



BANK OF ENGLAND

News release

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News Release – Bank of England and HM Treasury Funding for Lending Scheme – 2015 Q1 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 first quarter of 2015.¹

During the first quarter of 2015, the number of groups participating in the FLS Extension was 34. Of these, 10 participants made drawdowns of £3.1bn in total. Participants also repaid £1.5bn, taking total outstanding drawings to £57.3bn.

Net lending by FLS Extension participants to SMEs was £0.6bn in the first quarter of 2015. This compares with quarterly net lending to SMEs in 2014 Q4 by FLS participants of -£0.8bn, while the quarterly average for 2014 was -£0.5bn (Chart 1).² A number of institutions expanded their lending in 2015 Q1 and further borrowing allowances of £4.9bn have been generated, spread across 16 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 Q1. This is part of a broader improvement in lending to all non-financial businesses, as discussed in the May 2015 *Inflation Report*.³

Over the past few years, credit conditions have improved for SMEs. This has continued in 2015. According to the FSB *Voice of Small Business Index*, availability of credit to small businesses has risen in 2015 Q1. And in the Bank's 2015 Q1 *Credit Conditions Survey (CCS)*, lenders reported that spreads over reference rates for medium-sized companies fell significantly over the quarter. The *CCS* also reported that spreads were broadly unchanged for smaller companies however, while the Bank's network of Agents report that some small companies continued to find it difficult to borrow from banks.⁴

¹ FLS Extension usage and lending data are available at www.bankofengland.co.uk/markets/Pages/FLS/extensiondata.aspx.

² Note that some lenders that participated in the FLS Extension in 2014 opted not to participate in 2015. For the participants continuing into 2015 Q1, net lending to SMEs in 2014 Q4 was -£0.3bn while average quarterly net lending to SMEs in 2014 was £0.0bn.

³ Available at www.bankofengland.co.uk/publications/Documents/inflationreport/2015/may.pdf.

⁴ *Agents' Summary of Business Conditions*, Bank of England, April 2015, available at www.bankofengland.co.uk/publications/Documents/agentssummary/2015/Apr.pdf.

The improvement in corporate credit conditions in part reflects the significant fall in bank funding costs that has occurred since the launch of the FLS. Over the first quarter of 2015, the level of funding costs remained low (Chart 2). The FLS Extension will continue to support lending to SMEs in 2015.

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Note to Editors

- Under the amended FLS Extension, participants retain borrowing allowances earned by lending from 2013 Q2 to 2014 Q4, and are able to earn further allowances by lending to SMEs and NBCPs in 2015. Lending to SMEs is encouraged by allowing participants to draw £5 in the Scheme for every £1 of net lending to SMEs. Participants in the FLS Extension are able to make drawdowns up to the end of January 2016.

