

SECURED
LOAN
INDEX



enterprise
FINANCE

May 2015

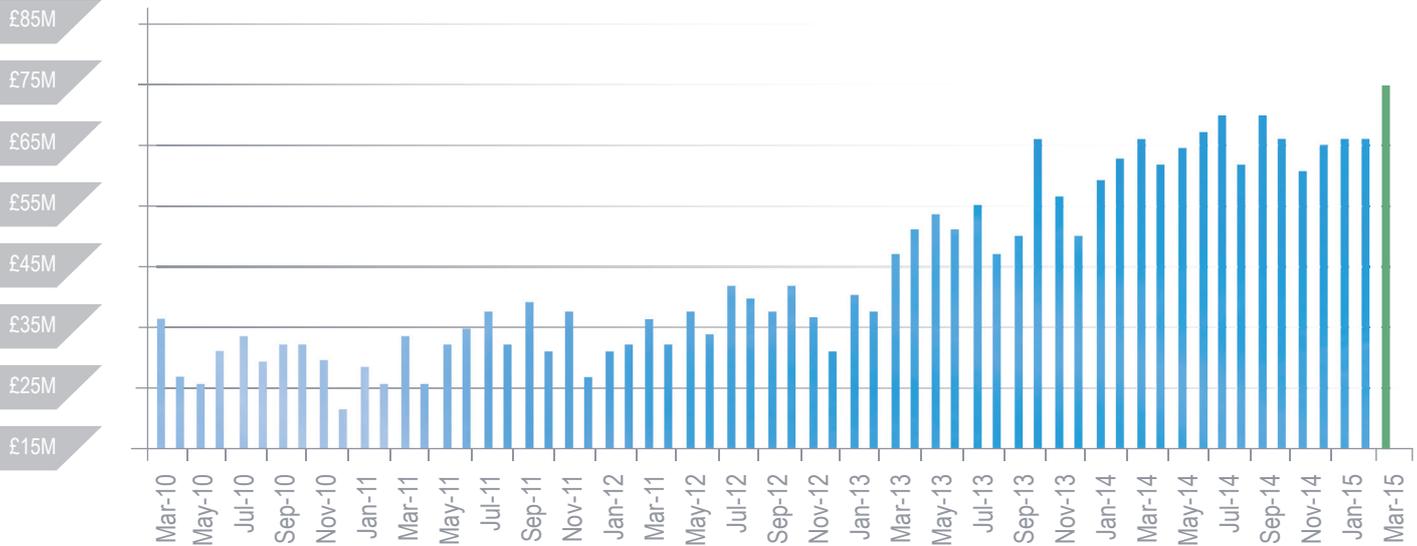
SECURED LENDING MARKET BUOYED BY CLIMBING CONSUMER CONFIDENCE

- £75.5m worth of secured lending in March; up 13.7% from February
- Annual second charge mortgage total just shy of £800m
- Growth driven by soaring consumer confidence

Secured lending grew by 13.7% in March according to the latest Enterprise Finance Secured Loan Index.

This means that £75.5m of second charge mortgages were taken out by homeowners in the third month of 2015, a significant uptick from the £66.4m transacted in February. The total amount lent on an annual basis now stands at £799m, a 19% improvement from the previous 12-month period.

