

## Unsecured lending rates increase despite low base rate

Independent financial research company Defaqto highlights the increased cost of unsecured loans.

The research outlined in Defaqto's latest banking report reveals that over the past 3 years, despite the bank base rate falling to a historical low of 0.5%, the average interest rate of an unsecured personal loan<sup>1</sup> has increased from 8.8% in 2007 to 12.9% today.

Kevin Bray, Insight Analyst for Banking said "The increasing cost of unsecured lending reflects the lack of appetite for risk in this area with many providers suffering from high arrears and default rates. Additionally the number of providers has reduced by a third since 2007 and of those remaining the focus has been on offering unsecured products to their existing customers."

Mr Bray added "There is some good news for consumers following the recent announcement from the Government about changes to credit card rules and in particular how payments are allocated. From January 2011 providers must allocate payments to the transactions attracting the highest rate of interest and this is expected to collectively save consumers between £300m - £500m."

	April 2006	April 2007	April 2008	April 2009	April 2010
Bank of England base rate	4.50%	5.25%	5.00%	0.50%	0.50%
Average unsecured loan APR <sup>1</sup>	8.1%	8.8%	10.2%	12.2%	12.9%
Average typical APR for credit card	15.7%	16.7%	17.2%	17.7%	18.2%

Defaqto's banking report entitled '*A lack of funding*' is available via [http://content.defaqto.com/marketreports/Report\\_Details.asp?ReportID=111](http://content.defaqto.com/marketreports/Report_Details.asp?ReportID=111)

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### Notes to Editors:

<sup>1</sup> Based on an unsecured loan of £5,000 repaid over 36 months

### About Kevin Bray

Kevin has recently joined the Defaqto Insight team in the banking area. He has significant retail banking experience gained within The HBOS group during a 20 year career that involved roles such as senior mortgage underwriter, arrears & possessions manager, customer service manager and mortgage desk manager looking after national mortgage accounts. Additionally, project managing the implementation of the Halifax's image and workflow system in the East Midlands region and working with external consultants in re-engineering the mortgage application process. More recently he qualified as a mortgage adviser, running his own franchise for the last few years.

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4 May 2010

**About Defaqto:** [www.defaqto.com](http://www.defaqto.com)

Defaqto is an independent financial research company specialising in rating, comparing and analysing financial products.

Since 1994, Defaqto has built the largest, whole of market, financial product database and become one of the leading providers of financial product data in the UK. We now cover over 30,000 products across banking, life, pensions, investments and general insurance.

Our experts validate and analyse the data to provide insight and consultancy to all layers of the financial services sector including IFAs, mortgage and general insurance brokers, providers, web aggregators and the public sector.

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# Press release