

19 March 2010

Demand for credit rises, but availability worsens

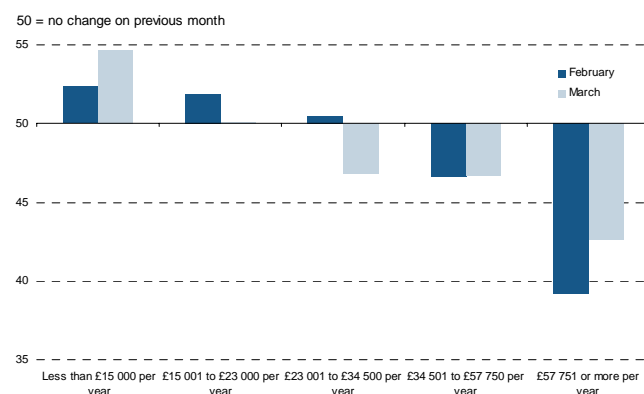
- Demand for new credit highest amongst lower earners.
- Access to new loans perceived to be easier for higher earners.

March HFI survey data showed a second successive monthly decline in overall UK household debt. Whilst demand for mortgages and other secured loans was largely stable, demand for unsecured loans rose at a faster pace than in the previous month. Availability of credit, both secured and unsecured, continued to fall, with conditions remaining tight.

Household debt

Household debt fell in March, led by the higher earning groups surveyed. All households except those in the bottom two income categories (less than £23,000 p.a.) reported a fall in overall debt levels. For respondents earning over £34,501 p.a., this was the second successive month where a reduction in household debt had been reported.

Chart 1: Household debt

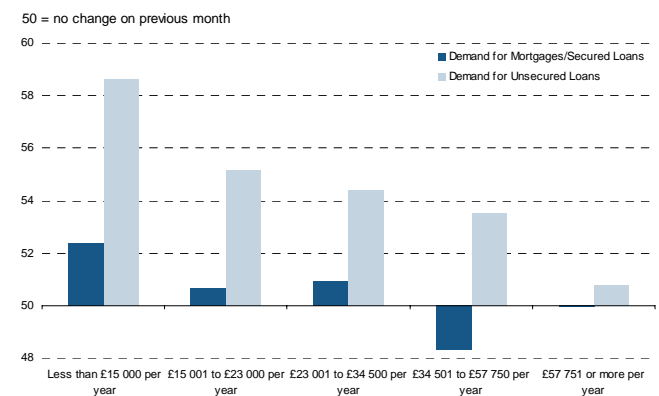


Demand for credit

Demand for new secured loans (such as mortgages) increased only fractionally in March. Split by income group, the data showed that the lowest earning households had the largest rise in requirements for mortgages/secured loans. Those earning between £34,501 and £57,750 p.a. were the only income category to indicate lower demand for secured lending.

Requirements for unsecured credit were inversely related to income, with the highest earning households showing the smallest rise in demand.

Chart 2: Demand for credit



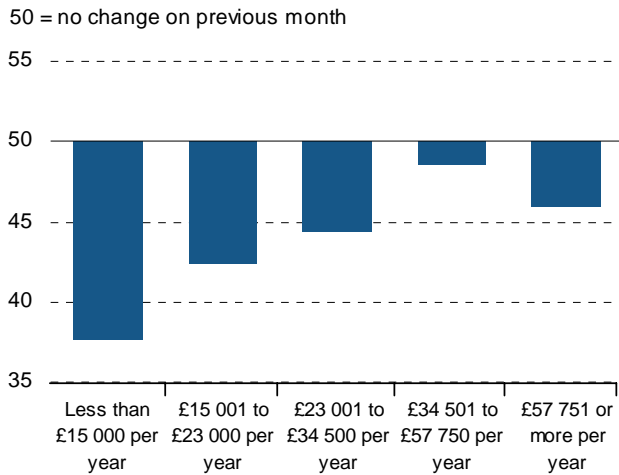
Availability and conditions of credit

UK households perceived a further decline in the availability of credit, both secured and unsecured, during March. Reflective of a flight to quality by lenders, HFI data showed that higher earning households perceived that the ease of access to credit deteriorated at a slower pace than that for lower earning households. The only slight deviation to this trend was that the highest income group (£57,571+ p.a.) recorded a larger reduction in the availability of unsecured credit compared to households in the income category below (£34,501-£57,570 p.a.). Nonetheless, the conditions which lenders place on new lending were perceived to have remained tight, and this was seen across all income groups.

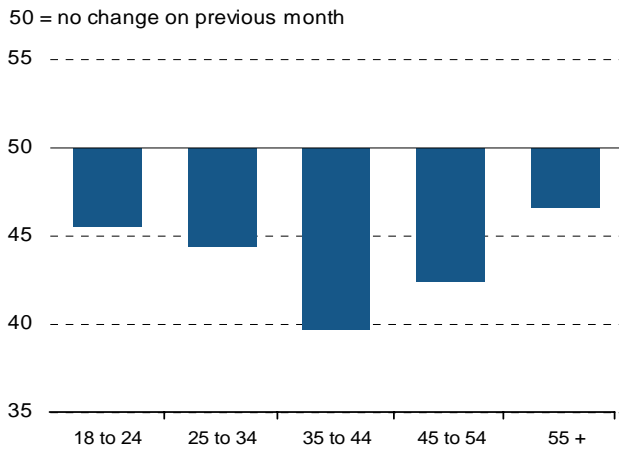
Availability of unsecured credit

March data: Compared to one month ago, how easy is it for you to get access to credit cards / overdrafts / other unsecured loans?