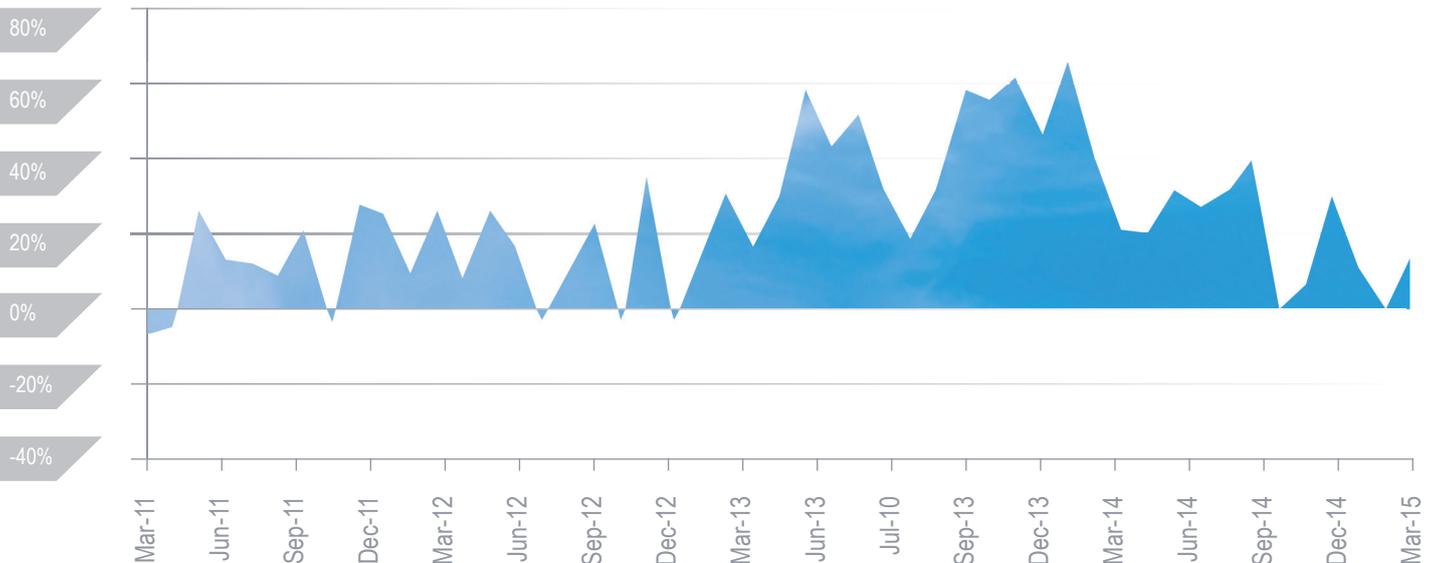
TOTAL MONTHLY SECURED LENDING



“ **Harry Landy**, Director of Enterprise Finance, said: *March's secured lending activity represents the market shifting up a gear after a solid start to 2015 and shows that demand for consumer credit remains keen. Monthly and annual improvements of almost 14% is further evidence that public attitudes to borrowing continue to improve as the economy recuperates to something resembling a clean bill of health.*

Annual lending of £799m represents a significant increase from the £672m seen in the twelve months to March 2014 and if the secured loan market continues to grow at this rate, then this time next year we won't be far off talking about a billion-pound industry. How smoothly the secured loan sector reacts to being regulated in the same manner as mainstream mortgages when the switch occurs next March will obviously be a determining factor in when that particular landmark is reached, but it shouldn't represent a significant challenge to further growth.

YEAR-ON-YEAR LENDING CHANGE



TYPICAL PROFILE OF A SECURED LOAN BORROWER

- Average loan size currently stands at £61,347
- Typical first charge rises to £241,003
- Current loan-to-value amounts averaging around 56%

The average secured loan size in March was £61,347 according to Enterprise's research. This represents a 14% increase from January and a 3% annual change.

Typical loan to value ratios presently stand at 56% - down from 60% in January – and the average first charge that secured loans are currently sitting behind is £241,003, a minor increase from the £234,313 witnessed in January.

Home improvements continue to be the most common reason for individuals using secured loans, currently accounting for 54% of all second charge mortgages, a 7% increase from January. Debt consolidation remains the second most popular motivator for secured loans. Purchases moved ahead of access to capital as the third most common reason cited.

