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# Statistical release

Published on 14 June 2016 at 09:30 – Table G amended on 14 June 2016 at 17:00

## Mortgage Lenders and Administrators Statistics for 2016 Q1 (derived from the Mortgage Lenders & Administrators Return (MLAR))

The overall value of the residential loan amounts outstanding in Q1 2016 was £1,304.5 billion, an increase of 1.0% compared with Q4 2015 and an increase of 3.4% over the past four quarters (see Table A).

Amounts outstanding on regulated loans were £1,031.9 billion, constituting 79% of the total in Q1 2016. This proportion has remained constant since Q4 2013. Non-regulated loans increased by £3.6 billion compared with Q4 2015 and by £7.8 billion compared with Q1 2015, to a level of £272.6 billion in Q1 2016.

The value of securitised amounts outstanding increased to £82.0 billion in Q1 2016, an increase of 1.3% compared to Q4 2015. Unsecuritised amounts outstanding (which exclude securitised assets) increased by 1.0% from Q4 2015 to £1,222.5 billion in Q1 2016. Thus, the amounts outstanding of securitised balances as a proportion of the total remained constant at 6.3%.

Table A: Securitised and unsecuritised residential loan balances

Regulated and non-regulated mortgages

£ billions

Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
Regulated:							
Unsecuritised	872.0	906.4	937.8	946.0	954.9	965.3	973.2
Securitised	85.7	72.6	59.0	59.1	58.9	57.2	58.8
<b>Subtotal</b>	<b>957.7</b>	<b>979.0</b>	<b>996.8</b>	<b>1,005.1</b>	<b>1,013.7</b>	<b>1,022.5</b>	<b>1,031.9</b>
Non-regulated:							
Unsecuritised	238.3	235.8	239.5	241.7	242.9	245.1	249.3
Securitised	32.6	28.7	25.3	25.1	25.3	23.8	23.3
<b>Subtotal</b>	<b>270.9</b>	<b>264.5</b>	<b>264.8</b>	<b>266.8</b>	<b>268.2</b>	<b>269.0</b>	<b>272.6</b>
Total: (Regulated + non-regulated):							
Unsecuritised	1110.3	1142.2	1177.3	1,187.7	1,197.8	1,210.4	1,222.5
Securitised	118.3	101.3	84.3	84.2	84.2	81.0	82.0
<b>Total</b>	<b>1228.6</b>	<b>1243.6</b>	<b>1261.6</b>	<b>1,272.0</b>	<b>1,282.0</b>	<b>1,291.4</b>	<b>1,304.5</b>

Next release – 13 September 2016. Release available online at [www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx](http://www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx) and [www.the-fca.org.uk/firms/mortgage-lending-statistics](http://www.the-fca.org.uk/firms/mortgage-lending-statistics).

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## New business volumes

Gross advances of £64.0 billion were recorded in Q1 2016. This was 1.5% higher than in Q4 2015 and 40.4% higher than in Q1 2015 (see Table B and Chart 1).

Net advances increased from £6.3 billion in Q1 2015 to £13.6 billion in Q1 2016 (see Table B and Chart 2), an increase of 117.0% over the previous four quarters.

New commitments increased from £59.5 billion in Q4 2015 to £60.6 billion in Q1 2016 and increased by 28.4% compared with Q1 2015.

The percentage of advances to borrowers with impaired credit history has decreased by 2 basis points (bps) to 0.24% in Q1 2016 (see Table 1.32 Residential loans to individuals: Nature of loan in the main tables).

