

## Household demand for unsecured loans increased again, but credit availability and conditions worsened

- HFI data showed that credit availability deteriorated further...
- ...while demand for short-term finance rose.
- Tightening conditions attached to loans perceived by households.

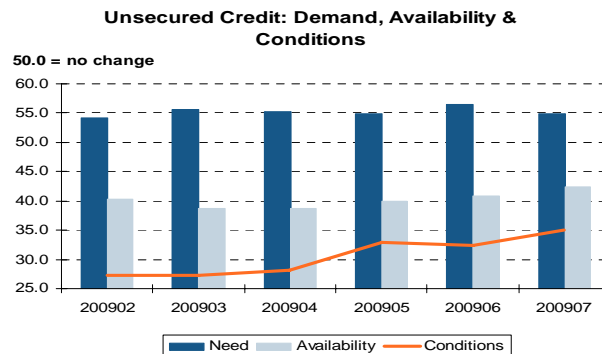
Latest data from the Markit/YouGov Household Finance Index (HFI) signalled that credit conditions within the UK remained tough in July. Households indicated that access to credit was still being restricted, and the conditions attached to the granting of available credit were perceived to have worsened, although to a lesser extent than in previous months.

### Availability of credit

Households noted that lenders continued to cut the supply of credit in the UK, with availability of secured loans (mainly mortgages) and unsecured loans (credit cards, overdrafts etc) both believed to have fallen in the month. Moreover, the rate of contraction in supply was marked, with the respective indices posting 41.8 and 42.5. These index readings did, however, represent a more moderate drop in credit availability than was indicated in Q1 and Q2.

The need for mortgages and other secured loans was unchanged in July, ending a three-month run of declining demand. However, demand for unsecured credit within the UK increased again during July. This has occurred as deteriorating economic conditions have squeezed incomes, therefore escalating the requirement for short-term finance. The index measuring income from employment posted 47.6 in July, and it has been below the 50.0 no-change mark in every month since the survey began in February.

The following chart highlights that unsecured loan demand has risen in each month since February, but perceived loan availability has deteriorated.



Respondents within the 55+ age range generally felt the most confident about their ability to access unsecured debt. This age group also saw the smallest increase in demand for credit. Those aged 18-24 were also one of the most confident groups regarding their capability to obtain debt, and had the least pessimistic view on job security, alongside the highest rise in demand for unsecured credit.

### Lending conditions

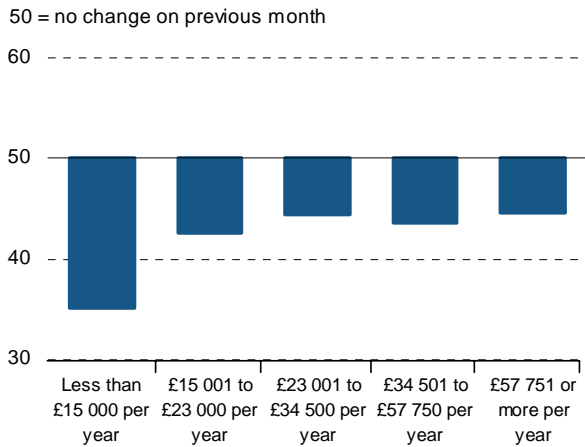
With demand for unsecured credit rising while supply is reduced, it is not surprising that households reported a deterioration in the conditions that lenders are attaching to loans. At a headline level, the tightening of credit conditions for both secured and unsecured credit registered was similar (as signalled by index readings of 34.6 and 35.1 respectively). While these figures highlighted the extent of the decline in perceived terms and conditions, they also represented an easing on the views signalled in June data, and a substantial moderation compared to February and March data (unsecured data showed in chart above).

Respondents who do not own a home or have an existing mortgage perceived that conditions attaching to credit have worsened the most in July. This is applicable for both secured and unsecured loans. As the credit crunch has unfolded, lenders have increased deposit requirements, and reduced multiples for lending. Those without collateral, in the form of an asset or cash, will therefore find it harder to obtain credit, and this chimes with the results indicated by the survey.

