



BANK OF ENGLAND

News release

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News Release – Bank of England and HM Treasury Funding for Lending Scheme – 2015 Q2 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 second quarter of 2015.¹

During the second quarter of 2015, the number of groups participating in the FLS Extension was 34. Of these, 11 participants made drawdowns of £5.1bn in total. Participants also repaid £0.9bn, taking total outstanding drawings to £61.4bn.

Net lending by FLS Extension participants to SMEs was £0.5bn in the second quarter of 2015. This compares with quarterly net lending to SMEs in 2015 Q1 by FLS participants of £0.6bn, while the quarterly average for 2014 was -£0.5bn (Chart 1).² Since the start of the year net lending to SMEs and NBCPs has generated further borrowing allowances of £9.8bn overall, spread across 14 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 Q2, and the annual growth rate in the stock of lending to SMEs became less negative, continuing the trend seen over the past few years (Chart 2).

The improvement in net lending to SMEs over the past few years reflects a loosening in credit conditions for SMEs over this period, and there is some evidence of further loosening in 2015 Q2. For example, the Federation of Small Businesses' *Voice of Small Business Index* reported that credit availability for small businesses increased slightly in 2015 Q2, continuing its recent gradual improvement. And respondents to the Bank's *Credit Conditions Survey* reported that both credit spreads and fees and commissions on lending

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, average quarterly net lending to SMEs in 2014 was £0.0bn.

to medium-sized companies had fallen significantly in 2015 Q2, although they were little changed for small firms. Improvements in credit conditions over the past few years in part reflect the substantial falls in bank funding spreads that have occurred since the launch of the FLS in 2012 (Chart 3).

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Note to Editors

1. 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.

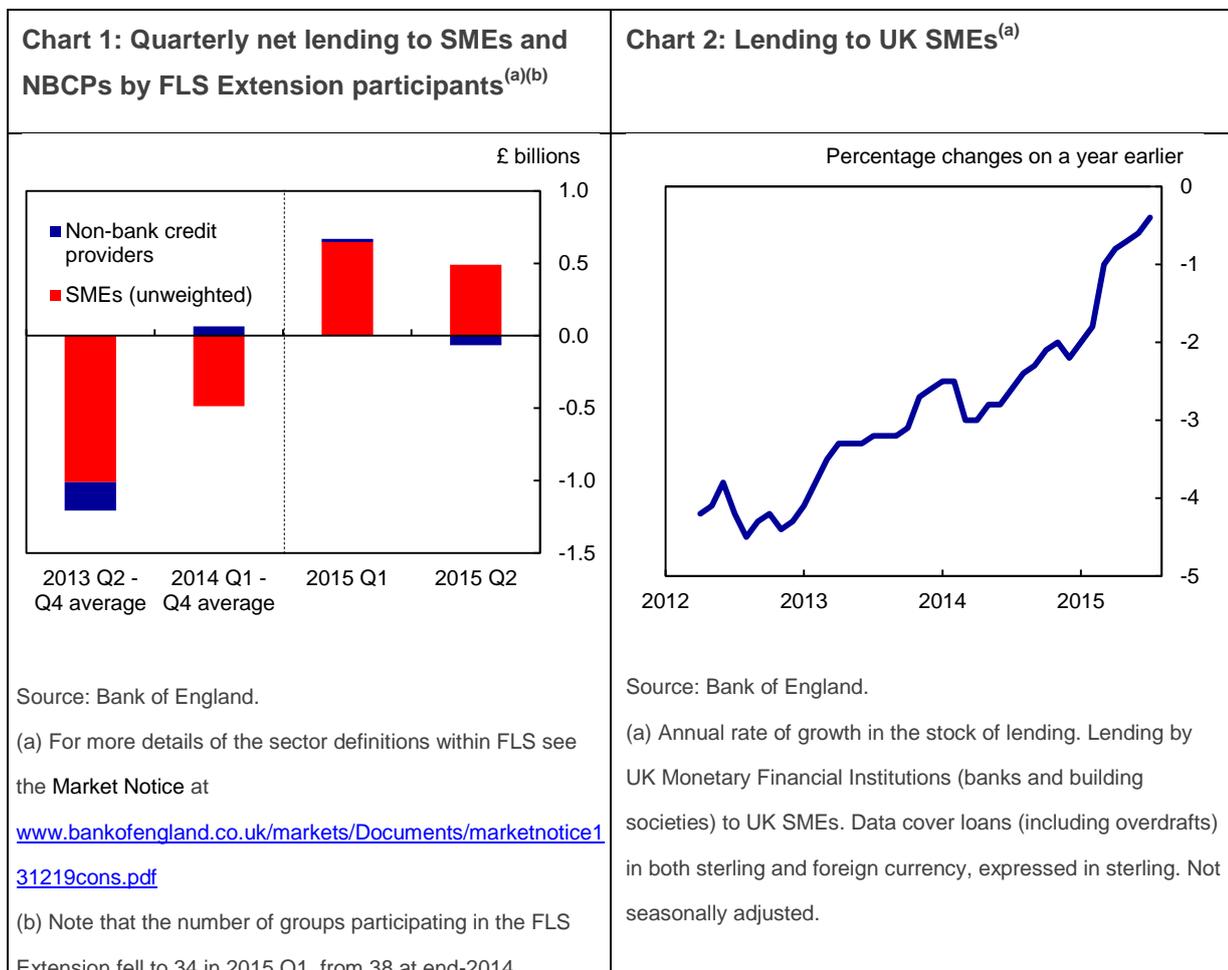
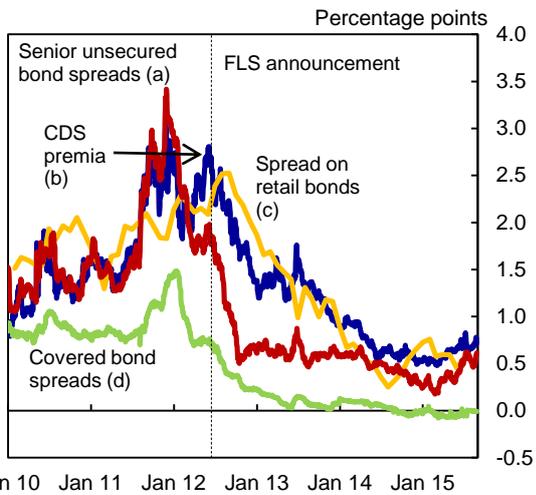


Chart 3: UK banks' indicative longer-term funding spreads



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.