

Borrowers 'Need To Plan Ahead'

The availability of loans and other types of borrowing may be set to diminish, a new Bank of England report shows.

January 3, 2008 (FPRC) -- In the Bank's latest Credit Conditions Survey, a number of loan lenders have stated that they have had to become stricter about to whom they issue borrowing. And with many Britons finding that mortgages are harder to come by, in addition to increased monthly repayments, the cost of having a home may be impacting upon their ability to meet other demands on their finances such as home loans and credit cards. In addition, it was originally thought that the global credit crunch would not have had a major impact on Britain. However, this no longer appears to be the case.

According to the institution, about a third (31.2 per cent) of lenders state that the availability of secured loans to households has fallen in the period between September and December. Meanwhile, some 25.3 per cent believe that access to such forms of credit is to become more difficult in the coming months. Research from the Bank also showed that financial providers assert that the accessibility of various forms of unsecured credit has dropped by 13.6 per cent during the last three months of 2007, with seven per cent believing that this could worsen in the future.

However, it was suggested that those with impaired financial histories, including those who have taken out bad credit loans, could face the most money management difficulties in the months to come. According to the Bank of England, about a third (32 per cent) of providers claim to have tightened their credit scoring criteria over the last three months.

Commenting on the study, Bob Pannell, head of research for the Council of Mortgage Lenders (CML), said: "This survey corroborates other evidence of worsening market sentiment. This may increase the chances of interest rate cuts sooner rather than later if inflation remains subdued. Borrowers should make a new year resolution to review their finances and plan ahead if they are coming off fixed-rate deals later this year."

The CML also put forward that despite previous demand for secured loans in the face of constrained supply, requests for borrowing are now set to diminish. In addition, it was claimed that a "much larger" balance of lenders believe house price expectations to have an impact on borrowing during the next three months.

Those concerned about how they will manage their money in the coming months and if they can access loans and other types of credit in the future may be advised to apply for a secured loan immediately. Such borrowing could be useful for those looking to remortgage their home. Earlier this year, research conducted by Moneyextra showed that during the 12 months leading up November, the average homeowner looking to remortgage their property has seen its value increase by 8.6 per cent to 256,868 pounds. Senior editor Robin Amlot said: "The sharp rise in property values of those remortgaging may be an indicator of how the credit crunch is extending beyond the traditionally vulnerable sectors of society." He added that this year's mortgage prospects stand to be "grim". Thus, applying for a secured loan now may be a useful way of providing help with money in the months to come.

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