**Table B: Unsecuritised residential loans to individuals flows and balances**

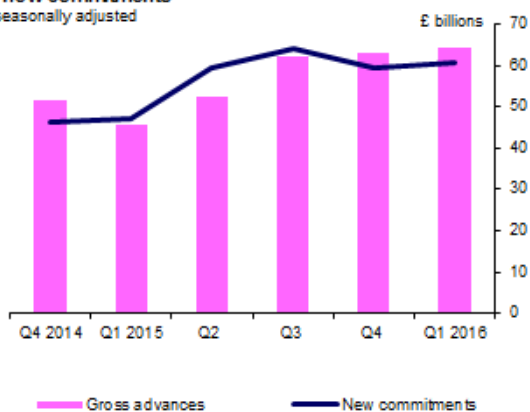
Regulated and non-regulated mortgages

£ billions

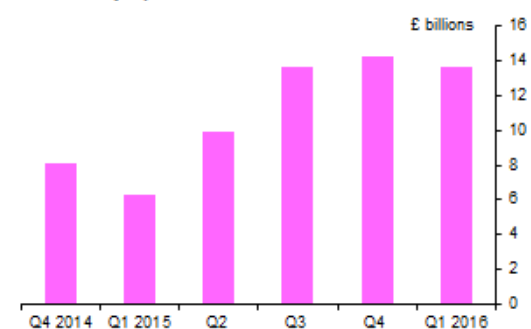
Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>Business flows</b>							
Gross advances	34.0	47.1	45.6	52.6	62.1	63.1	64.0
Net advances	1.3	7.0	6.3	10.0	13.7	14.2	13.6
New commitments	35.5	48.9	47.2	59.6	64.1	59.5	60.6
<b>Balances outstanding</b>							
Loans (exc overdrafts)	1,110.3	1,142.2	1,177.3	1,187.7	1,197.8	1,210.4	1,222.5
Commitments	61.2	73.4	70.4	74.9	76.5	74.3	70.9

**Chart 1: Gross advances and new commitments**  
Not seasonally adjusted



**Chart 2: Net advances**  
Not seasonally adjusted



## Lending characteristics of gross advances

### Interest rate trends on residential lending

The proportion of gross advances at fixed interest rates decreased from 84.1% in Q4 2015 to 81.4% in Q1 2016 (see Table C). The proportion of balances outstanding on fixed interest rate loans has increased by 1.7 percentage points since Q4 2015 to 50.0% in Q1 2016.

The overall average interest rate on gross advances decreased by 6 bps in Q1 2016 to 2.63%, the lowest rate since the series began in 2007. This was driven by a decrease in the fixed rate of 6 bps to 2.66%, partially offset by an increase in the variable rate of 1 bp to 2.52% (see Table C and Chart 4).

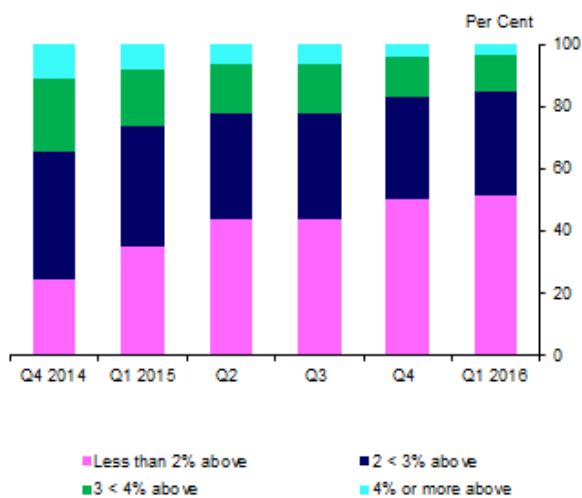
The overall average interest rate on total amounts outstanding decreased by 3 bps to 3.04% in Q1 2016, the lowest rate since the series began in 2007. This was due to a decrease in the fixed rate of 8 bps to 3.06%, as the variable rate remained constant at 3.00%.

**Table C: Interest rates**

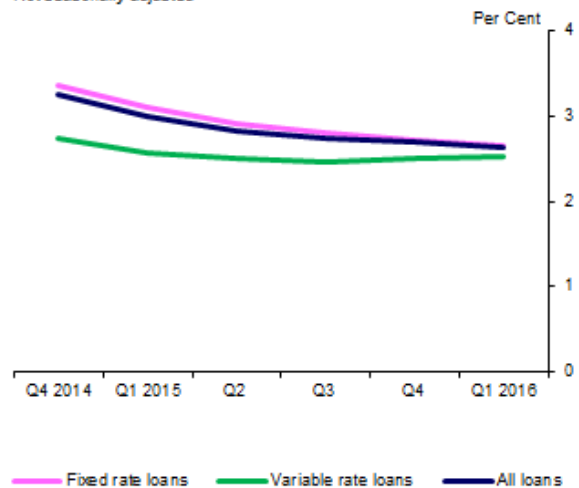
Regulated and non-regulated mortgages  
Per cent  
Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>Interest rate basis</b>							
Percent of business at fixed rates							
Gross advances	70.7	81.0	77.6	78.9	80.7	84.1	81.4
Balances outstanding	28.4	35.4	42.6	44.1	46.6	48.2	50.0
<b>Weighted average interest rates</b>							
Gross advances							
Fixed rate loans	3.80	3.32	3.11	2.91	2.79	2.72	2.66
Variable rate loans	3.28	2.93	2.58	2.50	2.47	2.51	2.52
<b>All loans</b>	<b>3.65</b>	<b>3.24</b>	<b>2.99</b>	<b>2.83</b>	<b>2.73</b>	<b>2.69</b>	<b>2.63</b>
<b>Balances outstanding</b>							
Fixed rate loans							
Variable rate loans	4.37	3.75	3.42	3.31	3.21	3.14	3.06
<b>All loans</b>	<b>3.46</b>	<b>3.34</b>	<b>3.22</b>	<b>3.17</b>	<b>3.11</b>	<b>3.07</b>	<b>3.04</b>

