

Loans Demand Remains 'Weak'

Borrowing in Britain continues to remain weak, a new set of figures have highlighted.

October 30, 2007 (FPRC) -- In research conducted by the British Bankers' Association (BBA), gross mortgage lending in September stood at some 18.5 billion pounds - just three per cent higher than that issued in the same month last year. Meanwhile, underlying net lending, which does not take into account mortgage repayments and redemptions, rose by 5.8 billion pounds. Overall, annual growth still stands at 14 per cent.

Commenting on the figures, David Dooks, director of statistics for the BBA, said: "Lower amounts of new mortgage lending and fewer loans approved for house purchase signal a weaker outlook for the mortgage market, particularly if loan supply reduces in the aftermath of the recent financial markets difficulties and borrowing costs remain at current levels.

"Despite reports of stronger retail sales, card spending was low in September, but so were repayment levels, giving rise to a small increase in net borrowing alongside a similar rise in loans and overdrafts, but overall demand for unsecured borrowing remains very weak."

In addition, findings from the BBA study showed that less loans are being approved for mortgages, with some 160,879 authorised during the course of September, down by 12.1 per cent on a year-on-year basis. Overall, such borrowing has a total value of 18.1 billion pounds, just under six per cent below the statistics recorded 12 months ago. However, the typical loan issued for property purchase has risen to 152,300 pounds, some eight per cent above that from a year ago.

Research from the association also revealed that new lending through loans and overdrafts fell by two per cent over the course of last month, in comparison to the same period in 2006. However, after taking seasonal adjustments into account, total borrowing via loans and overdrafts increased by 114 million pounds. Meanwhile, spending via credit cards was also indicated as falling. According to the BBA, expenditure via this means of borrowing accounted for some 6,725 million pounds in September - a reduction of three per cent from the equivalent month in 2006.

In related news, a study conducted by Datamonitor earlier this month revealed that borrowing via secured personal loans is set to grow to account for an estimated 10.2 billion pounds by 2011. Growing at a rate of five per cent per annum, the type of lending stood at 7.5 billion pounds in 2006, as gross advances "hit a new high" over the course of the year. Although more people are on track to take out this type of loan, the market analyst company reported that borrowers on a whole may develop more difficulties in making repayments.

The news comes as numerous credit providers are set to increase the rates of interest attached to loans and other forms of borrowing following the global credit crunch and the effects of the sub-prime mortgage crisis witnessed in the United States. Meanwhile, some suppliers are withdrawing from the market altogether. However, in spite of the fact that such recent events are expected to impact borrowing over the coming months, Maya Imberg, analyst with Datamonitor's Financial Services practice, reported that Britain's secured personal loans sector "continues to portray an encouraging future in the long-term".

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