.0	-29.1	-35.1	-24.2	-17.0	-40.1	-22.4
	Next three months	-2.0	-20.7	-26.4	-22.3	-14.3	-4.3	-28.0	-17.3
Has there been any change in the use of cash securitisations associated with corporate lending?	Past three months	7.7	-1.5	-75.8	-27.1	1.2	-2.4	-3.6	24.0
	Next three months	21.3	-68.8	-54.0	-18.8	1.2	-2.4	1.1	1.2
Has there been any change in the use of derivatives/synthetic securitisations associated with corporate lending?	Past three months	3.9	1.0	-36.7	-13.4	-1.4	5.8	1.9	3.1
	Next three months	15.9	-40.1	-32.1	-13.7	6.1	5.8	-1.5	-1.5
Has there been any change in 'target hold' levels associated with corporate lending?^(a)	Past three months	37.3	18.5	11.3	17.3	28.0	33.0	37.1	16.4
	Next three months	18.8	3.8	32.7	33.2	14.6	16.5	16.6	19.0
How have loan tenors on new corporate loans changed?	Past three months	-0.7	-5.5	13.6	17.6	25.4	5.1	38.9	23.0
	Next three months	-9.1	13.3	8.1	21.0	16.2	7.7	16.9	0.5

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How has the default rate on loans to medium PNFCs changed?	Past three months	12.4	1.3	23.3	29.2	37.0	53.1	60.2	50.5
	Next three months	21.0	21.0	12.7	37.0	36.8	47.6	67.0	71.7
How has the default rate on loans to large PNFCs changed?	Past three months	-3.9	0.0	1.1	24.4	29.6	36.3	47.4	35.2
	Next three months	19.2	2.0	2.8	36.8	36.1	45.1	62.0	51.8
How has loss given default on loans to medium PNFCs changed?	Past three months	1.5	0.0	3.4	8.7	23.4	20.6	67.6	54.2
	Next three months	1.5	5.1	11.5	20.1	32.3	34.9	63.5	51.8
How has loss given default on loans to large PNFCs changed?	Past three months	0.0	0.0	1.8	0.0	14.4	13.3	46.9	41.8
	Next three months	0.0	1.2	0.7	15.1	23.1	27.9	40.6	31.7
How has demand for lending from medium PNFCs changed?	Past three months	6.0	-7.3	-7.2	-13.8	-10.4	-33.8	-35.5	-54.5
	Next three months	4.1	-15.0	6.9	-7.2	-15.2	-29.8	-37.3	-16.6
How has demand for lending from large PNFCs changed?	Past three months	30.9	-21.9	-24.4	4.1	-40.7	-14.0	-34.4	-33.6
	Next three months	6.4	-31.0	-0.2	-14.6	-10.7	-19.7	-17.2	10.5
How has demand from institutional investors/pension funds changed?	Past three months	0.0	-4.5	38.5	2.1	-20.0	-9.3	-23.6	-1.5
	Next three months	0.0	5.4	35.8	16.1	-3.3	-21.6	-6.1	-1.5
How has demand from securities dealers changed?	Past three months	n.a.*	n.a.*	24.1	-11.7	-8.6	n.a.*	-35.6	-6.6
	Next three months	n.a.*	n.a.*	24.1	3.0	-1.7	n.a.*	-3.8	-6.6
How has demand from hedge funds changed?	Past three months	-1.0	n.a.*	54.8	23.3	2.9	-3.2	n.a.*	-16.3
	Next three months	-1.0	n.a.*	43.3	15.0	10.4	-3.2	n.a.*	-3.7
How has demand from structured finance vehicles changed?	Past three months	6.7	-4.9	46.0	-48.9	-63.7	-19.6	-31.9	-2.3
	Next three months	6.2	-1.7	31.4	-0.2	-18.6	-3.6	-5.1	-2.3
How has demand from other OFCs changed?	Past three months	0.0	-1.7	17.9	-1.3	-25.7	-17.4	-21.2	n.a.*
	Next three months	0.0	3.9	17.8	-4.5	-5.3	-17.4	-6.1	n.a.*
What have been the main factors contributing to changes in demand for lending:^(b)									
mergers and acquisitions	Past three months	45.3	15.5	-53.7	6.7	-32.8	-41.8	-48.1	-24.5
	Next three months	27.3	-66.8	-22.6	-5.0	-8.4	-27.0	-41.7	-22.3
capital investment	Past three months	-1.9	-12.6	-15.4	-16.4	-27.2	-50.1	-66.0	-61.4
	Next three months	-4.2	-27.5	-8.3	-10.6	-15.1	-51.7	-47.5	-28.4
inventory finance	Past three months	-11.2	-20.0	-14.0	9.6	1.9	9.0	11.4	-23.4
	Next three months	-15.9	-21.5	-1.1	9.9	-0.7	4.0	12.6	-19.9
balance sheet restructuring	Past three months	4.7	-40.3	-26.7	2.4	-7.0	19.2	24.0	35.2
	Next three months	1.9	-48.8	-7.0	6.0	9.8	19.3	36.8	40.4
commercial real estate	Past three months	21.5	-31.1	-15.9	-23.2	-28.2	-55.7	-55.8	-46.4
	Next three months	-4.5	-46.5	-22.9	-10.2	-21.9	-36.3	-37.0	-13.9
How have spreads on loans to medium PNFCs changed? ^(a)	Past three months	3.6	-7.8	-36.6	-45.7	-63.4	-61.5	-56.7	-42.7
	Next three months	0.0	-26.8	-55.9	-45.4	-46.0	-48.1	-39.8	-23.7
How have fees/commissions on loans to medium PNFCs changed? ^(a)	Past three months	0.7	-4.7	-30.3	-40.7	-62.2	-59.8	-53.0	-41.5
	Next three months	0.0	-21.1	-51.9	-44.6	-48.1	-43.8	-37.7	-23.7
How have collateral requirements for loans to medium PNFCs changed? ^(a)	Past three months	-7.5	0.0	-11.9	-21.5	-17.9	-20.8	-22.8	-9.6
	Next three months	0.0	-10.0	-15.6	-19.5	-1.8	-17.6	-15.2	-10.3