**Chart 3: Percentage of business above Bank Rate - Gross Advances**  
Not seasonally adjusted



**Chart 4: Weighted average interest rates - Gross advances**  
Not seasonally adjusted



## Breakdown by purpose of new lending (proportions of total residential loans to individuals)

The proportion of lending for house purchase in Q1 2016 was 68.9%, approximately 0.3 percentage points lower than in Q4 2015 (see Table D and Chart 5). The value of gross advances for house purchase was 46.8% higher than Q1 2015 at £44.1 billion.

The proportion of lending to first time buyers (FTBs) decreased in the quarter by 4.0 percentage points to 16.9% in Q1 2016. The value of residential loans advanced to FTBs increased by £2.2 billion from Q1 2015 to £10.8 billion in Q1 2016.

The buy-to-let (BTL) proportion of lending increased from 15.9% in Q4 2015 to 21.1% in Q1 2016; BTL lending also increased by 4.3 percentage points from Q1 2015. BTL advances (which include BTL remortgages) increased over the past year from £7.7 billion advanced in Q1 2015 to £13.5 billion in Q1 2016, which is the highest value since the series began in 2007. BTL balances outstanding were £185.3 billion in Q1 2016, which, at 15.2% of total residential balances is the highest proportion since the series began (see Table 1.33).

The proportion of remortgages increased from 25.0% in Q4 2015 to 25.3% in Q1 2016.

The proportion of other new lending decreased from 3.5% in Q4 2015 to 3.2% in Q1 2016.

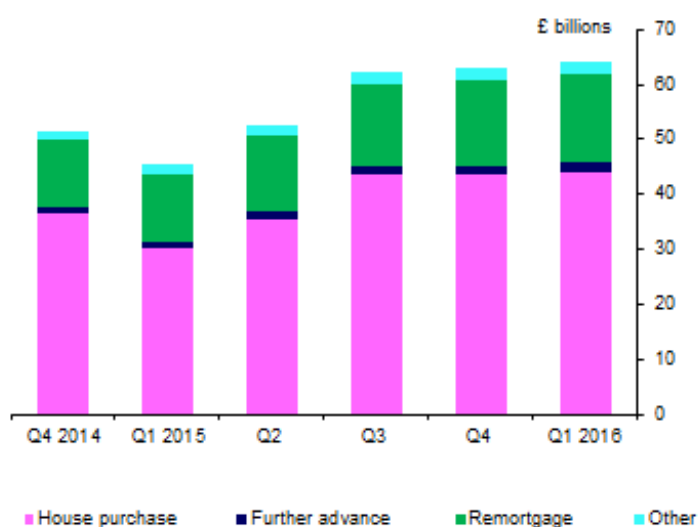
**Table D: Unsecured residential loans to individuals by purpose of loan**

Regulated and non-regulated mortgages

Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>By purpose of loan:</b>							
<b>Advances</b>							
<b>Per cent</b>							
House purchase:	62.9	66.1	65.9	67.5	70.1	69.3	68.9
Owner occupation:							
FTBs	18.0	19.9	18.9	20.4	20.4	20.9	16.9
Other	32.9	31.8	30.2	31.3	34.1	32.5	31.0
Buy to let	12.0	14.4	16.8	15.9	15.6	15.9	21.1
Further advance	3.5	2.9	2.6	2.5	2.3	2.2	2.6
Remortgage	29.6	27.4	27.2	26.2	24.1	25.0	25.3
Other	3.9	3.7	4.3	3.8	3.4	3.5	3.2
<b>Amount (£ billions)</b>							
House purchase:	21.4	31.1	30.1	35.5	43.5	43.7	44.1
Owner occupation:							
FTBs	6.1	9.3	8.6	10.7	12.7	13.2	10.8
Other	11.2	15.0	13.8	16.4	21.2	20.5	19.8
Buy to let	4.1	6.8	7.7	8.3	9.7	10.0	13.5
Further advance	1.2	1.3	1.2	1.3	1.5	1.4	1.6
Remortgage	10.1	12.9	12.4	13.8	15.0	15.8	16.2
Other	1.3	1.7	2.0	2.0	2.1	2.2	2.1
<b>Total</b>	<b>34.0</b>	<b>47.1</b>	<b>45.6</b>	<b>52.6</b>	<b>62.1</b>	<b>63.1</b>	<b>64.0</b>