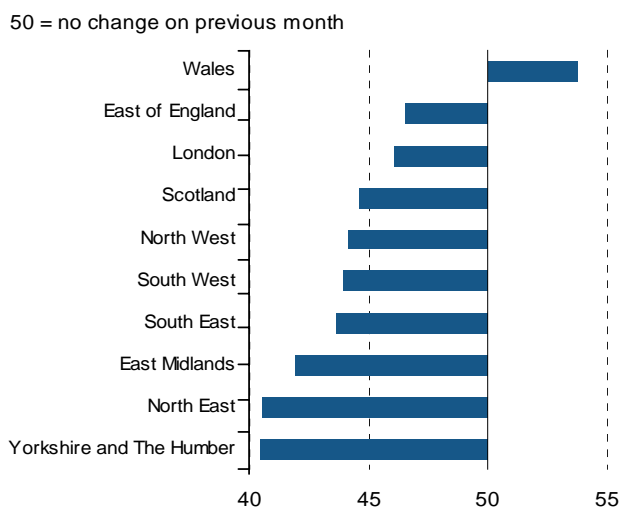
By income



By age



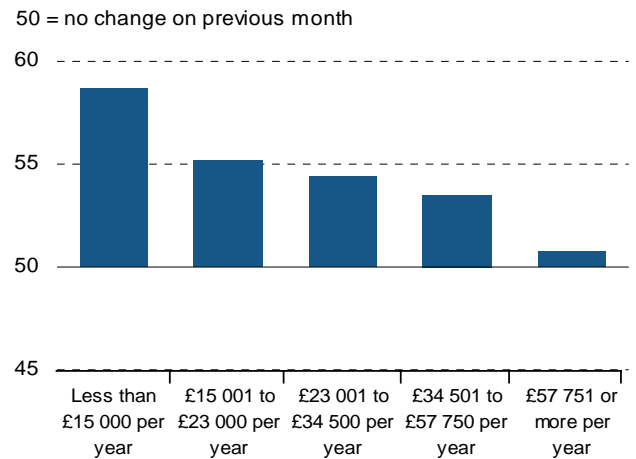
By region



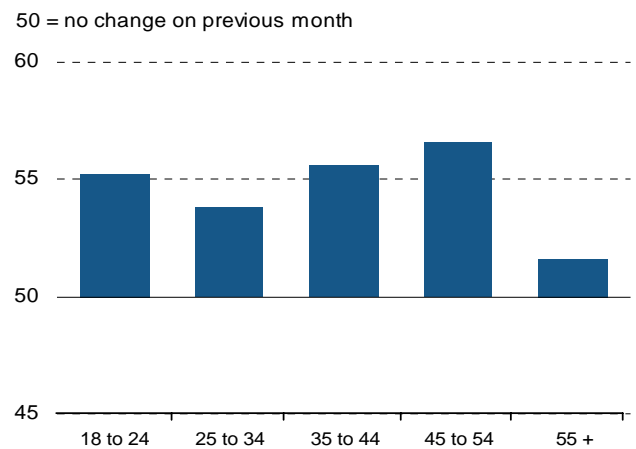
Need for unsecured loans

March data: Compared to one month ago, how has your need for additional borrowing changed in respect of credit cards / overdrafts / other unsecured loans?

