The Bank of England Credit Conditions Survey

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The Bank has for many years held regular discussions with major UK lenders and money market participants to discuss trends in credit markets. Earlier this year, the Bank began supplementing these discussions with a formal Credit Conditions Survey, similar to those already conducted by the US Federal Reserve, the Bank of Japan and the European Central Bank. The survey is intended to assess trends in the demand for, and the supply of credit, including terms and conditions. It covers both household and corporate lending markets. Although the concept of the survey predates the recent movements in financial markets, the first results of the survey, which will be published on 26 September, will provide a good opportunity to assess trends in credit conditions. This article introduces the survey.

Introduction

In pursuing its goal of maintaining a stable and efficient monetary and financial framework, the Bank has two Core Purposes. The first is to maintain stable prices (as defined by the Government's inflation target) and confidence in the currency. The Bank seeks to meet this Purpose primarily through the decisions on interest rates taken by the Monetary Policy Committee (MPC), explaining those decisions transparently and implementing them effectively in the money markets.

The second Core Purpose entails identifying, assessing and reducing threats to the financial system as a whole. Such threats are detected through, among others, the Bank's surveillance and market intelligence functions.

To help achieve both Core Purposes, the Bank needs to understand trends and developments in a wide range of markets, including developments in the markets for money and credit. The 'Markets and operations' article in this edition of the *Quarterly Bulletin* discusses recent movements in financial markets in more detail. An article by Berry *et al*, also in this edition, discusses a framework for thinking about trends in money growth. And an article by Burgess and Janssen discusses issues about how the quantity of money should be measured.

In order to improve its understanding of credit markets, the Bank first signalled its intention to introduce a Credit Conditions Survey in a consultation document published in August 2006. Lenders and market participants were strongly supportive of the initiative. As a result, the Bank confirmed in December 2006 that it was planning to proceed with the exercise. This article discusses why such a survey may be useful in principle, describes the main features of the survey, and outlines how the results of similar, but more established credit surveys in the United States and the euro area have been used to improve the analysis of movements in credit markets.

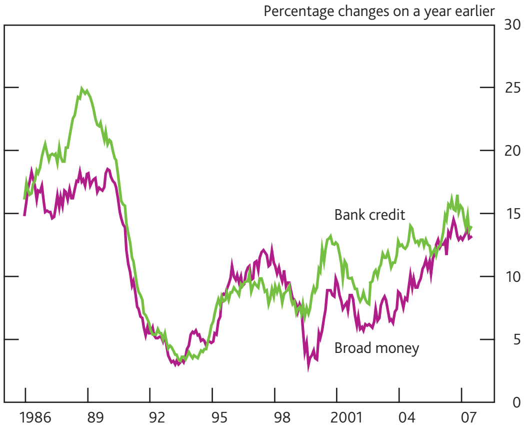
The merits of a Credit Conditions Survey

Analysing trends in credit markets presents a number of challenges. First, in order to understand developments in credit markets, it is important to assess the causes of those movements.[1] For example, although the aggregate data suggest that annual growth in bank credit has remained rapid in recent years (**Chart 1**), it is unclear whether this strength was associated with stronger *demand* or stronger *supply*. If changes in the quantity of credit are associated with changes in *demand* from borrowers, the implications for activity and inflation can be different than if they are associated with changes in *supply* by lenders. In addition, changes in underlying drivers in the credit markets may be short-lived, or may be more persistent, with different implications for economic activity.

Second, although it is relatively easy to monitor the interest rates charged by lenders on different types of lending, information on factors such as fees and other non-price terms and conditions (including direct quantity constraints) is far less readily available. Changes in these factors may, in principle,

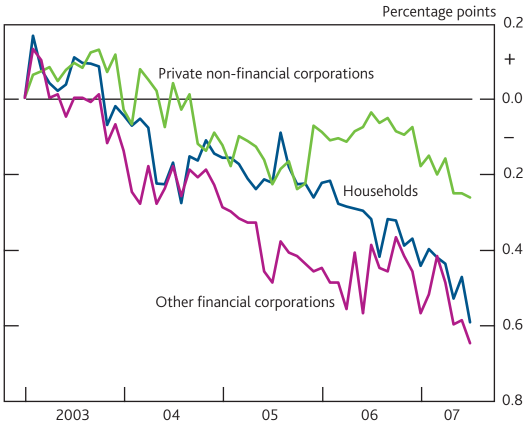
(1) See for example King (2007) and Tucker (2007).