**Chart 5: Breakdown of gross advances  
by purpose of loan**  
Not seasonally adjusted



New commitments for house purchase as a proportion of total commitments decreased from 63.9% in Q4 2015 to 61.8% in Q1 2016 (see Table E). The value of new commitments for house purchase decreased by 1.4% over the past quarter, from £38.0 billion in Q4 2015 to £37.4 billion in Q1 2016.

New commitments for remortgaging as a proportion of total commitments increased by 1.3 percentage points over the quarter to 32.6% in Q1 2016. In value terms there was an increase over the past year of 34.0%, from £14.8 billion in Q1 2015 to £19.8 billion in Q1 2016.

**Table E: New commitments by purpose of loan**  
Regulated and non-regulated mortgages  
Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>By purpose of loan:</b>							
<b>New commitments in quarter</b>							
<b>Per cent</b>							
House purchase	62.5	65.2	62.7	66.8	65.4	63.9	61.8
Remortgage	31.0	29.3	31.3	28.8	29.8	31.4	32.6
Other (inc further advances)	6.5	5.5	6.0	4.4	4.8	4.7	5.6
<b>Amount (£ billions)</b>							
House purchase	22.2	31.9	29.6	39.8	41.9	38.0	37.4
Remortgage	11.0	14.3	14.8	17.2	19.1	18.7	19.8
Other (inc further advances)	2.3	2.7	2.8	2.6	3.1	2.8	3.4
<b>Total</b>	<b>35.5</b>	<b>48.9</b>	<b>47.2</b>	<b>59.6</b>	<b>64.1</b>	<b>59.5</b>	<b>60.6</b>

## Lending criteria

The proportion of gross advances at a loan-to-value (LTV) of over 90% decreased by 0.5 percent points over the quarter to 2.7% in Q1 2016. The proportion of gross advances to borrowers with a single income multiple of more than 4.00x decreased by 0.7 percentage points to 9.5% in Q1 2016. The proportion of gross advances to borrowers with a joint income multiple of equal to or more than 3.00x decreased by 2.0 percentage points over the quarter to 27.7% in Q1 2016.

The proportion of gross advances that are a combination of a LTV over 90% and loan-to-income multiple of over 3.5x for single income borrowers (or 2.75x for joint income borrowers) decreased by 0.4% to 1.9% over the quarter.

**Table F: Gross advances by income multiple and loan-to-value (LTV) ratios**

Regulated and non-regulated mortgages

Percent of gross advances

Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>Single income multiple:</b>							
Less than 2.50	10.2	8.6	8.5	8.0	7.7	7.4	7.6
2.50 < 3.00	4.9	4.2	4.1	4.0	3.7	3.7	3.5
3.00 < 4.00	11.5	10.7	9.8	9.8	9.6	9.6	9.0
4.00 or over	9.8	11.2	9.1	9.2	9.8	10.2	9.5
Other	13.1	14.1	16.0	14.2	14.0	14.7	18.2
<b>Total on Single income</b>	<b>49.5</b>	<b>48.8</b>	<b>47.4</b>	<b>45.2</b>	<b>44.9</b>	<b>45.6</b>	<b>47.8</b>
<b>Joint income multiple:</b>							
Less than 2.00	10.0	8.5	10.0	9.6	9.0	8.2	8.9
2.00 < 2.50	7.3	7.1	7.3	7.2	6.8	6.5	6.2
2.50 < 3.00	9.1	8.0	9.0	9.1	8.9	8.4	7.9
3.00 or over	22.8	26.3	24.7	27.2	28.8	29.7	27.7
Other	1.3	1.2	1.6	1.6	1.6	1.5	1.6
<b>Total on Joint income</b>	<b>50.5</b>	<b>51.2</b>	<b>52.6</b>	<b>54.8</b>	<b>55.1</b>	<b>54.4</b>	<b>52.2</b>
<b>LTV</b>							
< = 75%	67.0	64.8	67.6	65.9	65.5	66.4	68.3
Over 75 < = 90%	30.9	31.6	29.0	30.5	31.2	30.4	28.9
Over 90 < = 95%	1.6	3.1	3.0	3.3	3.1	3.0	2.5
Over 95%	0.5	0.5	0.4	0.3	0.2	0.2	0.2
<b>LTV (Over 90%) and Loan-to-income multiple &gt; 3.5/2.75*</b>	<b>1.3</b>	<b>2.6</b>	<b>2.2</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>1.9</b>