		Net percentage balances ^(a)							
		2007			2008			2009	
		June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.
How have maximum credit lines for medium PNFCs changed?	Past three months	3.6	0.0	-21.1	-30.6	-27.2	-30.1	-25.4	-13.9
	Next three months	3.1	-24.5	-21.1	-25.9	-18.5	-20.3	-17.6	-9.8
How have loan covenants for medium PNFCs changed? ^(a)	Past three months	14.8	-1.1	-20.6	-35.6	-37.1	-35.8	-22.5	-32.9
	Next three months	-1.3	-29.3	-37.8	-25.4	-42.2	-12.8	-14.9	-27.8
How have spreads on loans to large PNFCs changed? ^(a)	Past three months	29.8	-16.4	-60.1	-67.6	-72.5	-71.9	-60.1	-59.0
	Next three months	21.2	-51.2	-56.4	-33.2	-49.4	-53.9	-38.7	-45.0
How have fees/commissions on loans to large PNFCs changed? ^(a)	Past three months	26.1	-7.1	-52.5	-49.6	-68.4	-71.9	-57.4	-51.2
	Next three months	20.4	-35.5	-59.3	-42.1	-49.4	-50.7	-36.0	-45.0
How have collateral requirements for loans to large PNFCs changed? ^(a)	Past three months	22.8	13.1	-16.8	-1.7	-15.8	-26.5	-26.0	-6.7
	Next three months	0.0	-6.5	-12.9	4.7	-8.2	-16.5	-15.4	-5.8
How have maximum credit lines for large PNFCs changed?	Past three months	20.6	10.5	-36.4	-49.0	-44.2	-24.3	-21.3	-12.4
	Next three months	6.3	-47.0	-16.8	-12.4	-13.3	-6.1	-22.3	-1.3
How have loan covenants for large PNFCs changed? ^(a)	Past three months	36.4	4.9	-46.3	-48.1	-40.1	-26.0	-22.9	-37.1
	Next three months	20.9	-48.2	-35.6	-23.3	-28.4	-10.9	-10.2	-21.3
How have spreads on loans to OFCs changed? ^(a)	Past three months	19.7	-27.7	-72.1	-54.8	-68.7	-66.8	-58.0	-47.9
	Next three months	19.5	-82.2	-70.7	-41.7	-42.7	-45.2	-39.5	-25.6
How have fees/commissions on loans to OFCs changed? ^(a)	Past three months	18.4	-11.8	-64.4	-50.8	-69.9	-51.4	-56.5	-37.8
	Next three months	18.4	-42.4	-62.9	-38.9	-46.6	-47.4	-34.7	-25.6
How have collateral requirements for loans to OFCs changed? ^(a)	Past three months	10.9	-1.4	-35.7	-29.7	-10.3	-23.9	-54.5	-27.5
	Next three months	0.0	-45.1	-34.3	-12.4	-3.9	-17.8	-34.1	-19.0
How have maximum credit lines for OFCs changed?	Past three months	4.4	-13.1	-37.4	-52.5	-46.3	-23.2	-69.2	-46.4
	Next three months	4.4	-54.8	-38.4	-34.5	-18.7	-23.2	-41.2	-31.1

