

23 November 2009

Demand for unsecured credit increased in November, although availability continued to fall

- All income groups reported a rise in requirements for unsecured loans...
- ...although overall debt levels fell.
- Access to credit remained tight.

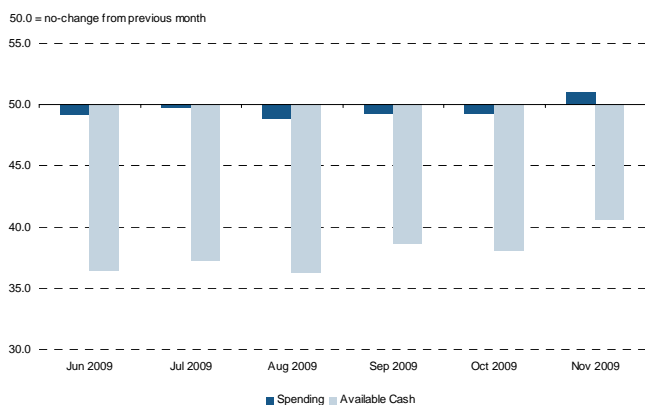
Households reduced their debt for the third consecutive month in November. However, their requirements for unsecured loans rose. This suggests that both caution and the lack of availability of credit contributed towards the reduction in overall debt levels in November.

Unsecured credit

Demand

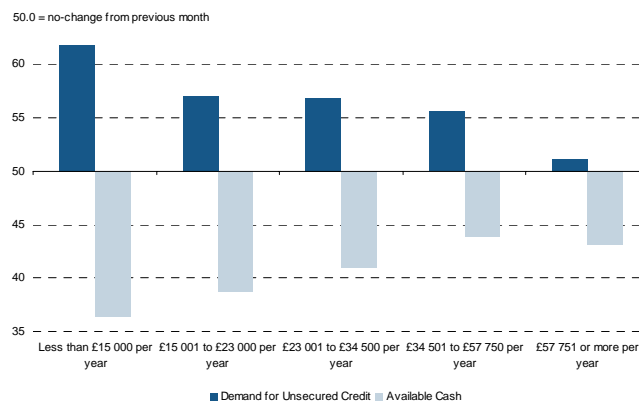
Following two months where the rate of increase in demand for unsecured credit eased, November saw a reversal of this trend. The rate of growth of the need for unsecured loans rose was the third highest since data collection started in February 2009. This was possibly due to seasonality (households looking to increase spending in the run-up to the Christmas period), although could also have resulted from the growth in confidence over future economic conditions that was also evident in the HFI survey findings.

Chart 1: Spending vs available cash



HFI data signalled that spending returned to growth in November. In contrast, available cash continued to contract on a month-by-month basis, which could be one explanation for the solid increase in demand for unsecured credit during November.

Chart 2: Demand for unsecured credit vs cash available to spend



All income groups reported a rise in requirements for unsecured lending. This was most pronounced in the lowest earning category, where available cash fell substantially during the month.

Availability and Conditions

Availability and conditions of unsecured credit were perceived to have worsened in November. Bank of England data supported this, with net lending figures for total consumer credit remaining negative as at September. Moreover, the continued rise in personal insolvencies in Q3 suggests that credit availability remained subdued.