\* Single income: 3.50 x or more; joint income 2.75 x or more

## Arrears and possessions

The number of new arrears cases in Q1 2016 was 20,410 (see Table G). This was close to the Q4 2015 figure, which was the second lowest number since the series began in 2007 (see Chart 7).

The value of new arrears was £36 million. This is a drop of 12.9% compared with Q1 2015.

The total number of loan accounts with reportable arrears increased from 191,152 in Q4 2015 to 207,052 in Q1 2016, an increase of 8.3% and the first increase since Q1 2013. The balances in arrears as a percentage of total loan balances also remained constant at 1.4%, the lowest since the series began in 2007.

**Table G: Arrears**

Regulated and non-regulated mortgages  
Not seasonally adjusted

	Q1 2013	Q1 2014	Q1 2015	Q2 2015	Q3	Q4	Q1 2016
<b>Loans in Arrears</b>							
<b>New cases in the quarter (i.e. moving into 1.5 &lt; 2.5% band)</b>							
Number of loan accounts	37,363	28,131	22,324	21,089	20,331	20,370	20,410
Amount of arrears (£ millions)	69	53	41	39	37	37	36
Balance outstanding (£ millions)	3,710	2,852	2,197	2,127	1,979	1,971	1,896
<b>Arrears cases at end of quarter</b>							
Number of loan accounts	299,224	254,204	210,261	209,699	196,136	191,152	207,052
Amount of arrears (£ millions)	1,761	1,585	1,359	1,364	1,295	1,303	1,466
Balance outstanding (£ millions)	29,426	24,874	19,739	19,102	18,125	17,529	17,767
Balances as % of total loan balances (per cent)	2.40	2.00	1.56	1.50	1.41	1.36	1.36
Performance of arrears cases in Qtr (per cent)	58.98	63.07	62.55	62.16	61.92	62.36	59.13
<b>Arrears cases by severity</b>							
<b>Balances on cases in arrears as per cent of total loan balances</b>							
1.5 < 2.5% in arrears	0.75	0.63	0.49	0.47	0.44	0.41	0.40
2.5 < 5.0% in arrears	0.80	0.65	0.52	0.49	0.46	0.44	0.43
5 % or more in arrears	0.70	0.60	0.48	0.49	0.46	0.46	0.48
In possession	0.15	0.12	0.07	0.06	0.05	0.05	0.05
<b>Total</b>	<b>2.40</b>	<b>2.00</b>	<b>1.56</b>	<b>1.50</b>	<b>1.41</b>	<b>1.36</b>	<b>1.36</b>
<b>Number of cases in arrears as per cent of total number of loans</b>							
1.5 < 2.5% in arrears	0.61	0.53	0.45	0.43	0.41	0.40	0.41
2.5 < 5.0% in arrears	0.66	0.57	0.48	0.47	0.44	0.43	0.45
5 % or more in arrears	0.77	0.69	0.60	0.64	0.59	0.59	0.68
In possession	0.09	0.07	0.05	0.04	0.04	0.03	0.03
<b>Total</b>	<b>2.13</b>	<b>1.87</b>	<b>1.58</b>	<b>1.58</b>	<b>1.48</b>	<b>1.45</b>	<b>1.57</b>



New possession cases totalled 2,546 in Q1 2016, an increase of 6.4% from Q4 2015 which was the lowest number since Q1 2007 when the series began (see Table H). Sales of possession cases were down 7.9% from 2,870 in Q4 2015 to 2,644 in Q1 2016.

As possession sales outstripped new possessions, the stock of possession cases remaining unsold decreased from 4,421 in Q4 2015 to 4,357 in Q1 2016, the lowest number since the series began in 2007.

