



**BANK OF ENGLAND**

# News release

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## **Bank of England and HM Treasury Funding for Lending Scheme – 2015 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 flow of lending to UK small and medium-sized enterprises (SMEs) and non-bank credit providers (NBCPs), and the amount borrowed from the Bank in the third quarter of 2015.<sup>1</sup>

Two additional participants have joined the Scheme since the previous data publication, taking the number of groups participating in the FLS Extension to 36. Of these, 14 participants made total drawdowns of £2.5bn during the third quarter of 2015. Participants also repaid £0.3bn, taking total outstanding drawings to £63.6bn.

Net lending by FLS Extension participants to SMEs was £0.7bn in the third quarter of 2015. This compares with quarterly net lending to SMEs in 2015 Q2 by FLS participants of £0.4bn, while the quarterly average for 2014 was –£0.5bn (Chart 1).<sup>2</sup> Since the start of the year, net lending to SMEs and NBCPs has generated further borrowing allowances of £13.1bn overall, spread across 18 participants.

Aggregate net lending to SMEs (i.e. including lending by banks and building societies not participating in the FLS) was also positive in 2015 Q3, and the annual growth rate in the stock of lending to SMEs became positive, continuing the gradually rising trend seen over the past few years (Chart 2).

Most survey evidence suggests that credit conditions for SMEs continued to improve in Q3. For example, according to the Federation of Small Businesses' *Voice of Small Business Index*, there was some improvement in credit affordability among small businesses. Respondents to the Bank's *Credit Conditions Survey* also reported that both credit spreads and fees and commissions to small companies had fallen in 2015 Q3, although they increased slightly for medium-sized firms. However, credit conditions for SMEs remain tighter than for large corporations as noted in the 2015 Q3 *Credit Conditions Review*. Improvements in credit conditions over the past few years in part reflect developments in bank funding spreads; despite a slight rise in some measures over the past few months, they remain significantly lower than at the time of the launch of the FLS in 2012 (Chart 3).

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<sup>1</sup> FLS Extension usage and lending data are available at [www.bankofengland.co.uk/markets/Pages/FLS/extensiondata.aspx](http://www.bankofengland.co.uk/markets/Pages/FLS/extensiondata.aspx).

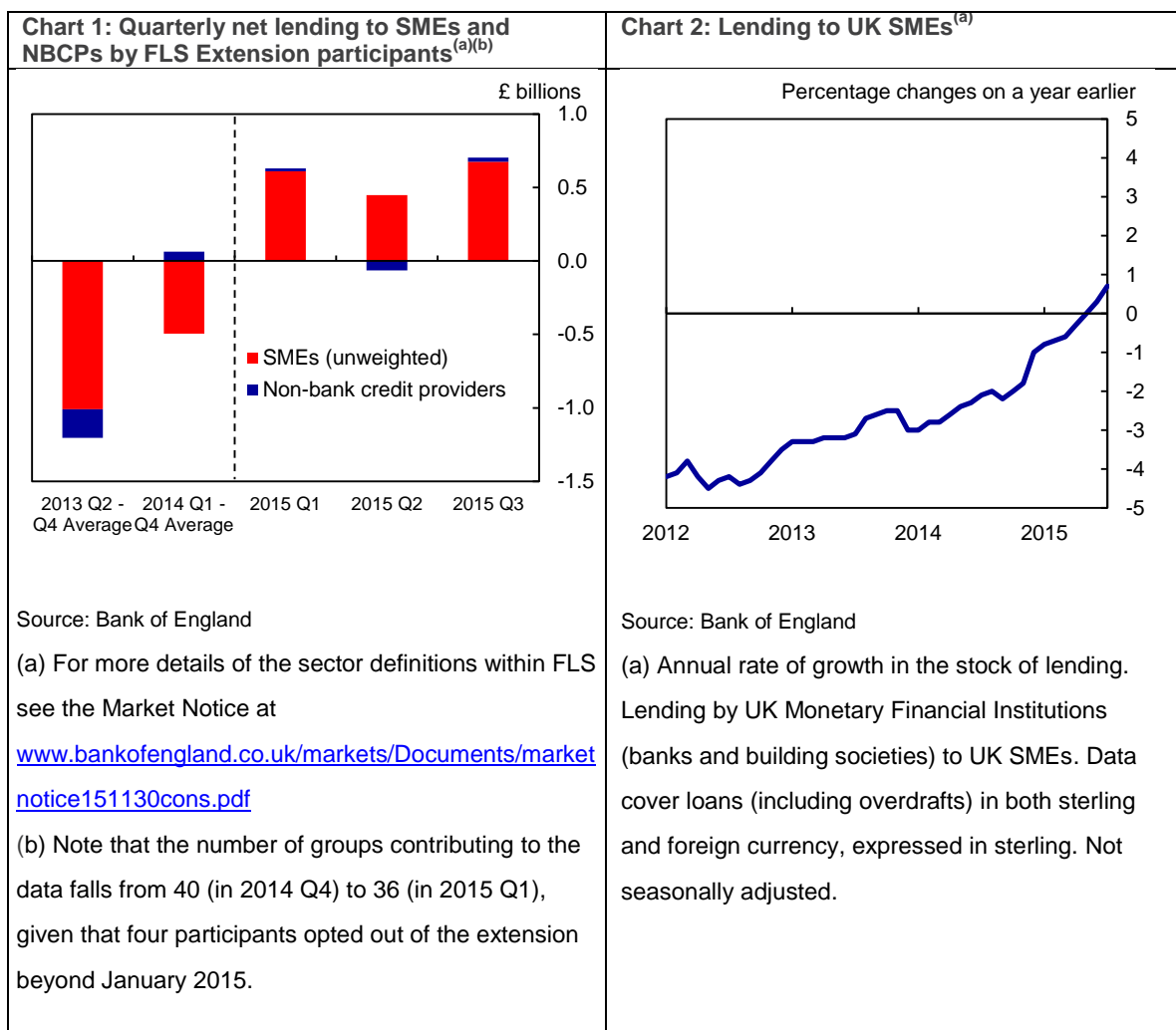
<sup>2</sup> Note that some lenders that participated in the FLS Extension in 2014 opted not to participate in 2015. For the participants continuing into 2015, average quarterly net lending to SMEs in 2014 was £0.0bn.

