

6 May 2009

## Loan rates jump 44%

Borrowers looking for an unsecured personal loan have seen rates jump by up to 44% in just two years.

Those looking for a £5,000 loan have been hardest hit as the average rate jumped from 8.6% in May 2007, to 12.4% today.

Loan Amount	Average Rate Now	Average Rate May 2008	Average Rate May 2007	Rate Increase	% increase over two years
£1K	19.5%	18.8%	17.2%	+2.3%	13%
£5K	12.4%	10.2%	8.6%	+3.8%	44%
£10K	9.2%	8.5%	7.4%	+1.8%	24%
£25K	9.2%	8.3%	7.3%	+1.9%	26%

Source: Moneyfacts.co.uk 6.5.09

**Michelle Slade**, analyst at **Moneyfacts.co.uk**, commented:

“Despite bank base rate being at an all time low, borrowers looking for a personal loan have seen no benefit.

“Those looking for just £5,000 have seen a staggering jump in the cost of a loan.

“In May 2007 a customer would have paid £664 interest on a £5,000 loan over a three year term, where as today that has jumped to £957.

“With many providers showing just typical rates, the actual increase a customer has to pay today compared to a few years ago could be much higher.

“Tighter lending criteria is likely to mean only those with a perfect credit history will be getting the best rates.

“Rising unemployment has meant the risk of customers defaulting on unsecured loans has increased and this increased risk is being seen in higher rates.

“If a customer is struggling to meet repayments, unsecured lending is likely to be the first on which customers default, rather than secured lending such as their mortgage.

“In the last year, 19 personal loan products have been withdrawn from the market. If a personal loan is required, borrowers have much less options.

“Shopping around is key. Only Sainsbury’s customers who hold a Nectar card can a loan rate of less than 8.0%, with the AA and Yourpersonalloan.co.uk offering rates of 8.0%.”

## Note to Editors:

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Our dedicated research experts produce three monthly publications as well as providing real time news and data services to the majority of banks and building societies. Additional information can be found at [www.moneyfactsgroup.co.uk](http://www.moneyfactsgroup.co.uk).

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