* Data are unpublished for this question as too few responses were received.

(a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.

(b) A positive balance indicates that the changes in the factors described have served to increase credit availability/demand.

Additional questions

		Net percentage balances ^(a)					
		2007	2008			2009	
		Dec.	Mar.	June	Sep.	Dec.	Mar.
How have the following factors affected overall PNFCs' credit availability?^(b)							
Tighter wholesale funding conditions:	Past three months	-59.0	-12.9	-28.0	-13.1	-13.8	-28.7
	Next three months	-51.1	10.0	-9.7	-1.0	-11.3	-6.7
Actual, or potential, need to support ABCP conduits, structured investment vehicles or money market mutual funds:	Past three months	-2.2	16.2	-7.2	-8.8	-2.3	-2.4
	Next three months	8.9	17.8	-7.2	4.7	-2.3	9.1
Reduced ability to transfer credit risk off balance sheet and/or tighter conditions for raising capital:	Past three months	-47.2	-19.3	-30.9	-20.3	-22.7	-12.3
	Next three months	-49.3	-5.3	-8.3	-9.3	-6.7	1.0
Has there been a change in draw-downs on committed lines by PNFCs?	Past three months	20.3	5.0	11.8	11.3	38.2	6.2
	Next three months	33.8	12.8	18.6	6.4	29.0	9.7
Has there been a change in average credit quality on newly arranged PNFC borrowing facilities?^(c)	Past three months	n.a.**	5.5	14.4	16.6	12.5	1.5
	Next three months	n.a.**	7.0	14.4	18.4	7.4	-4.6
How have commercial property prices affected credit availability to the commercial real estate sector, and/or secured lending to PNFCs?	Past three months	n.a.**	-20.9	-49.1	-58.2	-56.7	-48.1
	Next three months	n.a.**	-9.0	-44.4	-43.0	-45.2	-15.5
Has there been a change in the amount of secured lending to PNFCs, such as asset-based lending, relative to unsecured PNFC lending?	Past three months	n.a.**	n.a.**	11.0	15.7	n.a.**	n.a.**
	Next three months	n.a.**	n.a.**	11.0	8.0	n.a.**	n.a.**
Has there been a change in the availability of letters of credit to PNFCs for use in international trade?	Past three months	n.a.**	n.a.**	n.a.**	n.a.**	-2.2	0.7
	Next three months	n.a.**	n.a.**	n.a.**	n.a.**	5.5	-6.5
Has there been a change in the availability of trade credit instruments (invoice financing, factoring, trade credit insurance etc) to PNFCs for domestic business activities?	Past three months	n.a.**	n.a.**	n.a.**	n.a.**	1.2	-11.4
	Next three months	n.a.**	n.a.**	n.a.**	n.a.**	8.9	-1.5
What percentage of your existing PNFC loan book is contractually committed to passing on any further cuts in Bank Rate?	Median ^(d)	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	32.0

** Additional question not asked in survey.

- (a) Net percentage balances are calculated by weighting together the responses of those lenders who answered the question by their market shares. Positive balances indicate that lenders, on balance, reported/expected demand/credit availability/defaults to be higher than over the previous/current three-month period, or that the terms and conditions on which credit was provided became cheaper or looser respectively.
- (b) A positive balance indicates that the changes in the factors described have served to increase credit availability/demand.
- (c) A positive balance indicates an improvement in the credit quality of new borrowing.
- (d) Unlike the other questions in this survey, lenders were asked to select a numerical range that the percentage of their existing loan book contractually committed to passing on any further cuts in Bank Rate is (0%–20%, 20%–40%, 40%–60%, 60%–80%, 80%–100%). A weighted median response, based on lenders' market shares, was then calculated assuming that lenders' responses were uniformly distributed across each numerical range.