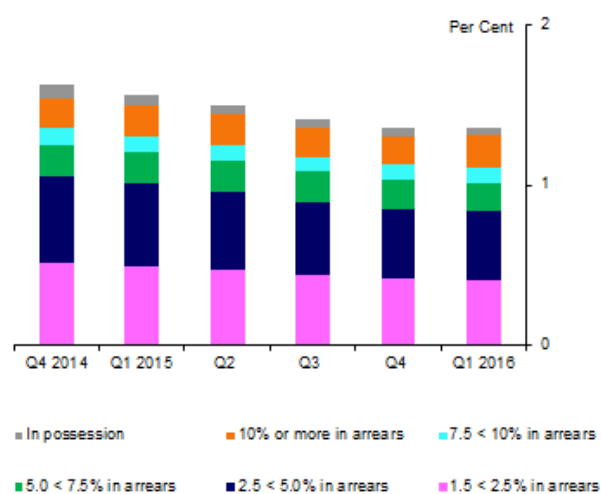
A total of £12 million of arrears on 2,952 accounts were capitalised in Q1 2016, a decrease of 9.0% from Q4 2015.

**Table H: Possessions**

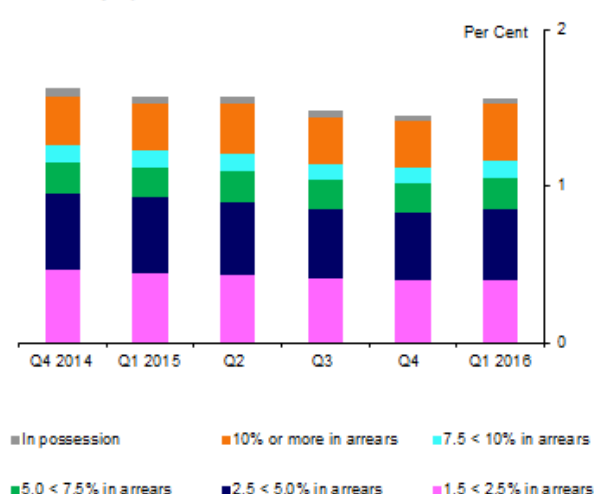
Regulated and non-regulated mortgages  
Not seasonally adjusted

Possession cases: movements & stocks	Q1	Q1	Q1	Q2	Q3	Q4	Q1
	2013	2014	2015	2015			2016
New possessions	8,109	6,658	3,157	2,671	2,881	2,392	2,546
Possession sales	8,463	6,617	4,738	3,705	2,999	2,870	2,644
Stocks of possessions at end quarter	12,855	10,164	6,426	5,249	5,012	4,421	4,357
<b>Capitalisations of arrears cases</b>							
Number in quarter	7,484	6,708	6,107	4,855	4,410	3,245	2,952
Arrears capitalised in quarter (£ millions)	28	27	25	20	18	13	12
Balance outstanding at end quarter (£ millions)	824	753	710	579	494	360	320

**Chart 6: Balance on cases in arrears as % total loan balances**  
Not seasonally adjusted



**Chart 7: Number of cases in arrears as a proportion of total number of loans**  
Not seasonally adjusted



#### About these data:

As noted in the March 2013 [article](#), with effect from June 2013, this Bank of England and FCA Statistical Release on Mortgage Lenders and Administrators Statistics replaced the Statistics on Mortgage Lending release previously published by the FSA. There is some overlap in the data covered in this release and with the Bank of England releases on [Money and Credit](#) and on [Effective Interest Rates](#), and also with statistics published by [the Council of Mortgage Lenders](#). It should be appreciated that differences in reporting populations, definitions and seasonal adjustment will affect any direct comparisons of data series reported across these releases. For a comparison of the Bank of England's published statistical and regulatory data collections, please refer to the December 2014 [article](#).

Due to revisions to the data by reporters, previous figures may be restated from quarter to quarter.

Further information can be found in the MLAR explanatory notes, available at [www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/mlar.aspx](http://www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/mlar.aspx). If you have any queries with regards to these data please contact either the Bank/PRA (email [MLAR@bankofengland.co.uk](mailto:MLAR@bankofengland.co.uk) or call 020 7601 5478) or FCA (email [mlarstatistics@fca.org.uk](mailto:mlarstatistics@fca.org.uk)) as required.

