

MORTGAGE LENDING

Who's doing it?

Despite the increase in cash-only buyers, around two-thirds of UK housing transactions are dependent on a mortgage. The availability and cost of mortgage debt plays a huge role in the level of market turnover and house prices. Therefore, understanding who is (and isn't) actively mortgage lending provides useful context on the state of the current housing market.

Using a combination of BBA data (which covers the 'main high street banks' of Santander, Barclays, HSBC, Virgin Money, Lloyds, RBS and all their subsidiaries) along with data from the Bank of England shows the scale of lending by the largest institutions and their role in the increased market turnover following the 2013 Budget. They are currently responsible for 64% of gross new lending (Fig 1) and 63% of outstanding lending (Fig 2).

Further splits in the Bank of England data allow us to identify Other Monetary Financial Institutions which cover all other UK resident banks and building societies along with Other Specialist Lenders which covers most other lenders. Fig 2 highlights the continued but slow increase in overall outstanding lending both during and since the credit crunch (in nominal terms). The data also shows the role of specialist lenders and off-balance sheet lending in the increase in the overall stock of lending during the mid-2000's boom. Their role is further highlighted by the transfer of securitised loans from special purpose vehicles back to their originating financial institution at the start of 2010 due to changes in financial reporting.

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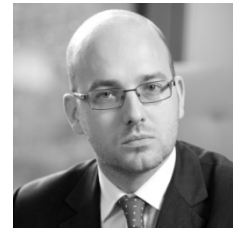
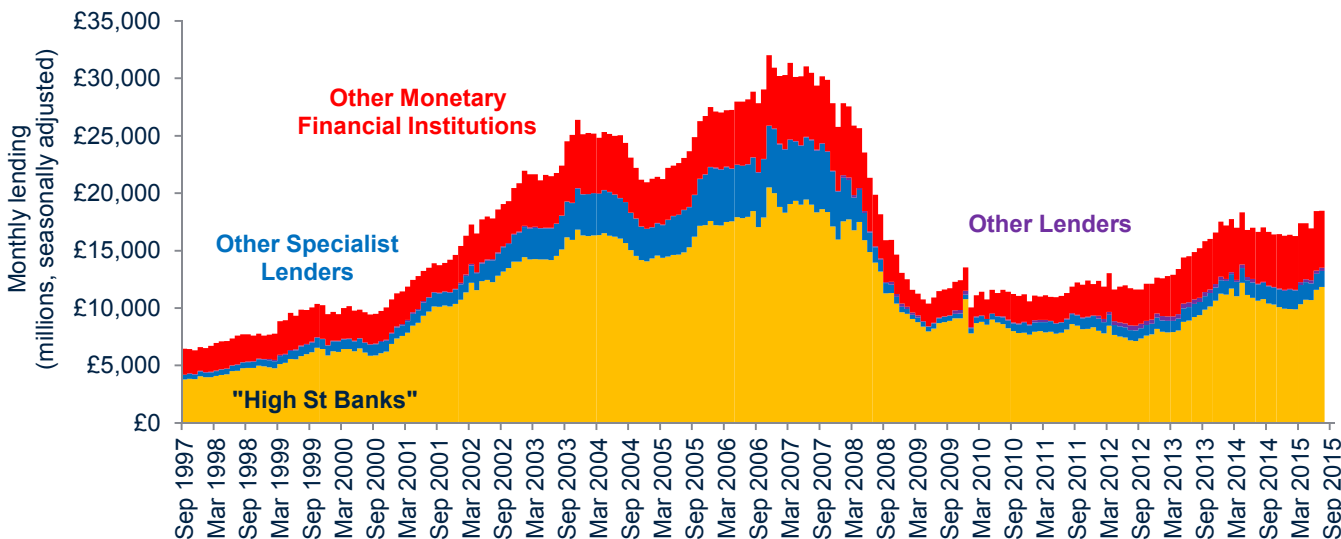
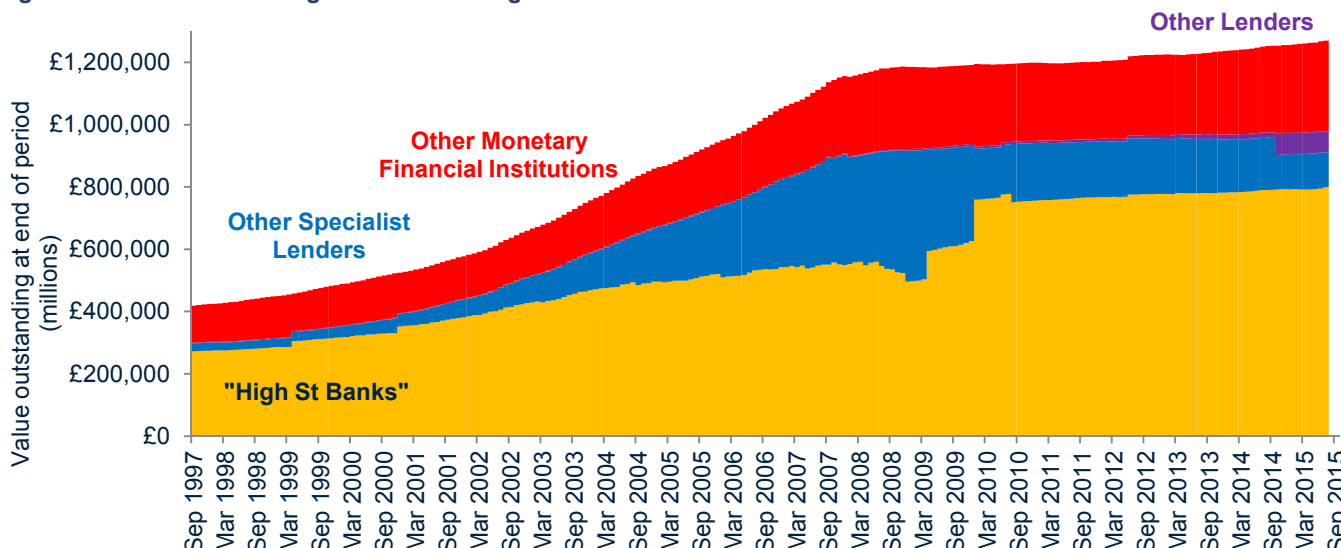


