

1 February 2010

Loan rates at nine year high

Risk continues to be the focus in all lending activity, but with no guarantees on the debt being repaid, unsecured personal loans have seen some of the sharpest increases.

Despite bank base rate being at an all time low, personal loan rates stand at a nine year high. By comparison, when loan rates last peaked in 2001 bank base rate was 6.00%, its highest point in the last decade.

Date	Lender	APR	Monthly Repayment
January 2010	Alliance & Leicester	8.9%	£157.97
January 2009	Yourpersonalloan.co.uk	7.8%	£155.61
January 2008	Moneyback Bank	6.7%	£153.34
January 2007	Northern Rock	5.8%	£151.32
January 2006	Moneyback Bank	5.7%	£151.19
January 2005	Alliance & Leicester	5.9%	£151.62
January 2004	Northern Rock	6.0%	£151.84
January 2003	Northern Rock	6.9%	£153.75
January 2002	Northern Rock	7.9%	£155.83
January 2001	Northern Rock	9.4%	£159.05

Figures based on a £5,000 personal loan over 3 years
Source: Moneyfacts.co.uk 01.02.10

Michelle Slade, spokesperson for Moneyfacts.co.uk commented:

“Unlike on a mortgage, there is no security that a personal loan debt will be repaid.

“In such a risk adverse market, lenders are only offering loans to the most creditworthy applicants and then at a premium.

“The post-Christmas loan sales that we see each January did not materialise, a further indication that lenders do not want to encourage unsecured lending.

“Unemployment remains high and when people are struggling to meet repayments, unsecured lending is one of the first debts they stop repaying.

“The majority of lenders advertise typical rates, so borrowers shouldn't be surprised if they have to pay a higher personal loan rate than that shown.

“With a £1,055 difference between the cheapest and most expensive £5,000 personal loan, shopping around is key.

“However, borrowers need to be wary of making multiple applications as this will reduce their chances of being accepted.

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Our increasingly popular consumer website www.moneyfacts.co.uk **helps customers make better financial decisions** and gives them the ability to check the latest best buy products and to search the **whole market** for products that suit their individual circumstances.

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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.

Contact us...

Looking for extra comment, a chart or more information, then please give us a call. We are always more than happy to help.

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