Next release – 13 September 2016. Release available online at [www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx](http://www.bankofengland.co.uk/statistics/Pages/calendar/default.aspx) and [www.the-fca.org.uk/firms/mortgage-lending-statistics](http://www.the-fca.org.uk/firms/mortgage-lending-statistics).

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## Technical notes

### General

- 1 Around 340 regulated mortgage lenders and administrators (banks, building societies, credit unions and other specialist lenders) are required to submit a Mortgage Lenders & Administrators Return (MLAR) each quarter, providing data on their mortgage lending activities and covering both regulated and non-regulated residential lending. Following the creation of the Bank of England Prudential Regulation Authority (PRA) and of the Financial Conduct Authority (FCA) on 1 April 2013, these mortgage lending statistics are compiled and published jointly by the two regulators. Lenders with only non-regulated lending are not required to submit the MLAR. Prior to the change in regulation to include second charge lending, which came into effect on 21<sup>st</sup> March 2016, the reporting population was around 300.
- 2 Please note that tables in this release are summaries of more detailed data tables available at [www.bankofengland.co.uk/pru/Pages/regulatorydata/mlar/2016/mar.aspx](http://www.bankofengland.co.uk/pru/Pages/regulatorydata/mlar/2016/mar.aspx). The linkages between these information sets in each case are:

Release Table	Underpinning Data
A	Table 1.11
B	Table 1.21
C	Table 1.22
D	Table 1.33
E	Table 1.33
F	Table 1.31
G	Table 1.7
H	Table 1.7

### Regulated and non-regulated loans

- 3 A regulated loan is a loan to an individual, secured by a first charge on residential property, and where the property is for the use of the borrower or a close relative. From 21<sup>st</sup> March 2016 second charge lending is included in regulated lending.
- 4 A non-regulated loan for MLAR purposes is all other mortgage lending to individuals that is not regulated. It includes buy-to-let lending, in some cases, further advances on loans that were originally taken out before regulation came into effect on 31 October 2004. Second charge lending is included in non-regulated lending until 20<sup>th</sup> March 2016.
- 5 All mortgage loans extended before 31 October 2004 are classified as non-regulated. This means that there will be a gradual shift over time in numbers and amounts outstanding from the non-regulated to regulated mortgage lending categories, as older mortgages are paid off or are subject to re-mortgaging. Flows of non-regulated mortgage lending have been modest compared with regulated mortgage lending since that date.

### Securitisations

- 6 Some lenders parcel up loans into a special purpose vehicle (SPV), and create Loan Notes secured on the parcel of loans ("securitisation"). They sell the Notes to third party investors; thereby raising funding that broadly matches the loans, with the risks attached to the loans passing from the lender to the Note holders.
- 7 Additional guidance has been given on the classification of securitised loans where that security has subsequently been used as collateral for Bank of England liquidity schemes, such as the Special Liquidity Scheme. For more details see [www.fca.org.uk/firms/systems-reporting/gabriel/help/mla](http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla). In such circumstances the risks attaching to the performance of the underlying pool of loans remains with the lender and no risk transfer has taken place to the Bank of England; these loans should therefore be reported on the MLAR as un-securitised loans. Due to this, there has been some reclassification between the securitised and un-securitised portfolios. This affects the series in tables 1.4 and 1.6 in particular.

### New business volumes

- 8 Data are collected on three prime measures for the unsecuritised loan book:
  - Gross advances: the amount of new loans to borrowers.
  - Net advances: the amount of gross advances less borrower repayments (including normal periodic repayments on capital repayment loans; repayment of existing loans at time of re-mortgage or house move etc.).

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- New commitments: the amount of new lending that a lender has agreed to advance in coming months to house movers, re-mortgagers, first time buyers, and those seeking a further advance.

## Lending criteria

- 9 The two main measures within the dataset of lending criteria are loan-to-value (LTV, the loan as a percentage of the value of the property) and income multiple (the loan advance as a multiple of income, defined as the borrower's main income, pre-tax). Income multiple calculations are reported separately for single income and for joint income loan applications.
- 10 Another characteristic of new lending is information about whether a borrower had an impaired credit history at the time of the new loan application. The MLAR definition of an impaired credit history includes borrowers with any of the following: arrears of three months or more on a previous loan in the last two years; county court judgment (CCJ) over £500 in the last three years; or being subject to a bankruptcy order or IVA at any time in the last three years.