“ *Average loan sizes hovered around the £50,000 mark throughout 2014, but the increase beyond £60,000 in March sees typical transactions return to the sort of level we experienced last spring. Given that home improvements continue to be the most popular reason for taking out a secured loan, it could well be that individuals are accessing larger tranches of secured finance to pay for work to their houses as the weather warms up.*

With cost of living concerns more muted than they have been previously, we are likely to see a continued trend of individuals using secured loans to finance larger projects and purchases rather than to finance more everyday expenses. ”

SOARING CONSUMER CONFIDENCE

One of the main reasons that demand for secured loans has continued to trend upwards over the past couple of years is a shift in public attitudes and the latest intelligence from market research firm GfK suggests that UK consumer confidence is at 13-year high. All five measures used to calculate its own index – including 'personal financial situation' and 'general economic situation' – registered increases in March, suggesting that far from being plagued by uncertainty ahead of the General Election, Britons are more assured than they have been in over a decade.

“ *Appetite for secured loans often increases when consumers are feeling more confident about the UK's – and their own – economic prospects, so it makes sense that second charge activity is so buoyant against such a promising backdrop. The economy is undoubtedly emerging strongly from the recovery phase, but it is surprising that sentiment is even stronger than in the middle of the last decade. This current feel-good factor has been created by a virtuous circle of low inflation, a strong jobs market, plunging energy prices and continual hints from the Bank of England that interest rates aren't about to rise any time soon.*

Given there is often a feel-good factor after a General Election, there is nothing to suggest that consumer confidence won't continue to rise over the coming months. With wages finally on the rise after a long period of stagnation, many people will feel better off than they have in some time, but for those seeking an extra cash injection, secured loans may represent a suitable solution. ”

PUTTING THINGS IN PERSPECTIVE

The strong secured lending figures revealed by this edition of the Enterprise index are supported by wider macro-economic measurements which point to growing demand for borrowing. The British Bankers' Association recently claimed in commentary supporting the publication of its high street banking statistics that stronger demand for personal loans continues to reflect greater credit availability and improved household finances. The trade association also reported that borrowing through personal loans has been on an upward curve over the past two years, with a noticeable uptick in the last twelve months.

Remortgaging activity continues to be more modest than the levels witnessed in early 2014, with the Council of Mortgage Lenders reporting an 11% year-on-year decrease for February. This can be partly explained by a growing band of homeowners turning to secured loans for their finance needs, rather than jeopardising their current competitive interest rate by changing their mortgage deal.

A final recent development for the secured loan industry to be mindful of is the Financial Conduct Authority's final conduct rules of the implementation of the mortgage credit directive. It was first unveiled in September 2014 that the regulator intended to bring second charge mortgages in line with first charges in terms of the way they are policed and the FCA's update confirmed that interest rate stress tests will be applicable to secured loans, albeit a simplified version from what was previously expected. The regulation of second charge mortgages under home loan rules rather than as part of the consumer credit regime officially transitions in March 2016, with elements of the implementation now pushed back to April 2017. With the intention of the legislative changes to improve consistency between first and second charge mortgages, the secured loan industry will be hoping that enhanced transparency leads to even greater consumer demand.

NOTE FOR EDITORS

Media Contacts:

Barney McCarthy, Instinctif Partners, 020 7427 1405

James Staunton, Instinctif Partners, 020 7427 1404

Enterprise Finance Director Harry Landy is available for comment on a variety of industry-related topics. Please get in touch for more information.

