

Personal Loans – UK – 2022

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This report looks at the following areas:

- Market performance, including a five-year market forecast
- An analysis of competitive strategies and launch activity
- Ownership of unsecured loan products
- Method of arranging personal loans
- Behaviours towards personal loans
- Future borrowing plans
- Attitudes towards personal loans

33% of adults think that loan providers can't be trusted to be transparent about fees, while 77% think that early repayment charges should be made clearer. If consumers can't be confident about the fees and costs, they are less likely to consider the product, and a lack of flexibility over early repayment will push more people towards revolving credit products. Addressing this issue is important for lenders if they are to build more engagement with the product and shift consumers away from other familiar forms of credit.

Inflation pressures will have a disproportionate effect on lower-income groups who will find it much harder to cope with rising prices, given that they have relatively little slack in their budgets. While some people in these groups might be wary of taking out a personal loan, others will be forced to consider this option to make ends meet. 15% of those who are considering taking out a loan in the next 12 months would take out one to pay for the things they need. Those who are struggling have limited credit options and many will turn to high-cost credit solutions with lenders who specialise in the sub-prime market.

The pandemic and successive lockdowns drastically impacted this sector, limiting spending opportunities and reducing the need and willingness to make big-ticket purchases. Economic uncertainty led to faltering consumer confidence, which also drove down demand for personal loans. Economic growth and higher consumer spending should help to drive growth in the loans market. However, loan providers will also need to ensure their products are well



"The pandemic and successive lockdowns drastically impacted the personal loans sector, limiting spending opportunities and reducing the need and willingness to make big-ticket purchases. Consumers will remain cautious about their spending and borrowing as the cost of living rises."

– Stefania Apostol, Financial Service Analyst, February 2021

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placed to compete with more flexible borrowing solutions as consumers will continue to take a cautious approach to their finances. 20% of those considering taking out a loan in the next 12 months cite home improvements as the main reason for a loan. This is likely to sustain demand for borrowing as people will continue to reassess and try to improve their homes. Marketing loans alongside DIY and other home improvement services could prompt more people to consider their plans and possibly upgrade to bigger projects with the help of additional funds.

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