Chart 1 Broad money and bank credit(a)



(a) Monthly data. Broad money is defined as M4, while bank credit is defined as M4 lending (excluding the effects of securitisations and loan transfers).

Chart 2 Changes in effective interest rate spreads on loans between January 2003 and July 2007(a)



Sources: Bank of England and Bloomberg.

(a) Effective retail interest rates on the stock of outstanding loans relative to an appropriate funding rate. For floating-rate products, that is assumed to be Bank Rate. For fixed-rate products, Libor and swap rates of similar maturities are used (averaged over the relevant horizon and lagged one month). Prior to 2004, the shares of each product within the total borrowing for each sector are held constant due to lack of data.

serve to offset or amplify movements in interest rate spreads, such as the marked decline in the spreads on both household and corporate credit between January 2004 and July 2007 (**Chart 2**).

Finally, changes in credit conditions may take time to feed through into the aggregate credit data. For example, there has been considerable turbulence in financial markets since the beginning of August, a process which is still under way. These developments may cause some lenders, *ceteris paribus*, to reduce the supply of credit they provide. The demand for credit may also be affected. But in either case, it is still too early to assess the implications of these events on the aggregate data.

These issues all complicate the assessment of movements in credit markets, such that policymakers need to use judgement to distinguish between alternative underlying explanations.

One way to inform these judgements is to seek information from market participants directly. The Bank's Markets area holds regular discussions with market participants as part of its Market Intelligence exercise. And Bank staff have conducted regular bi-annual rounds of meetings with the largest UK banks and building societies for many years. The conclusions of these discussions have been highlighted regularly in the MPC minutes, the *Inflation Report* and the *Financial Stability Report*.

More recently, the Bank decided to supplement its Market Intelligence activities with a regular quarterly Credit Conditions Survey. By including a wider sample of lenders than in the bi-annual round of meetings, and by conducting the survey on a quarterly basis, the survey should produce better quality information, enhancing the Bank's analysis of monetary and credit conditions. In addition, by formalising these discussions using a structured set of questions, the Bank will be able to publish aggregate results of the survey, which should be useful to market participants, economists and commentators more widely. At the same time, the publication of the survey results will improve the transparency of monetary policy.

The Bank of England Credit Conditions Survey

The survey will be conducted on a quarterly basis so the results can be drawn upon in the MPC's quarterly projections and the Bank's *Inflation Report*. The survey comprises three questionnaires, covering the lending activities by UK banks, building societies and other (non-bank) specialist lenders in three distinct markets: secured lending to households and small businesses, unsecured lending to households and small businesses, and lending to the corporate sector.(1)

Lenders with a market share of 1% or more(2) in the secured, unsecured and corporate lending markets are invited to complete their respective questionnaires.(3) Because the survey aims to assess credit conditions on new lending, the samples for the secured and unsecured lending surveys are chosen based on lenders' market shares in gross lending flows. Due to a lack of data, the corporate sample is based on lenders' market shares in the outstanding stock of corporate lending.(4)

Based on these market share thresholds, between ten and fifteen lenders would typically be asked to complete each of

(1) These questionnaires are reproduced in Annexes 1–3. The questionnaires and a compilation guide offering assistance on how to complete the survey, are available from the Bank's website at www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.
(2) To avoid volatility in the sample from quarter to quarter, the sample is selected based on average market shares over the previous twelve months. In general, lenders will be invited to join the sample if this average market share remains above 1% for two consecutive quarters. Once they have been included, lenders will continue to be surveyed until this average market share drops below 0.8%.
(3) As a result, some lenders may be asked to complete all three questionnaires, while others may be asked to complete just one or two.
(4) The Bank does not receive a gross lending measure for corporates comparable to that used for households.

the three surveys, with around 30 lenders being involved in the exercise overall. The survey would typically capture 75%–85% of the lending in each of the three markets.

The Bank ran the full survey for the first time in 2007 Q2. The survey covered the period 21 May to 14 June. The Q3 survey was conducted between 20 August and 13 September. As previously announced, the Bank will publish the results of the first and second rounds of the survey together, so as to aid interpretation of the results. The first report, covering the results of the Q2 and the Q3 surveys, will be published on 26 September 2007. Thereafter, the Bank will publish the results of each survey at the end of the relevant quarter. The publication dates for the next four quarters will be released with the first report.