Fig 1 – Gross Mortgage Lending



Source: Bank of England & BBA

Fig 2 – Value of Outstanding Secured Lending



Source: Bank of England & BBA



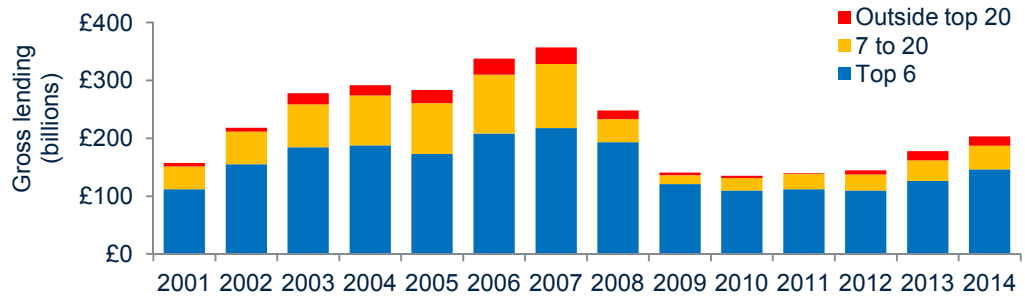
The importance of the largest lenders in the mortgage market is further emphasised by recent analysis published by the Council of Mortgage Lenders. Their analysis provides a breakdown of gross mortgage lending and total outstanding balances for the twenty largest lenders. Analysis of this analysis and historic data gives a mixed picture for lending between 2009 and 2014.

On the positive side: Barclays, Nationwide and HSBC had the largest net increases in outstanding balances during the 2009-14 period and RBS had the third largest net increase in 2014. However, Northern Rock (Asset Management) has continued to reduce its outstanding lending which is now down around 60% since 2009. Santander reduced net lending by £18bn between 2011 and 2013 which is only slightly counterbalanced by a £2bn increase in 2014. Bradford & Bingley, Co-Op, Bank of Ireland and GE Money have also continued to reduced their exposure during the period.

Meanwhile, Lloyds is by far the largest mortgage lender and accounts for 24% of outstanding lending and 20% of gross lending but continues to reduce its exposure. While a large part of its 2012-13 decrease was due to a transfer to TSB, its latest results show a £2bn fall in outstanding loan value during the first half of 2015 with Buy-to-Let the only sector increasing (£0.85bn). With the largest lender continuing to reduce its mortgage exposure, there remains the question of when might we see a return to a fully functioning mortgage market and hence higher transaction levels.

