

Personal Loans - UK - January 2013

Report Price: £1750 | \$2834 | €2204

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"With payday and peer-to-peer lenders establishing themselves as viable alternatives to more traditional options - the personal loans market has undergone something of a transformation. High street lenders must now adapt to the changing face of the market and ensure that they are giving customers what they want."

– Stephanie Absolom – Financial Services Analyst

In this report we answer the key questions:

- Can payday loans shake off the negative connotations?
- Is a lack of product innovation bad news for traditional lenders?
- Are the days of in-branch loan arrangement dead?
- Are the days of selling to an existing client base over?
- Is consumer appetite for credit returning?

The performance of the personal loans market can often be seen as a barometer of consumer confidence. Borrowing will increase in times of prosperity and will lessen in times of hardship. The personal loans market contracted after the credit crisis in 2008, with lenders unwilling to lend and people keen to repay their existing borrowing rather than accruing new debt. However, 2012 has seen an upturn in the market with the value of gross unsecured personal lending increasing from £17 billion in 2011 to an estimated £25 billion in 2012.

The increase in lending and borrowing can be attributed in part to an upturn in consumer confidence during 2012, as a result of rising employment rates and decreasing inflation. At the same time, there has been greater price competition in the market over the last 12 months. Some of the lowest personal loan rates seen in the last decade have been offered in 2012, appealing in particular to those seeking loans for debt consolidation. The advent of peer-to-peer lending and payday lending has also forced innovation and forward momentum in the market, resulting in more choice for consumers.

This report looks at the personal loan marketplace and considers the strengths and weaknesses of the market as well as the opportunities and threats posed. The key market drivers are discussed along with innovations, distribution and competitive products. The size of the market and its potential for future growth is examined and the key market players are profiled. Mintel's exclusive consumer research on the personal loan market is also analysed in order to give a view of how consumers research loans and what factors they consider important when choosing their product and provider. Consumer usage of and attitudes towards the payday loan market are also examined.

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