What does the survey ask?

A full list of the questions in each of the three questionnaires is reproduced in Annexes 1–3. All the questions ask about both how trends have changed over the past three months (relative to the previous three months), and how they are expected to change over the next three months (relative to the latest three months). As well as providing a forward-looking indicator of credit market developments, this enables comparison of the aggregate outturns with expectations three months earlier.

There are a few questions that are common to all three questionnaires. They each ask about changes in borrowers' demand for credit and changes in the amount of credit lenders are willing to supply, including which factors are perceived to have been driving these movements. These questions should shed light on the relative influence of demand and supply factors on aggregate bank credit.

The interaction of demand and supply will determine the price of lending. However, as mentioned earlier, the interest rates lenders charge on their products may understate the 'true' price of credit due to fees and other non-price terms. As a result, each questionnaire asks about how both price and non-price terms are changing. For example, the secured lending questionnaire includes questions about maximum loan to value and loan to income ratios; the unsecured lending questionnaire includes questions about credit card limits and minimum monthly repayments; and the corporate lending questionnaire includes questions about collateral requirements and loan covenants.

The terms and conditions on which lenders choose to lend may also be affected by the magnitude of any losses they experience on their existing loans. As such, each questionnaire asks about the proportion of lenders' loans that are in default. However, this information is not sufficient to analyse the impact of defaults on lenders' balance sheets; even if default rates rise, the losses lenders face given each default may be smaller. As a result, each questionnaire also asks about loss given default rates.

Some questions are only aimed at assessing household conditions. For example, when processing a household credit application, lenders typically use the information they have to 'score' the applicant before reaching their decision on whether to lend to them or not. These credit scoring criteria can change over time as lenders improve their models (eg by using new information about the applicants). For a given set of characteristics, changing credit scoring criteria will affect the degree to which borrowers have access to credit. However, changes in credit scoring criteria alone are insufficient to assess the ability of households to obtain credit — for example, there may be a change in the quality of credit applicants. As a result, the secured and unsecured lending questionnaires include questions assessing how both credit scoring criteria and approval rates are changing over time.

Other survey questions are specific to particular markets. For example, the secured lending questionnaire asks about both demand for, and spreads on prime, buy-to-let and 'other' secured lending for house purchase. And the corporate lending questionnaire asks questions about demand for, and terms on, lending to medium-sized private non-financial corporations (PNFCs), large PNFCs and other financial corporations (OFCs). Finally, the secured and corporate lending questionnaires ask about lenders' use of tools such as securitisation.

Summarising the responses

Lenders are asked to provide a qualitative answer to each question. For example, when asked about trends in demand for credit, respondents are asked whether the level of demand is 'up a lot', 'up a little', the 'same', 'down a little' or 'down a lot'. In presenting the aggregate results, individual lenders' responses will be weighted together by lenders' market shares, and aggregated to produce net percentage balances.(1) So for example, a positive net percentage balance in response to a question on demand would mean that lenders, on balance, had experienced an increase in the demand for credit. Alternatively, a negative net percentage balance in response to a question on credit scoring criteria would mean that lenders, on balance, had changed criteria such that credit was less readily available. The report will include the weighted aggregate net percentage balances for each question along with a short descriptive summary of the results.

The time-series results will be suitable for econometric analysis once an adequate back run of data has been established. But even in the near term, the results will be useful for monetary policy analysis. The next section briefly describes some similar surveys run by the US Federal Reserve, the Bank of Japan and the European Central Bank (ECB), and

(1) Each lender is assigned a score based on their response. Lenders who report that credit conditions have changed 'a lot' are assigned twice the score of those who report that conditions have changed 'a little'. The scores are weighted by lenders' market shares, and the aggregate result is scaled to lie between ±100.

describes some of the ways the results of the US and ECB surveys have been used.