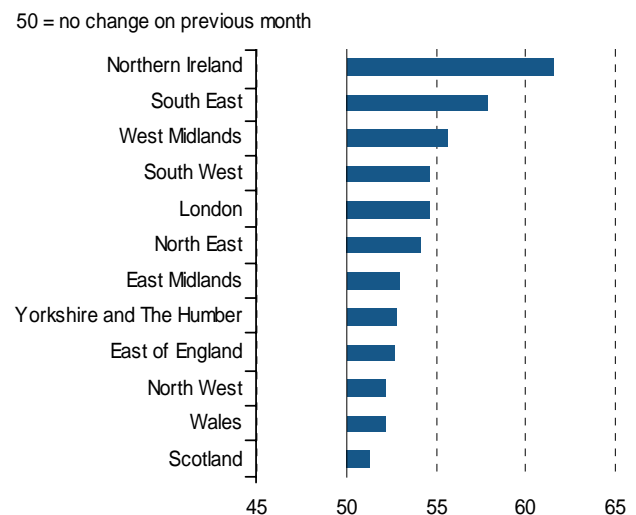
By income



By age



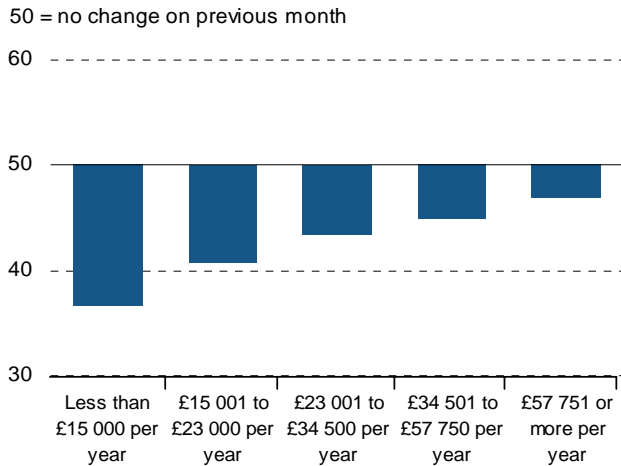
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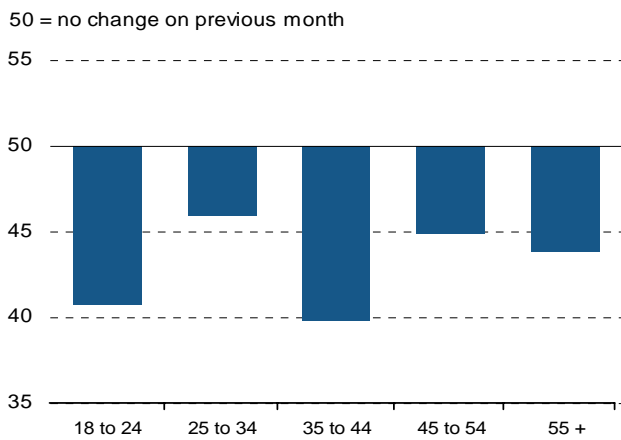
Availability of secured credit

March data: Compared to one month ago, how easy is it for you to get access to mortgages/other secured loans?

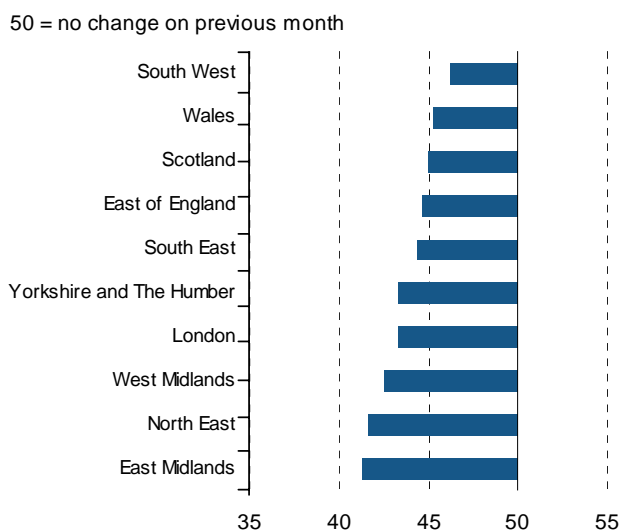
By income



By age



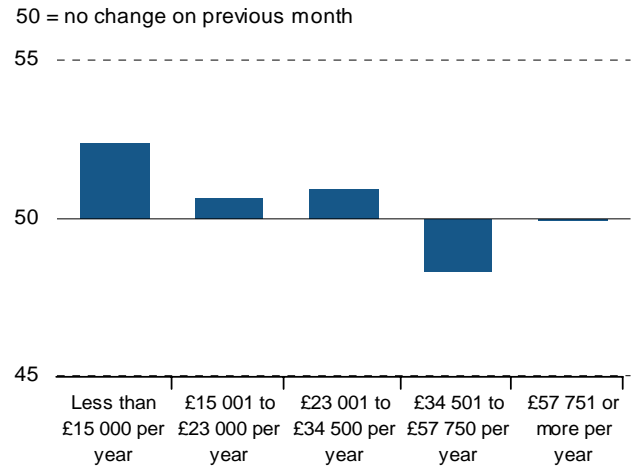
By region



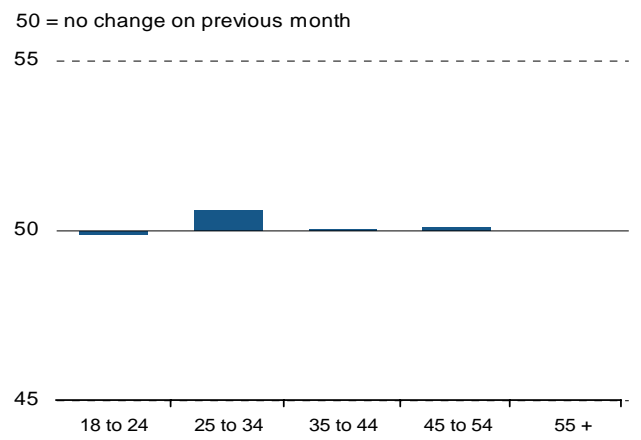
Need for secured loans

March data: Compared to one month ago, how has your need for additional borrowing changed in respect of mortgages/other secured loans?

By income



By age



By region