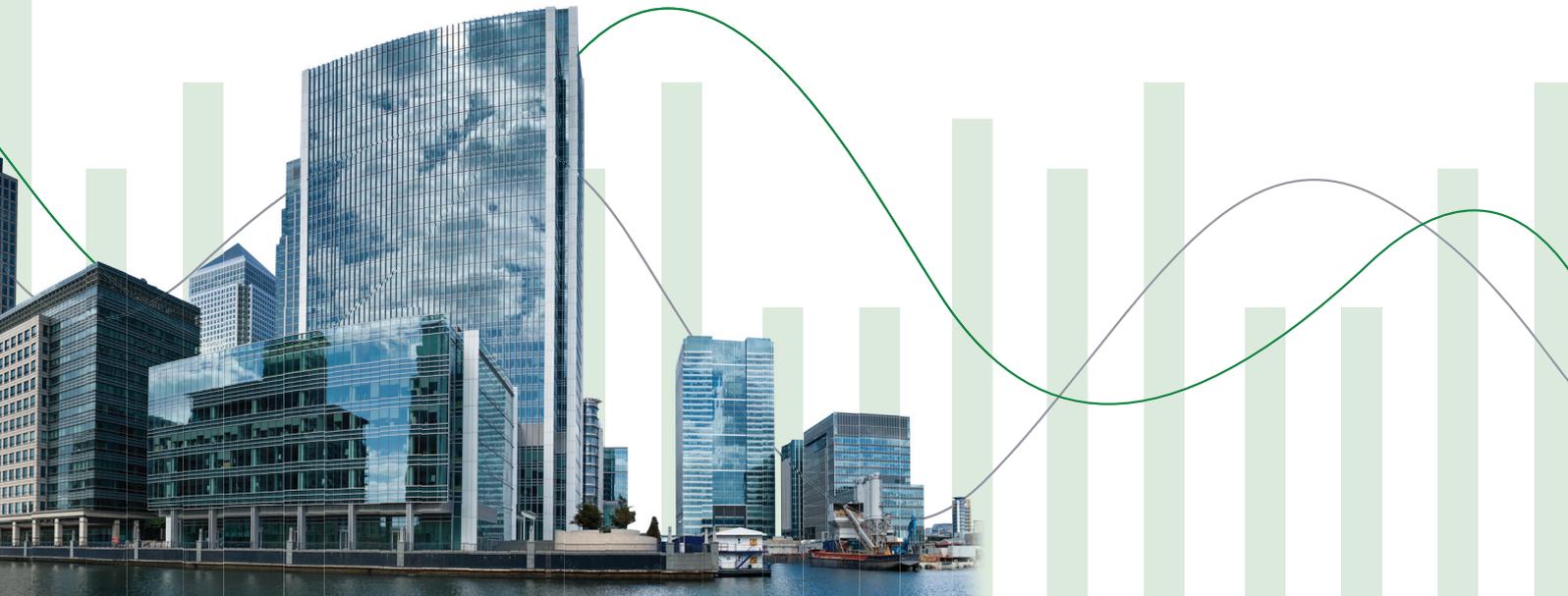
The Enterprise Finance Secured Loan index is devised using a combination of Enterprise Finance's own management information and data from trade bodies and lenders.

Enterprise is a multi-award winning master broker specialising in the safe distribution and packaging of secured loans, bridging finance and commercial mortgages and was established in 2002.

It is widely recognised as one of the largest and most innovative providers of broker services in the UK and its services are offered to many of the UK's major networks, often under branded arrangements. Its network partners include Openwork, Intrinsic, First Complete, Home Loan Partnership, NACFB as well as a large percentage of the directly authorised community.

Since its incorporation, it has sourced and managed more than £800m of secured loans, bridging finance and commercial mortgages.

In 2014, Enterprise Finance was named the 15th fastest-growing company in the UK according to The Sunday Times/BDO Profit Track 100 programme. Enterprise Finance would be grateful for any hyperlinks you could provide. For ease, we've provided these links: [Enterprise Finance](#), [secured loans](#) or, preferably, [commercial mortgages](#) which you can copy and paste directly into the articles.



May 2015



enterprise
FINANCE

TEL

+44 (0)208 731 5333

WEB

www.enterprisefinance.co.uk

EMAIL

sales@enterprisefinance.co.uk

ADDRESS

3rd Floor, Premiere House
Elstree Way, Borehamwood
Hertfordshire, WD6 1JH