International credit conditions surveys

The US Federal Reserve's Senior Loan Officer Opinion Survey has been running since 1967, although the survey questions, sample size and composition have changed significantly over time. The more recent surveys have tended to cover around 60 domestic lenders, and 20 agencies of foreign banks in the United States.(1)

The Bank of Japan's survey(2) was introduced in 2000, and covers around 50 major Japanese banks. The ECB introduced its survey in 2003.(3) The ECB survey is conducted in each member country by the respective national central bank, and the results are then collated and analysed at the aggregate level. The country-level samples vary in size given the different degrees of concentration of the banking sector in each economy, but around 90 lenders participated in the most recent surveys.

While there are many similarities between the Bank's survey and these international counterparts, there are also some key differences. For example, the UK credit market is significantly more concentrated, such that, despite having the smallest sample, the Bank's survey would usually have the highest coverage (**Table A**).

The international surveys are primarily backward looking, whereas each question in the Bank's survey has a forward-looking element. And the Bank's survey includes more detailed questions on some markets that other surveys do not regularly cover. For example, the Bank's survey asks about the demand for, and spreads on, prime and buy-to-let secured lending, and the demand for loans by various OFCs.

Table A Comparison of international credit conditions surveys

	Sample size (approximate)	Market coverage as a percentage of total lending (approximate)
US Federal Reserve	80	60%(a)
ECB	90	40%(b)
Bank of Japan	50	75%(c)
Bank of England	30	75%–85%

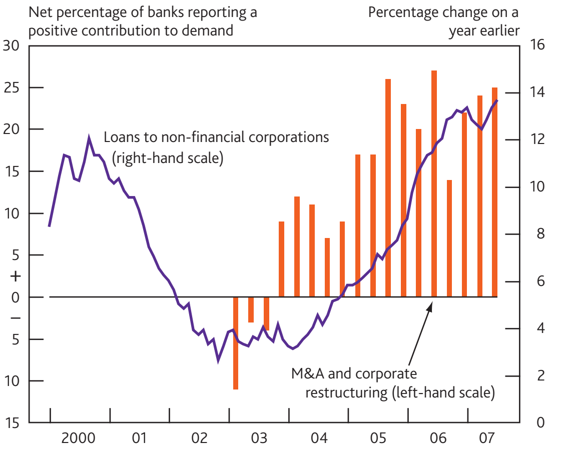
Sources: Bank of Japan Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks, ECB Bank Lending Survey, and Federal Reserve Board Senior Loan Officer Opinion Survey.

(a) See Lown and Morgan (2006).
(b) See Berg *et al* (2005).
(c) In 2005.

Research using other credit conditions surveys

Results from the international credit conditions surveys can be used to provide insights into short-run economic developments overseas. For example, annual growth in euro-area lending to non-financial corporations accelerated since 2005, reaching 13.6% in July 2007. In part that strength in corporate lending was likely to reflect the recovery in euro-area demand growth over that period. But results from the ECB Bank Lending Survey suggest that demand for corporate loans to finance merger and acquisition (M&A) activity and corporate restructuring was strong between 2005 Q3 and 2007 Q2 (**Chart 3**). These results support other evidence that suggested that there had been strong demand for lending for M&A purposes. For example, in its August *Monthly Bulletin*,(4) the ECB reported that the growth rate of corporate lending in June 2007 was associated with stronger growth in short-term lending, which was often used as bridge financing for M&A transactions.

Chart 3 Euro-area lending and survey measure of M&A and corporate restructuring



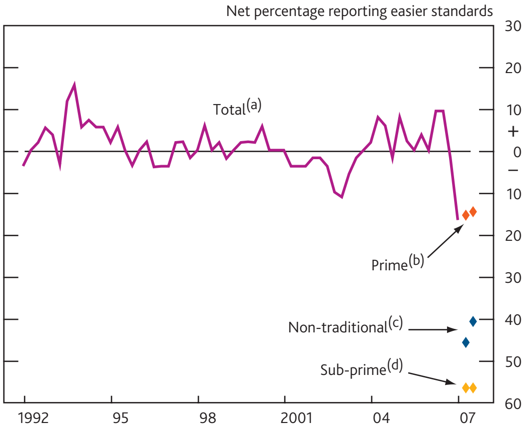
Sources: ECB Bank Lending Survey and Thomson Datastream.

