

## **Mortgage Approvals Hit All Time Low**

*The quantity of mortgage applications approved for those looking to buy a new property in the UK dropped to just 33,000 in July, adding to fears of an imminent recession.*

September 5, 2008 (FPRC) -- Figures from the Bank of England (BoE) reveal that the number of mortgages approved dropped by 71 per cent year-on-year to an all time low, as lenders choose not to fund to buyers. The credit crunch has forced both finance companies to take stock of the money that they are lending and the new BoE figures are seen by many analysts as another blow for the economy.

Adrian Coles of the Building Societies Association told the BBC: "Activity in the housing market is still slowing and the approvals figures suggest this is probably going to be around for some time. Recent declines in property values have been widely publicised, reducing potential buyers' confidence and keeping them out of the market."

The collapse by specialist lenders other than banks and building societies, such as those funding poor credit mortgages, is also illustrated by the BoE figures. In July 2007, these particular lenders gave out 32,000 loans for house purchase; in July 2008 they lent just 2,000. Meanwhile, mortgage companies across the UK approved just 7,000 secured loans, compared to 24,000 by the major banks.

The Bank also said that mortgage lending rose by 3.231 billion pounds in July, more than predicted however just 33 per cent of the increase seen in July 2007.

However, irrespective of the downturn, building societies have seen that their inflow of cash from savers has continued its growth, with savings accounts in building societies having a total of 1.435 billion pounds in July, compared to 723 million pounds 12 months ago.

Only a week ago, the latest figures from Nationwide found that UK house prices saw an annual double-digit fall for the first time since 1990 - with prices 10.5 per cent lower in August than a year ago. The new BoE figures could increase the pressure on the Bank to chop the base rate in order to help the housing market and the wider economy. However, when the monetary policy committee meets this Thursday (September 4th), it is likely to keep interest rates on hold at five per cent this time.

Howard Archer, an economist at Global Insight, told Reuters: "Although we are now positive the BoE to cut interest rates before long, we believe it will not change before November when there is likely to be increased proof that the deepening economic slowdown and more unemployment are diluting underlying inflationary pressures."

In August, the BoE opted to leave the base rate at five per cent for the fifth consecutive month, after a 0.25 per cent cut in April. As a result of this consumers' abilities to handle other spending costs - in areas such as personal loans, credit cards and transport costs - did not come under further pressure.

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