Chart 3: Trends in total net lending, consumer credit



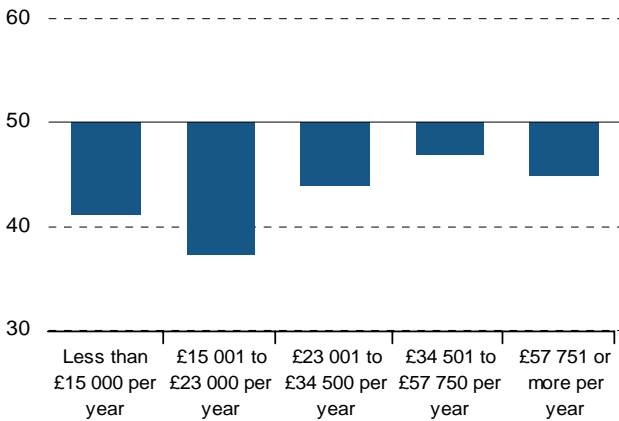
Source: Ecov in, Bank of England

Availability of unsecured credit

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

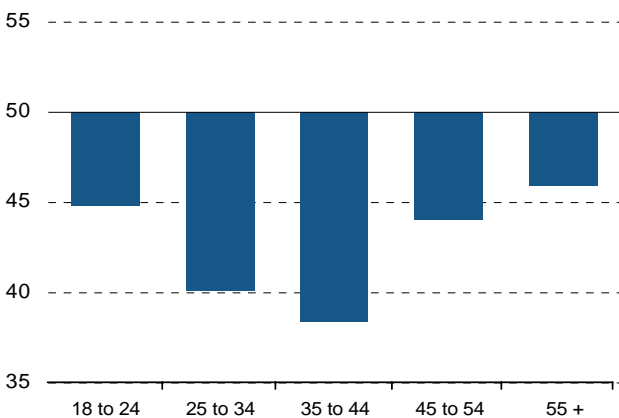
By income

50 = no change on previous month



By age

50 = no change on previous month



By region

50 = no change on previous month

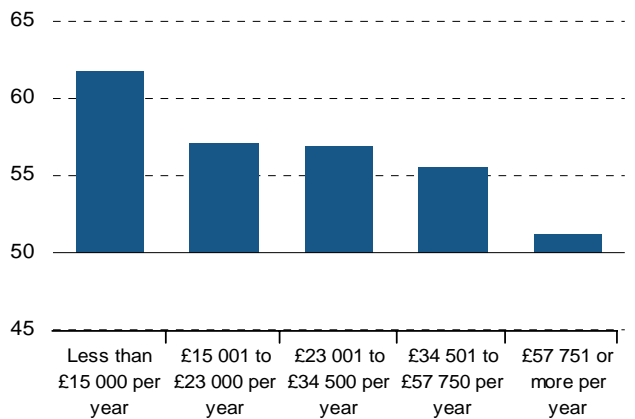


Need for unsecured loans

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

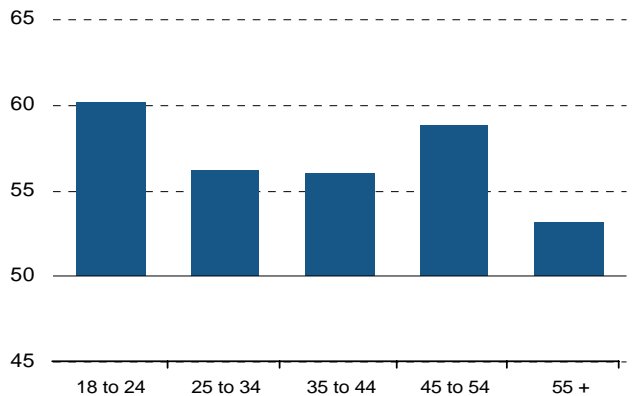
By income

50 = no change on previous month