Overseas credit conditions surveys have also been used to ask topical questions designed to shed light on specific one-off events, and assess their implications for short-run economic developments. The US Federal Reserve has, on many occasions, added such questions to its Senior Loan Officer Opinion Survey. For example, in the 2007 Q2 and Q3 surveys, following the deterioration of the performance of sub-prime loans in the United States, the Federal Reserve replaced their usual question on secured lending standards with questions about standards in each of the prime, non-traditional and sub-prime sectors. **Chart 4** shows how US lenders reported a tightening in standards on secured lending for the past three quarters. The results of the Q2 and Q3 surveys showed that tighter conditions had been concentrated primarily outside the prime sector of the mortgage market.

In a similar vein, the Bank may, on occasion, add topical questions to the UK survey, tailored to improve the Bank's understanding of specific periods or events in credit markets.

(1) For further information, and the results since 1990 Q2, see the Federal Reserve's website at www.federalreserve.gov/boarddocs/snloansurvey/.
(2) See www.boj.or.jp/en/theme/research/stat/dl/zan/loos/index.htm.
(3) For more information see Berg *et al* (2005) and www.ecb.int/stats/money/lend/html/index.en.html.
(4) Available from www.ecb.int/pub/mb/html/index.en.html.

Chart 4 US secured lending standards



Source: Federal Reserve Board Senior Loan Officer Opinion Survey.

(a) This regular question was replaced with separate questions about prime, non-traditional and sub-prime loans for the 2007 Q2 and 2007 Q3 surveys. The responses to those questions are shown as diamonds.
(b) Borrowers with relatively strong, well-documented credit histories, high credit scores, and low debt to income ratios.
(c) Includes adjustable-rate and interest-only mortgages, as well as mortgages with limited income verification.
(d) Borrowers with poor or incomplete credit histories, low credit scores or high debt to income ratios.

For example, given recent developments in financial markets, the Bank decided to include an additional question in each of the questionnaires in the Q3 survey. The results will also be published on 26 September.

The survey results could also be used in econometric analysis. Due to its extensive back run, there is a body of empirical time-series evidence using the results of the US survey. Many of these studies have found that these results contain valuable information about movements in the quantity of credit as well as in other macroeconomic variables, including output growth.

Some of the literature investigates the link between credit and the business cycle. Asea and Blomberg (1998) show that, over the business cycle, banks in the United States systematically changed their lending standards. They found that periods of easier lending standards, which tended to coincide with periods of economic expansion, intensified aggregate business cycle fluctuations. Schreft and Owens (1991) and Lown and Morgan (2006) both found evidence that US slowdowns were typically preceded by either decreased willingness to lend or tightening credit standards, as measured by the US Federal Reserve's survey. Lown, Morgan and Rohatgi (2000) found that credit standards had explanatory power for changes in US inventory investment, a component of demand that tends to be associated with movements in the business cycle.

Other studies have analysed the effects of changes in credit standards on credit quantities and output. Lown, Morgan and Rohatgi (2000) showed that the US survey measure of credit standards helped predict aggregate output and lending growth, even after controlling for changes in interest rates and spreads on US Government Treasury bills. In their subsequent study, Lown and Morgan (2006) investigated the causality between credit standards, bank lending and economic output. They found evidence that tighter credit standards led to lower levels of output and bank lending. They extended their analysis to include additional variables relating to macroeconomic conditions and corporate and banking sector financial health, which they argued might be identified with either loan demand or loan supply. Their results showed that shocks to credit standards, as measured by the Senior Loan Officer Opinion Survey, played a role in explaining movements in aggregate output and loan activity.

Lown and Morgan also found that higher levels of lending tended to lead to tighter standards, perhaps because lenders or their regulators concluded that standards were too loose. That in turn pushed down on lending activity and overall output, which in turn eventually led to easier standards. They interpreted this result as providing evidence for a credit cycle.

Finally, the US survey data have been used to explain movements in components of aggregate demand. For example, Duca and Garrett (1995) found that the survey measure of lenders' willingness to offer consumer loans (used as a proxy for non-price credit conditions) helped predict both consumer lending and spending on durable goods. Lown, Morgan and Rohatgi (2000) also showed that credit standards helped predict movements in US equipment and software investment and US industrial production.

In time, once a significant time series has been collected, the results of the Bank's survey could be used in similar analysis for the UK economy.

Conclusions

In order to meet its Core Purposes of Monetary and Financial Stability, it is important for the Bank to understand trends and developments in the demand for and supply of credit, as well as the terms on which credit is provided. In an effort to improve its understanding of changes in the credit market, the Bank launched a quarterly Credit Conditions Survey in 2007 Q2. The survey gathers information about both past and expected trends in each of the secured and unsecured household and the corporate lending markets.

