



BANK OF ENGLAND

News release

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Bank of England and HM Treasury Funding for Lending Scheme: 2012 Q4 usage and lending data

The Bank has today published updated data on the use of the Funding for Lending Scheme (FLS). Today's publication shows for each group participating in the FLS the amount borrowed from the Bank and the net quarterly flows of lending to UK households and businesses for the fourth quarter of 2012.¹

In the quarter ending 31 December 2012, 11 participants made total FLS drawdowns of £9.5bn, taking the total amount drawn under the Scheme to £13.8bn. Net lending by FLS participants over the quarter was -£2.4bn.² There are now 39 groups participating in the Scheme, which cover over 80% of the stock of lending to the real economy.

The FLS works by reducing funding costs for banks and building societies, which allows them to reduce the price of new loans and increase their net lending relative to previous plans. Funding costs have fallen significantly since the announcement of the FLS and there are indications of an improvement in credit conditions, with loan rates falling. But it will take time for this to feed through to lending volumes, given the typical lags involved in the loan application, approval and drawdown process.

The data published today show a continuation in 2012 Q4 of the trend of broadly flat lending growth. The fourth quarter is typically a weak quarter for lending – for example, whereas aggregate net lending (including by non-FLS participants) according to the FLS definition was -£2.7bn in 2012 Q4, it was +£3.1bn in January 2013.³ The improvement in credit conditions is expected to feed through to a gradual pick up in net lending over the course of 2013.

Paul Fisher, Executive Director for Markets at the Bank of England, said in a recent speech:⁴

The FLS has clearly shifted the supply of credit: loans are generally available at lower cost than previously. Even though lending rates have fallen, it is still quite early for much extra money to have flowed from the application stage into actual loans, compared with previous plans which showed that lending was most likely

¹ Please see <http://www.bankofengland.co.uk/markets/Pages/FLS/data.aspx> for data publication.

² Net lending for 2012 Q3 was revised to +£0.9bn from the previously published +£0.5bn following some data revisions and the inclusion of lending data for additional participants.

³ Please see <http://www.bankofengland.co.uk/boeapps/iadb/FromShowColumns.asp?Travel=NlxSSx&SearchText=LPM6VH>

⁴ Please see <http://www.bankofengland.co.uk/publications/Documents/speeches/2013/speech639.pdf>

to fall in aggregate without the FLS. I would not expect to see a return to rising aggregate quantities until we start getting data for 2013 at the earliest. Nevertheless, it does seem that we have the beginnings of a revival in mortgage activity which is visible in the approvals data and that trend is widely supported by business contacts throughout the country.

ENDS

Note to Editors

Further information on the FLS can be found in the following article:
<http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb120401.pdf>