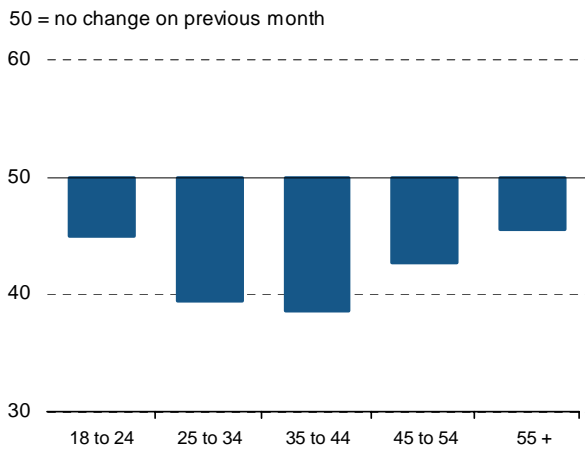
### Availability of unsecured credit

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

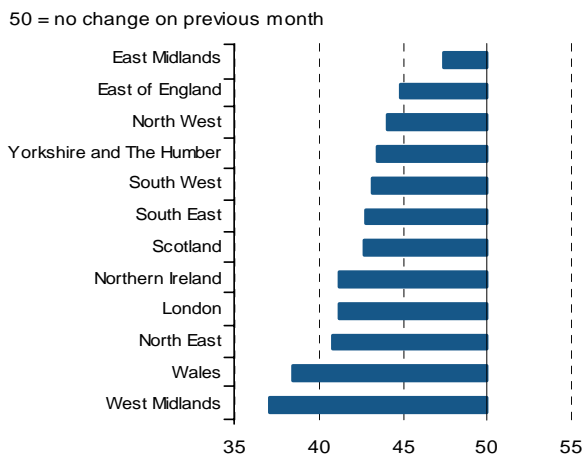
#### By income



#### By age



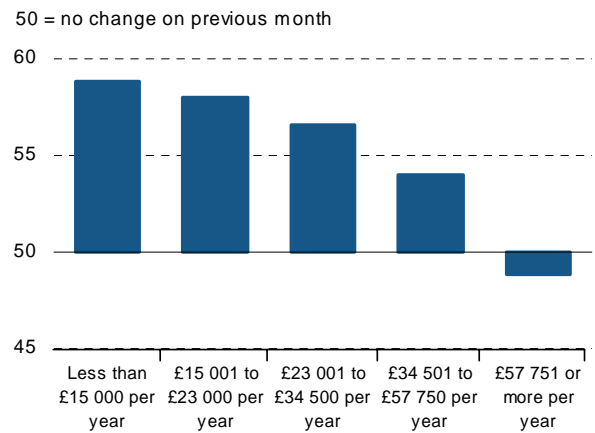
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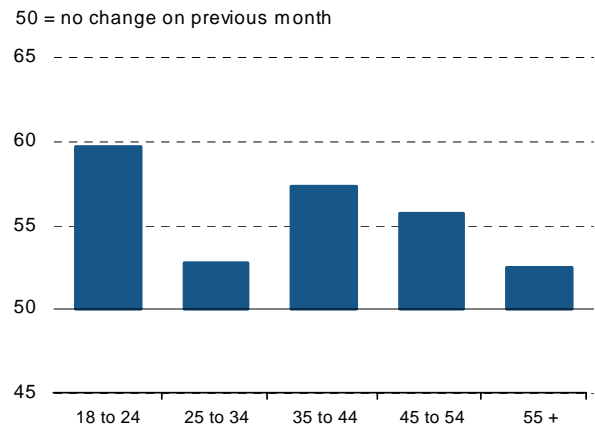
### Need for unsecured loans