As with similar surveys conducted by the US Federal Reserve, the Bank of Japan and the ECB, the qualitative responses will be weighted together based on respondents' market shares, to produce aggregate quantitative net percentage balances. These balances, along with a short descriptive summary of the results, will be published on a quarterly basis. The first report, which will cover the results of both the Q2 and Q3 surveys, will be published on 26 September. Thereafter, the Bank will publish the results of each survey at the end of the relevant quarter.

Annex 1
Bank of England Credit Conditions Survey — secured lending conditions to households and small businesses

Annexes 1–3 list the questions asked in the 2007 Q2 secured, unsecured and corporate lending surveys. Each question asks about both developments over the past three months relative to the previous three months, and the next three months relative to the latest three-month period. For the purposes of this publication, the presentation of the surveys has been adapted from the versions on the internet, which, for example, also include space for lenders to provide additional comments. Readers can obtain copies of all the questionnaires from the following webpage: www.bankofengland.co.uk/publications/other/monetary/creditconditions.htm.

<u>SECURED LOAN DEMAND: HOUSEHOLDS</u>

1. How has demand for the following types of secured lending from HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
House purchase:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
of which:												
Prime lending:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Buy to let:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Other:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Remortgaging:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Other lending secured on dwellings:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>SECURED LOAN DEMAND: SMALL BUSINESSES</u>

2. How has demand for secured lending from SMALL BUSINESSES changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

Latest 3 months						**Next 3 months**					
Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>SECURED CREDIT SCORING CRITERIA: HOUSEHOLDS</u>

3. How have your credit scoring criteria for granting loan applications by HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And how do you expect them to change over the NEXT 3 MONTHS relative to the latest 3 months?

Latest 3 months: implications for getting credit						**Next 3 months: implications for getting credit**					
Much harder	A little harder	Same	A little easier	Much easier	N/A	Much harder	A little harder	Same	A little easier	Much easier	N/A
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>SECURED LOAN APPROVALS: HOUSEHOLDS</u>

4. How has the proportion of HOUSEHOLD loan applications being approved changed over the LATEST 3 MONTHS relative to the previous 3 months? And how do you expect your approval rate to change over the NEXT 3 MONTHS relative to the latest 3 months?

Latest 3 months						**Next 3 months**					
Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>SECURED LOAN TERMS: HOUSEHOLDS</u>

5. How have the following price and non-price terms on approved new loan applications by HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect for the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Much narrower	A little narrower	Same	A little wider	Much wider	N/A	Much narrower	A little narrower	Same	A little wider	Much wider	N/A
Spreads:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
of which:												
Prime lending:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Buy to let:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Other:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Fees:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Maximum LTVs:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Maximum LTIs:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

SECURED CREDIT AVAILABILITY: HOUSEHOLDS

6. Has the availability of credit you provide to HOUSEHOLDS become tighter or looser over the LATEST 3 MONTHS relative to the previous 3 months? What are the prospects for the NEXT 3 MONTHS relative to the latest 3 months? Which of the following factors have been/are likely to be important reasons for change?

	Latest 3 months: credit available						**Next 3 months: credit available**					
	Much less	A little less	Same	A little more	Much more	N/A	Much less	A little less	Same	A little more	Much more	N/A
Overall credit availability:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing economic outlook:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Market share objectives:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing appetite for risk:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing cost/ availability of funds:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

SECURED LOAN DEFAULTS: HOUSEHOLDS

7. Has there been any change in the default rate on secured loans to HOUSEHOLDS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

Latest 3 months						**Next 3 months**					
Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

SECURED LOAN LOSS GIVEN DEFAULT: HOUSEHOLDS

8. Has there been any change in Loss Given Default on secured lending to HOUSEHOLDS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

Latest 3 months						**Next 3 months**					
Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

SECURED LENDING RISK MANAGEMENT: HOUSEHOLDS

9. Has there been any change in your use of risk management tools in your HOUSEHOLD portfolio over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Use of securitisations:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Target hold levels:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

Annex 2
Bank of England Credit Conditions Survey — unsecured lending conditions to households and small businesses

