

Personal Loans - UK - September 2010

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What is this report about?

The personal loan market declined by around 36% in 2009, as the appetite for both lending and borrowing declined amid challenging economic conditions. Following the fallout from the financial crisis, many providers have adopted stricter lending criteria, as they try to reduce exposure to unsecured lending. This has led several lenders to withdraw from the market, while many of those remaining have opted to restrict the availability of loans to their existing customer base.

This report examines the size of the personal loan market, providing context against the wider consumer credit market. It also looks at the wider economic factors affecting the demand for and supply of personal loans. Distribution and advertising trends are also considered, along with key developments in the market. Mintel's consumer research explores credit product ownership, the financial position of consumers and their general attitudes towards personal loans.

What have we found out?

- There's a strong consumer preference for more flexible forms of credit. Only 8% of adults say they have an unsecured personal loan, equivalent to around 4 million adults.
- Consumers' approach to credit has changed as a result of the slowdown, and demand for borrowing and, in particular, personal loans remains weak.
- Around a third of consumers regard personal loans as a last resort product, with middle income groups and third agers most likely to agree with this sentiment.
- In a sign of how the slowdown is causing some over-indebted consumers real financial difficulties, the proportion of loans arranged for debt consolidation has risen in recent years.
- More than two-fifths of personal loan holders state they would always shop around for the best rate, although only a small proportion expect to extend their borrowing over the next year.
- Around a quarter of adults believe that you've a better chance of being accepted for a loan if you go to an existing bank – this is particularly the case for consumers aged over 45.

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