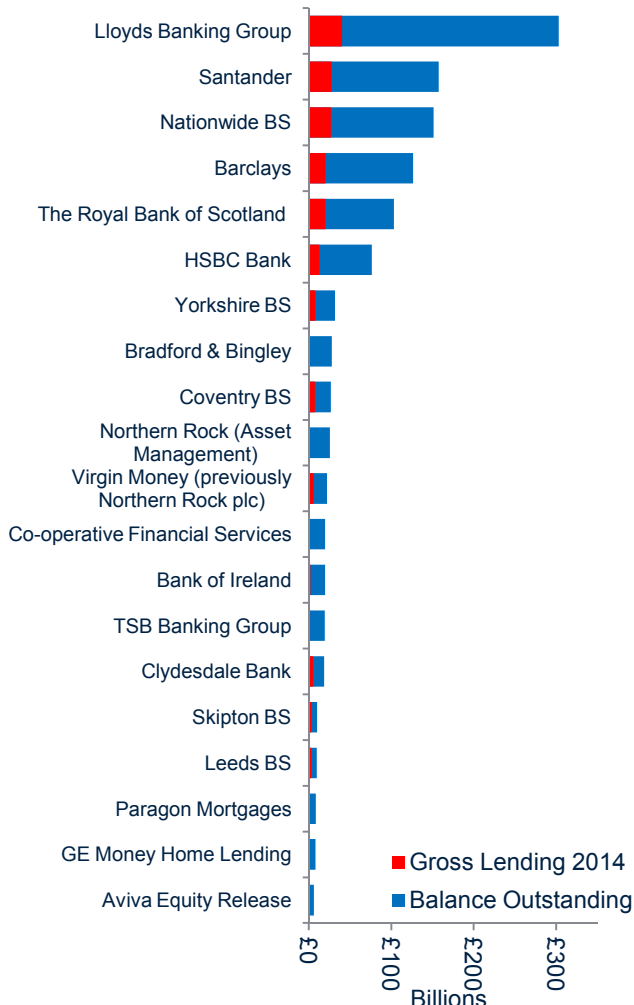
Fig 3 – Gross Lending by Size of Lender

Further analysis of the data by the Council of Mortgage Lenders is available here <http://www.cml.org.uk/news/largest-lenders-in-2014-reflect-a-competitive-mortgage-market>



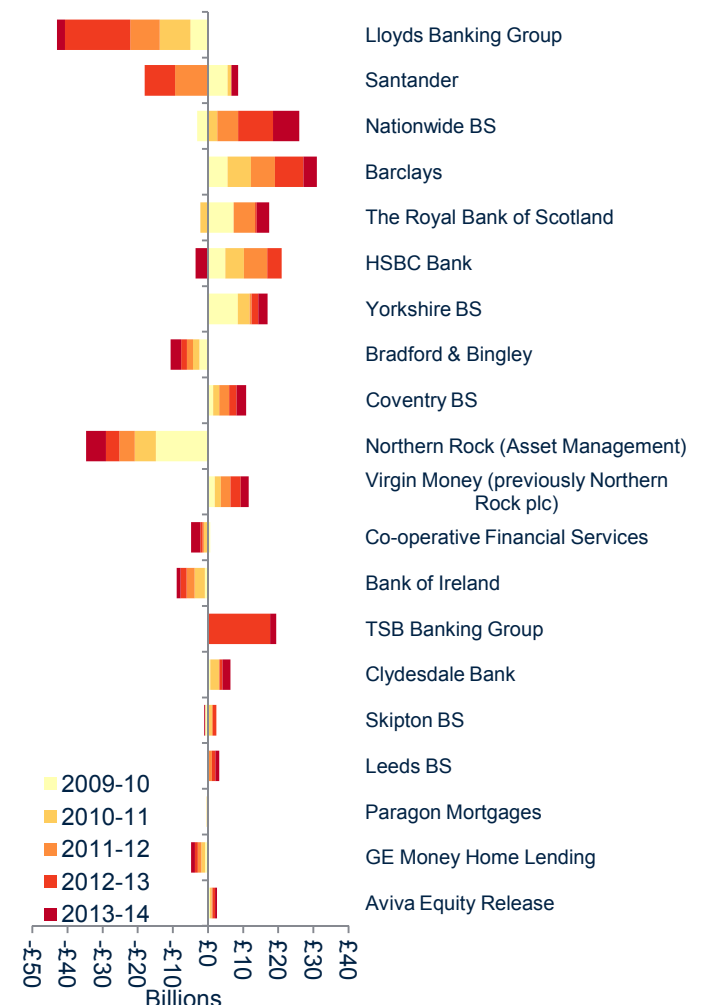
Source: Savills using Bank of England & Council of Mortgage Lenders

Fig 4 – 2014 Balances Outstanding & Gross Lending



Source: Council of Mortgage Lenders & Thedata Ltd

Fig 5 – Net Change in Balances Outstanding by Year



Source: Council of Mortgage Lenders & Thedata Ltd

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