UNSECURED LOAN DEMAND: HOUSEHOLDS

1. How has demand for unsecured lending from HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what is your expectation for the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Non-credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

UNSECURED LOAN DEMAND: SMALL BUSINESSES

2. How has demand for unsecured lending from SMALL BUSINESSES changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Non-credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

UNSECURED CREDIT SCORING CRITERIA: HOUSEHOLDS

3. How have your credit scoring criteria for granting loan applications by HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And how do you expect them to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months: implications for getting credit						Next 3 months: implications for getting credit					
	Much harder	A little harder	Same	A little easier	Much easier	N/A	Much harder	A little harder	Same	A little easier	Much easier	N/A
Credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Non-credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

UNSECURED LOAN APPROVALS: HOUSEHOLDS

4. How has the proportion of HOUSEHOLD loan applications being approved changed over the LATEST 3 MONTHS relative to the previous 3 months? And how do you expect your approval rate to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Non-credit card:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

UNSECURED LOAN TERMS: HOUSEHOLDS

5. How have the following price and non-price terms on approved new loan applications by HOUSEHOLDS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect for the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Much narrower	A little narrower	Same	A little wider	Much wider	N/A	Much narrower	A little narrower	Same	A little wider	Much wider	N/A
Spreads on credit card lending:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Spreads on non-credit card lending:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Credit card limits:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Minimum proportion of balance paid:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much shorter	A little shorter	Same	A little longer	Much longer	N/A	Much shorter	A little shorter	Same	A little longer	Much longer	N/A
Maximum maturities on loans:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

UNSECURED CREDIT AVAILABILITY: HOUSEHOLDS

6. Has the availability of credit you provide to HOUSEHOLDS become tighter or looser over the LATEST 3 MONTHS relative to the previous 3 months? What are the prospects for the NEXT 3 MONTHS relative to the latest 3 months? Which of the following factors have been/are likely to be important reasons for change?

	Latest 3 months: credit available						**Next 3 months: credit available**					
	Much less	A little less	Same	A little more	Much more	N/A	Much less	A little less	Same	A little more	Much more	N/A
Overall credit availability:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing economic outlook:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Market share objectives:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing appetite for risk:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Changing cost/ availability of funds:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

UNSECURED LOAN DEFAULTS: HOUSEHOLDS

7. Has there been any change in the default rate on unsecured loans to HOUSEHOLDS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Credit card:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Non-credit card:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

UNSECURED LOAN LOSS GIVEN DEFAULT: HOUSEHOLDS

8. Has there been any change in Loss Given Default on unsecured lending to HOUSEHOLDS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Credit card:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Non-credit card:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

Annex 3
Bank of England Credit Conditions Survey — corporate lending conditions

<u>CORPORATE LOAN DEMAND: PRIVATE NON-FINANCIAL CORPORATIONS</u>

1. How has demand for lending from PRIVATE NON-FINANCIAL CORPORATIONS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Medium corporates:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Large corporates:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

<u>CORPORATE LOAN DEMAND: OTHER FINANCIAL CORPORATIONS</u>

2. How has demand for lending from OTHER FINANCIAL CORPORATIONS changed over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Institutional investors/ pension funds:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Securities dealers:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Hedge funds:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Structured finance vehicles:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Others:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

<u>DRIVERS OF LOAN DEMAND</u>

3. What have been the main drivers of any changes in the demand for borrowing over the LATEST 3 MONTHS relative to the previous 3 months? And what do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Mergers & Acquisitions:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Capital investment:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Inventory finance:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Balance sheet restructuring:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Commercial real estate:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

<u>CORPORATE LOAN AVAILABILITY</u>

4a. How has the availability of credit you provide to the CORPORATE SECTOR IN AGGREGATE changed over the LATEST 3 MONTHS relative to the previous 3 months? What are the prospects for the NEXT 3 MONTHS relative to the latest 3 months? Within this, how has the availability of credit you provide to the COMMERCIAL REAL ESTATE SECTOR changed over the LATEST 3 MONTHS relative to the previous 3 months? What are the prospects for the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months: credit available						**Next 3 months: credit available**					
	Much less	A little less	No change	A little more	Much more	N/A	Much less	A little less	No change	A little more	Much more	N/A
Aggregate:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
of which:												
Commercial real estate:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

4b. Which of the following possible factors have been/are likely to be important reasons for change in AGGREGATE corporate sector lending?