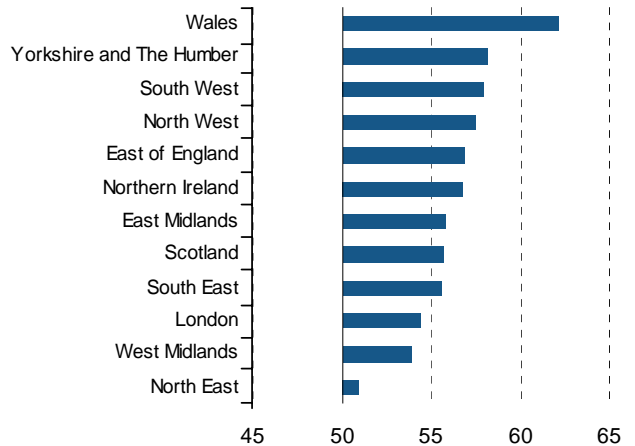
By age

50 = no change on previous month



By region

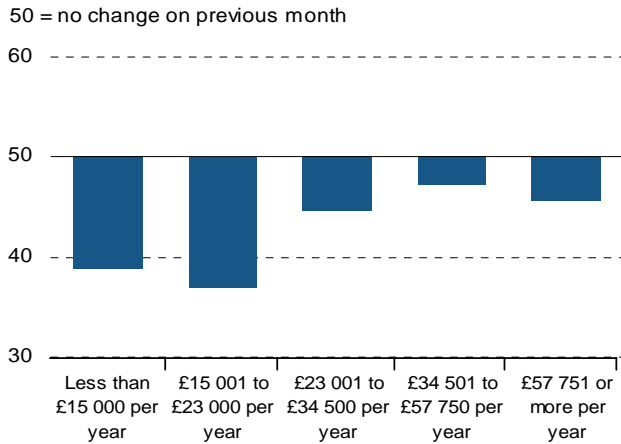
50 = no change on previous month



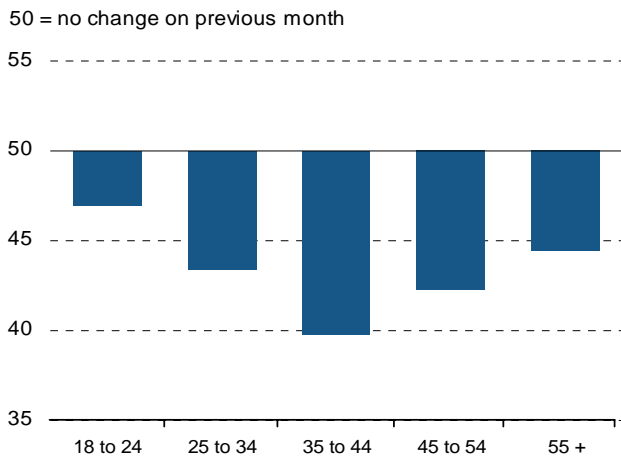
Availability of secured credit

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

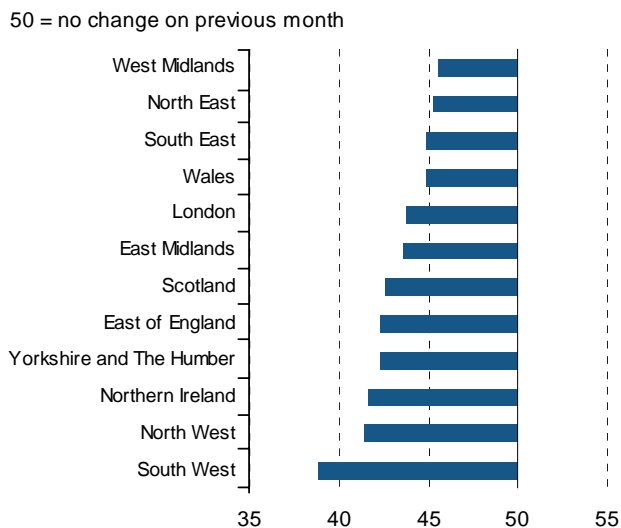
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By age



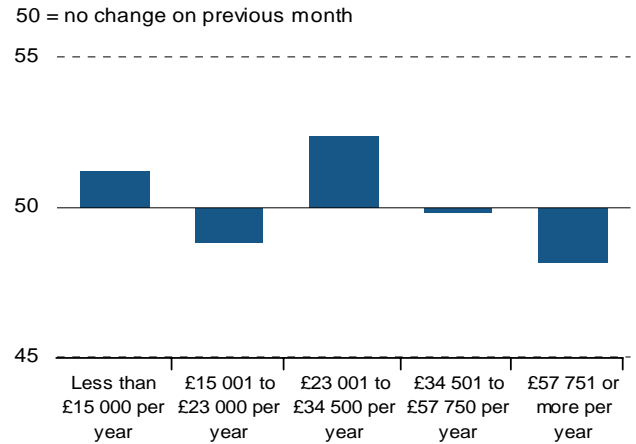
By region



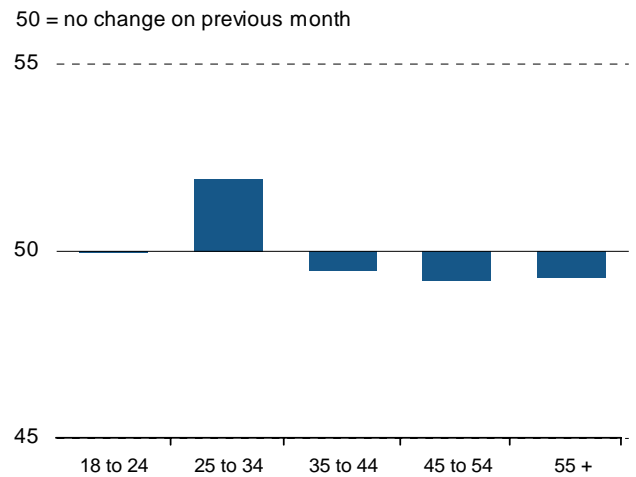
Need for secured loans

November 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

