



**BANK OF ENGLAND**

# News release

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## **Bank of England and HM Treasury Funding for Lending Scheme – 2014 Q3 Usage and Lending data**

The Bank has today published data on the use of the Funding for Lending Scheme (FLS) showing, for each group participating in the FLS Extension, the net quarterly flows of lending to UK businesses and the amount borrowed from the Bank in the third quarter of 2014. <sup>1</sup> Participants in the FLS Extension are able to make drawdowns up to the end of January 2015.

During the third quarter of 2014, the number of groups participating in the FLS Extension rose from 36 to 38, and 11 participants made drawdowns of £2.0bn in total. Participants also repaid £0.1bn from the first stage of the FLS, taking total outstanding drawings to £47.6bn.

Net lending by FLS Extension participants to small and medium-sized enterprises (SMEs) was slightly negative in the third quarter of 2014, but at -£0.1bn was less negative than in previous quarters (Chart 1).

Net lending to large companies was -£2.2bn. Net lending to all businesses, including eligible non-bank credit providers, was -£2.4bn.

During the FLS Extension, participants are able to earn additional borrowing allowances for positive net lending to businesses during the period 1 January 2014 to 31 December 2014. Lending to smaller businesses is encouraged by allowing participants to draw £5 in the Scheme for every £1 of net lending to SMEs. The firm-by-firm sectoral lending data published today show that a number of FLS Extension participants expanded their lending to SMEs in 2014 Q3. Overall, since 1 January 2014, net lending to businesses of all sizes has generated additional borrowing allowances of £7.5bn, spread across 14 participants.

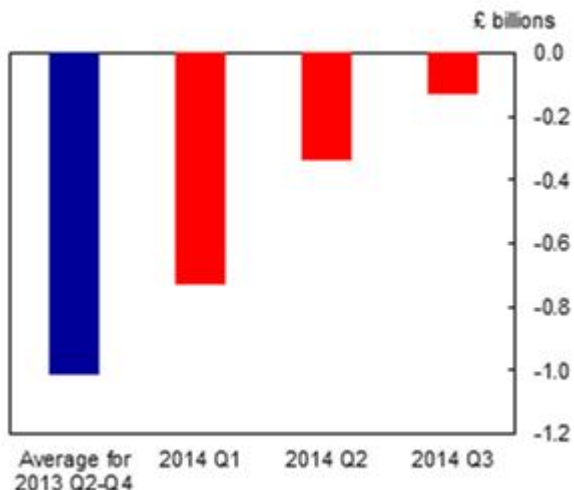
As discussed in the November 2014 *Inflation Report*, <sup>2</sup> while aggregate net lending to private non-financial corporations (PNFCs) (i.e. including lending by banks and building societies not participating in the FLS) fell in 2014 Q3, developments differed by sector. In particular, net lending to businesses in the real estate sector remained negative, but annual lending growth outside this sector has been positive for much of 2014 (Chart 2).

Bank funding costs have fallen significantly since the launch of the FLS (Chart 3) and this has resulted in an improvement in corporate credit conditions. For large companies, conditions have improved such that more respondents to the *Deloitte CFO Survey* reported that credit was cheap and available in 2014 Q3 than at any time in the previous seven years. But the improvement remains less marked for small companies, with the 2014 Q3 *Credit Conditions Survey* showing credit availability for smaller businesses falling slightly. The FLS Extension will continue to support lending to SMEs in 2014 Q4.

<sup>1</sup> FLS Extension usage and lending data are available at [FLS Extension - Usage and lending data](#)

<sup>2</sup> Available at [pdf November 2014 Inflation Report](#)

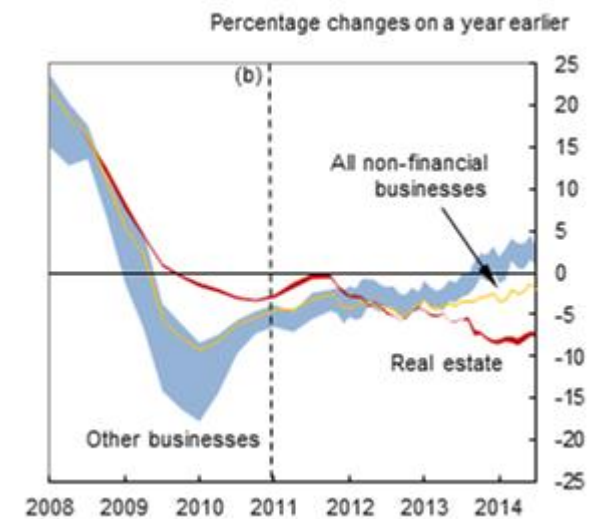
Chart 1: Net lending to SMEs (unweighted) by FLS Extension participants<sup>(a)</sup>



Source: Bank of England

(a) For more details of the sector definitions within FLS see the Market Notice at [www.bankofengland.co.uk/markets/Documents/marketnotice131219cons.pdf](http://www.bankofengland.co.uk/markets/Documents/marketnotice131219cons.pdf)

Chart 2: Growth in the stock of lending to the UK real estate sector and other businesses<sup>(a)</sup>

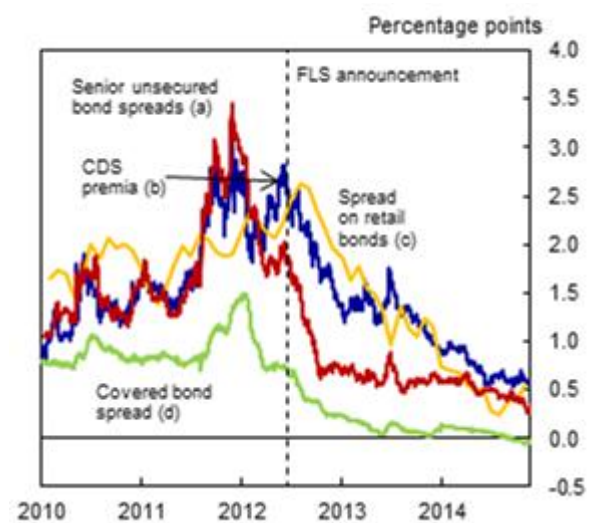


Source: Bank of England

(a) Lending by UK monetary financial institutions. 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/markets/Documents/marketnotice131219cons.pdf](http://www.bankofengland.co.uk/markets/Documents/marketnotice131219cons.pdf)

(b) From January 2011, data are on the SIC 2007 basis. Changes in the SIC codes have led to some components moving between industries, which may affect growth rates in 2011.

Chart 3: UK banks' indicative longer-term funding spreads



Source: Bank of England, Bloomberg, Markit Group Limited and Bank calculations

- (a) Constant-maturity unweighted average of secondary market spreads to swaps for the major UK lenders' five-year euro senior unsecured bonds, or, where not available, a suitable proxy.
- (b) Unweighted average of the five-year senior CDS premia for the major UK lenders.
- (c) Sterling only, average of two and three-year spreads on retail bonds. Spreads over relevant end-month swap rates.
- (d) Constant-maturity unweighted average of secondary market spreads to swaps for the major UK lenders' five-year euro-denominated covered bonds, or, where not available, a suitable proxy.