

# Unsecured Personal Loans - UK - December 2009

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## What is this report about?

Personal loan providers are continuing to operate in tough conditions, with reduced liquidity, rising impairments and a slowdown in consumer spending. The credit crisis and subsequent recession have had a marked impact on the consumer credit market, with many lenders being forced to pull out. Those remaining have tightened their lending criteria and turned their focus inwards to their existing customers. The supply of unsecured loans – particularly on the open market – has dramatically reduced over the past two years, resulting in a loss of competition. This has put upward pressure on loan rates despite a low Bank of England base rate and falling LIBOR since March 2009.

Drawing on a range of information sources, including Mintel's own consumer survey, this report will look at how lenders are adapting to the new pressures. The report includes a full appraisal of the issues and a five-year market size forecast.

## What have we found out?

- The market has been hard-hit by the recession. New unsecured personal loan sales have halved in just two years.
- Mintel forecasts another couple of tough years, but recovery should start to be seen in 2011.
- Despite some bad press, around half of loan holders say that they are satisfied with the service they have received from their lender.
- Mintel's consumer research shows that there will be some 1.7 million potential 'credit-extension' borrowers and 880,000 people in the market for an unsecured loan during the course of the coming year.
- Approximately one in ten existing loan holders have missed at least one repayment in the past, while one in six admit that they are currently struggling to meet their borrowing commitments.
- Despite the difficult economic climate, buying a car is still the main reason for taking out a personal loan. And, currently, there's little sign of greater demand for debt consolidation products.

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