On 30 November, the Bank of England and HM Treasury announced a two-year extension to the FLS, to provide participants with additional flexibility to draw unused drawing allowances earned for positive net lending, with funding remaining available to support further improvements in credit conditions for SMEs.<sup>3</sup> The extension will also ensure that the Scheme is gradually phased out, with borrowing allowances reducing over time, thereby minimising risks to the economic recovery from the withdrawal of funding support.

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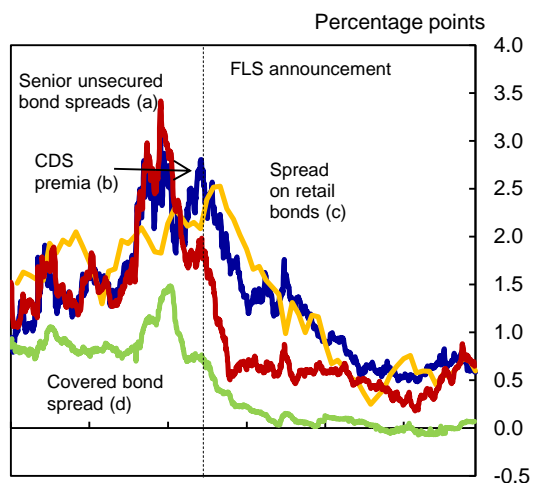
**Note to Editors**

1. The FLS extension allows participants to make drawings between 1 February 2014 and up to the end of January 2018. The borrowing allowances available to participants are determined by net lending from 2013 Q2 to 2015 Q4, with lending to SMEs generating greater allowances. Borrowing allowances will begin reducing from 1 August 2016, phasing the Scheme out gradually by end-January 2018.



<sup>3</sup> The press release can be found at [www.bankofengland.co.uk/publications/Pages/news/2015/096.aspx](http://www.bankofengland.co.uk/publications/Pages/news/2015/096.aspx).

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



Jan 10 Jan 11 Jan 12 Jan 13 Jan 14 Jan 15  
Sources: Bloomberg, Markit Group Limited, Bank of England and Bank calculations

- (a) Constant-maturity unweighted average of secondary market spreads to mid-swaps for the major UK lenders' five-year euro senior unsecured bonds or a suitable proxy when unavailable.
- (b) Unweighted average of the five-year senior CDS premia for the major UK lenders.
- (c) Unweighted average of spreads for two-year and three-year sterling fixed-rate retail bonds over equivalent-maturity swaps. Bond rates are end-month rates and swap rates are monthly averages of daily rates.
- (d) Constant-maturity unweighted average of secondary market spreads to mid-swaps for the major UK lenders' five-year euro-denominated covered bonds or a suitable proxy when unavailable.