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

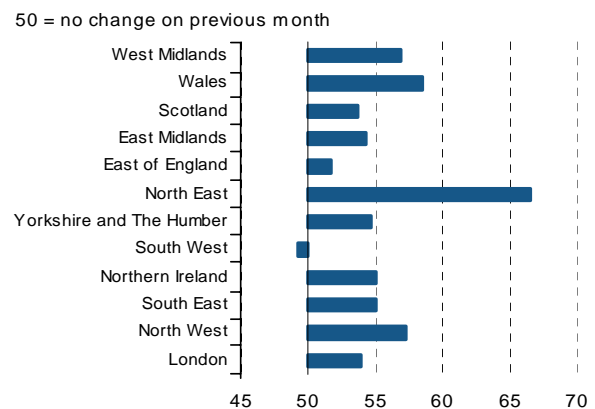
#### By income



#### By age



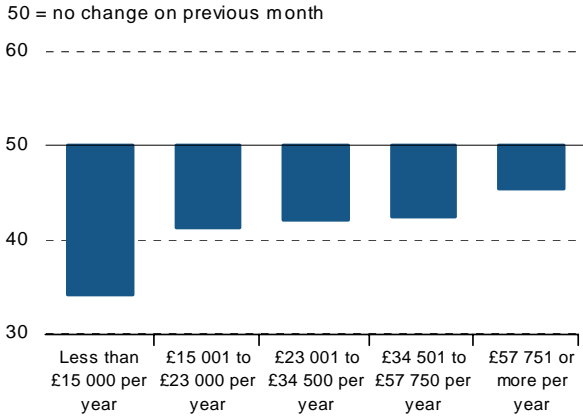
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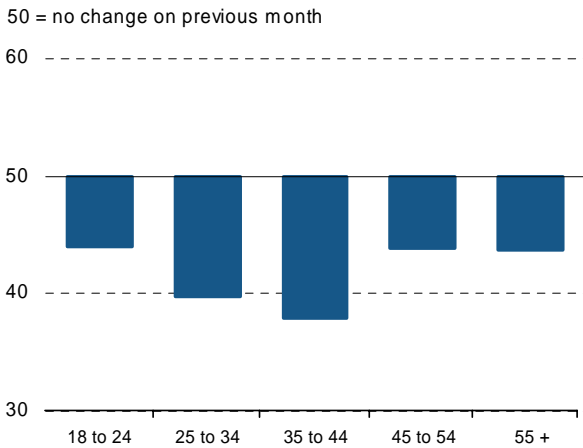
### Availability of secured credit

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

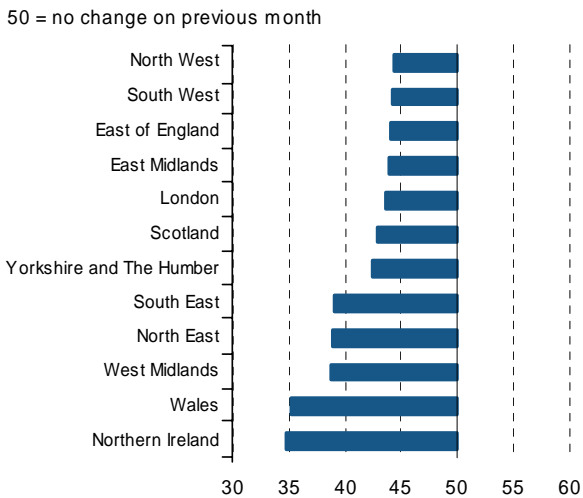
#### By income



#### By age



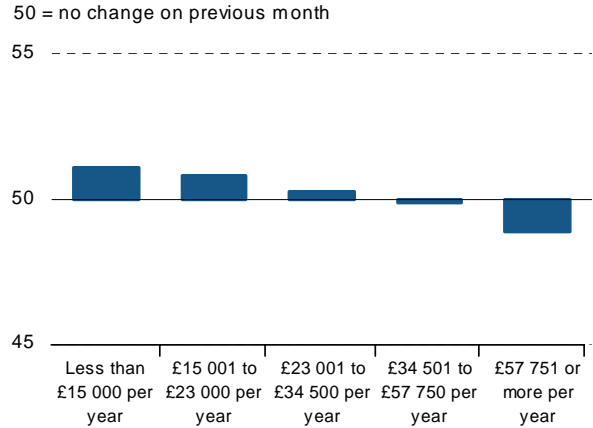
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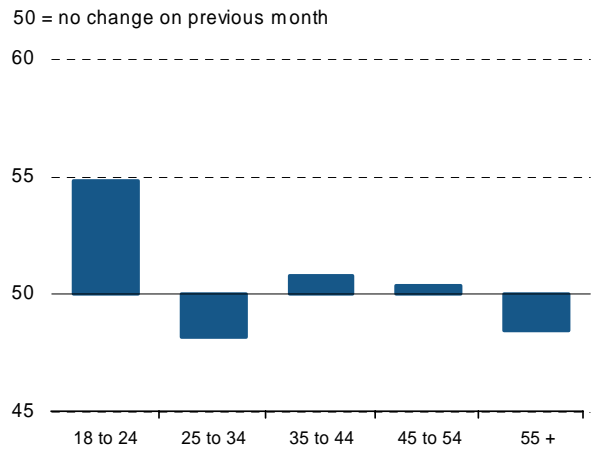
### Need for secured loans

July 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

