

## Secured Loans 'On Track For Growth'

*The secured loans market is set for growth in the future, a new report has indicated.*

October 23, 2007 (FPRC) -- In research carried out by Datamonitor, the secured loans sector is on track to grow from the 7.5 billion pounds which was taken out in 2006, to stand at some 10.2 billion pounds in 2011 - at a compounded annual increase of five per cent. With more people set to take out the type of loan in the future, the independent market analyst claimed that the news comes despite the global credit crunch which has seen a number of lenders increase the rates of interest on loans and other borrowing products. Meanwhile, it was suggested that the difficulties experienced in the sub-prime mortgage market in the United States have seen some providers withdraw from the secured loan sector either indefinitely or on a temporary basis.

The news follows after gross advances "hit a new high" last year, up by some 16.3 per cent from 2005. Growth in secured loans was partially attributed to rising house prices and a surge in Britain's gross domestic product. In addition, increasing levels of unsecured debt have "impacted positively" on the demand for debt consolidation loans. Meanwhile, figures released by the Finance and Leasing Association covering its own membership base reveal that new lending over the first six months of this year accounted for some 2.8 billion pounds - a rise of 5.4 per cent from the same period last year.

Commenting on the figures, Maya Imberg, analyst with Datamonitor's Financial Services practice, said: "The US sub-prime mortgage crisis and global credit crunch will affect the market in the short-term. However, the UK secured personal loans market continues to portray an encouraging future in the long-term."

As a result of the rising number of defaults on sub-prime mortgages on the other side of the Atlantic Ocean, Datamonitor pointed out that numerous lenders in Britain are either exiting the market or withdrawing temporarily "amid greater uncertainty". The firm pointed to Kensington Personal Loans who entered the secured personal loans industry last year, but has since removed itself for the present. Meanwhile, GMAC-RFC was due to launch into the industry in April 2008 but has now abandoned such plans.

However, it was suggested that although such withdrawals will have a negative effect on the industry, there will still be demand for secured loans from the public while numerous loan lenders and intermediaries are also set to join the industry. "Some lenders will withdraw from the market for a short while before returning, thus affecting the market in the short-term rather than the long-term," Ms Imberg added.

For those consumers who find that they are struggling to handle their outgoings, taking out a secured loan as a form of debt consolidation may be one way in which to relieve financial pressure. Earlier this month, research conducted by the Council of Mortgage Lenders revealed that owning property is becoming evermore of a struggle for consumers, as a larger proportion of their income is going towards mortgage repayments. First-time buyers are currently putting some 20 per cent of their earnings into servicing mortgage costs, while this falls to 17.2 per cent among existing homeowners.

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