	Latest 3 months: credit available						**Next 3 months: credit available**					
	Much less	A little less	Same	A little more	Much more	N/A	Much less	A little less	Same	A little more	Much more	N/A
Changing economic outlook:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Changing sector-specific risks:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Market share objectives:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Market pressures from capital markets:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

	Latest 3 months: credit available						Next 3 months: credit available					
	Much less	A little less	Same	A little more	Much more	N/A	Much less	A little less	Same	A little more	Much more	N/A
Changing appetite for risk:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Changing cost/ availability of funds:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

<u>CORPORATE LOAN APPROVALS</u>

5. How has the proportion of PRIVATE NON-FINANCIAL CORPORATION loan applications being approved changed over the LATEST 3 MONTHS relative to the previous 3 months? And how do you expect your approval rate to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Medium corporates:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
Large corporates:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

<u>CORPORATE LOAN TERMS</u>

6a. How have the following price and non-price terms on approved new loan applications to MEDIUM PRIVATE NON-FINANCIAL CORPORATIONS changed over the LATEST 3 MONTHS relative to the previous 3 months? How do you expect terms to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Much narrower	A little narrower	Same	A little wider	Much wider	N/A	Much narrower	A little narrower	Same	A little wider	Much wider	N/A
Spreads over Libor:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Commissions/fees:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Collateral requirements:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Maximum size of credit lines:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

	Latest 3 months: degree of constraint						Next 3 months: degree of constraint					
	Much more	A little more	Same	A little less	Much less	N/A	Much more	A little more	Same	A little less	Much less	N/A
Loan covenants:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

6b. How have the following price and non-price terms on approved new loan applications to LARGE PRIVATE NON-FINANCIAL CORPORATIONS changed over the LATEST 3 MONTHS relative to the previous 3 months? How do you expect terms to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						Next 3 months					
	Much narrower	A little narrower	Same	A little wider	Much wider	N/A	Much narrower	A little narrower	Same	A little wider	Much wider	N/A
Spreads over Libor:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Commissions/fees:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Collateral requirements:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Maximum size of credit lines:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

	Latest 3 months: degree of constraint						Next 3 months: degree of constraint					
	Much more	A little more	Same	A little less	Much less	N/A	Much more	A little more	Same	A little less	Much less	N/A
Loan covenants:	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏	❏

6c. How have the following price and non-price terms on approved new loan applications to OTHER FINANCIAL CORPORATIONS changed over the LATEST 3 MONTHS relative to the previous 3 months? How do you expect terms to change over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Much narrower	A little narrower	Same	A little wider	Much wider	N/A	Much narrower	A little narrower	Same	A little wider	Much wider	N/A
Spreads over Libor:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Commissions/fees:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Collateral requirements:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much lower	A little lower	Same	A little higher	Much higher	N/A	Much lower	A little lower	Same	A little higher	Much higher	N/A
Maximum size of credit lines:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>CORPORATE LOAN DEFAULTS</u>

7. Has there been any change in the default rate on lending to PRIVATE NON-FINANCIAL CORPORATIONS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Medium corporates:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Large corporates:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>CORPORATE LOAN LOSS GIVEN DEFAULT</u>

8. Has there been any change in Loss Given Default on lending to PRIVATE NON-FINANCIAL CORPORATIONS over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Medium corporates:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Large corporates:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

<u>CORPORATE LENDING RISK MANAGEMENT</u>

9. Has there been any change in your use of risk management tools over the LATEST 3 MONTHS relative to the previous 3 months? What do you expect over the NEXT 3 MONTHS relative to the latest 3 months?

	Latest 3 months						**Next 3 months**					
	Up a lot	Up a little	Same	Down a little	Down a lot	N/A	Up a lot	Up a little	Same	Down a little	Down a lot	N/A
Use of cash securitisations:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
Use of derivatives/ synthetic securitisations:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much higher	A little higher	Same	A little lower	Much lower	N/A	Much higher	A little higher	Same	A little lower	Much lower	N/A
Target hold levels:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑
	Much shorter	A little shorter	Same	A little longer	Much longer	N/A	Much shorter	A little shorter	Same	A little longer	Much longer	N/A
Loan tenors:	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

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