## Interest rate analysis

- 11 MLAR classifies mortgage lending by fixed or variable rate basis, and collects data on average interest rate margins defined as the margin of the interest rate over the Bank of England Bank Rate (BBR). Fixed rate includes all products subject to a fixed interest rate for a stated period or subject to a cap or collar arrangement, but not variable rate products subject to annual review payment arrangements. Variable interest rates cover all other interest bases, including those at a premium or discount to an administered rate.
- 12 Weighted average interest rates are calculated by weighting the relevant nominal interest rates applying over the quarter by amounts outstanding at the previous reporting date, by individual products.

## Arrears and possessions

- 13 Arrears are defined as instances when any contractual payments, of capital, interest fees or other charges, are overdue at the reporting date. Arrears reported in the MLAR data relate only to loans where the amount of actual arrears is 1.5% or more of the borrower's current loan balance. For example, if the loan balance is £100,000 arrears in respect of the loan will only be captured in MLAR once they have reached £1,500 or more.
- 14 For accounts in arrears, a temporary concession is defined as an agreement with the borrower whereby the monthly payments are either suspended or less than they would be on a fully commercial basis. A formal arrangement is defined as either an agreement to capitalise all or part of past arrears or an agreement to make increased monthly payments to reduce some or all of the existing arrears. Amounts in arrears subject to temporary concessions continue to be classified as arrears. Amounts in arrears subject to capitalisation arrangements are reported as arrears until the criteria for 'fully performing loans' are met, which include that the revised schedule of loan repayments has been met for at least six months.
- 15 Information on accounts with temporary concessions or formal arrangements relates only to those cases which have arrears over the reportable threshold. There may be other types of forbearance in place for some borrowers which are not captured in these figures as they are either not yet in arrears, or the arrears are not sufficiently large to be reportable.
- 16 Data are collected on the performance of loans in arrears. Performance is measured as payments received in the quarter expressed as a percentage of payments due (i.e. under normal commercial terms to fully service the mortgage debt).
- 17 For accounts in arrears, data on capitalisations are also collected and published. Capitalisations are defined as formal arrangements to add all, or part of, a borrower's arrears to the amount of outstanding principal.
- 18 A 'possession' relates to any method by which, in an arrears case, the lender takes the secured property into their possession (including by a court Possession Order, or by voluntary surrender by the borrower). This also includes cases where Receivers of Rent have been appointed. MLAR possessions data relate to individual loan accounts in possession.

## Arrears as a percentage of balances approach

- 19 The 1.5% threshold used in the "arrears as a percentage of balances approach" was adopted to replace an earlier 2.5% threshold that had been used in analysis of building society arrears from the early 1990s.
- 20 For ease of comparison, sub-totals for a 2.5% threshold as well as for the 1.5% threshold are presented in the Detailed Tables on arrears. More detail is available in the Frequently Asked Questions (FAQs) relating to the MLAR on the FCA website at [www.fca.org.uk/firms/systems-reporting/gabriel/help/mla](http://www.fca.org.uk/firms/systems-reporting/gabriel/help/mla).

## Loan accounts in arrears

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- 21 It should be noted that numbers of loan accounts in arrears, which is the basis on which these data are reported in the MLAR statistics, need not equate to the number of borrowers in arrears. Numbers of individual loan accounts in arrears will include arrears arising on:
- First charge loans;
  - Second and subsequent charge loans (where the borrower takes an extra loan from another lender); and
  - Some further advance loans (cases where the first charge lender establishes a further advance on the original mortgage as a separate loan account, but is unable to combine the two accounts for MLAR reporting purposes).
- 22 As a result, arrears numbers on the MLAR are reported on a different basis from, and are materially higher than, the corresponding data published by the Council for Mortgage Lenders (CML) on numbers of first charge mortgages in arrears. A second, more significant, difference between these datasets which adds to this effect is the use of a higher percentage of balances threshold for arrears, 2.5% in the case of CML data, compared with 1.5% in the case of MLAR data.

### **Loan accounts in possession**

- 23 This number does not represent the number of borrowers that have been subject to possession. It represents the number of individual loan accounts in possession, and covers possessions arising on:
- First charge loans
  - Second and subsequent charge loans (where the borrower takes an extra loan from another lender)
- 24 In practice however, where a borrower has first and second charge loans with separate lenders, it will not always be the case that both lenders report their loan accounts as a possession. MLAR possession figures also include cases where a Receiver of Rent has been appointed.