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A contraction in UK bank lending for the first time since 2009 by [John Harry](#)

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There is a contraction in UK bank lending which is happening for the first time since the year 2009. According to an estimate by Ernst & Young ITEM Club Outlook for financial services, the total bank loans are expected to contract by 2.2 per cent this year, after expanding by an estimated 4.3 per cent in 2011. Lending is predicted to grow by just 0.9 per cent in 2013. Moreover, the contraction in corporate loans is expected to be sharp, with a 5.7 per cent fall forecast for this year.

Small and medium-sized businesses could find it particularly difficult to obtain loans as banks try to reduce credit risk, affecting UK growth prospects. According to new forecasts, small businesses are likely to be hit hard as overall bank lending contracts for the first time since 2009. Financing conditions are likely to be particularly tight in the construction and real estate sectors. Neil Blake, a senior economic adviser to the Ernst & Young ITEM Club said that when the UK economy was still suffering from the immediate effects of the global financial crisis, they have been warning about the impact bank deleveraging could have on the economy for some time, but this is the first time there will be an annual contraction in total loans since 2009.

However, increasing numbers of consumers are expected to turn to pay-day loans as lending by banks and building societies contracts. According to the experts, Consumer credit is predicted to contract by a further 5.4 per cent, with households increasingly turning to alternative providers such as pay-day loans. Need urgent cash apply with instant personal loans @ <http://www.instantcashpersonalloans.co.uk/> and get quick money without any hassle for your urgent needs.

The unsecured lending of Banks and building societies to individuals has contracted by 23 per cent since 2007, but net lending by alternative high-cost consumer credit providers has risen by 42 per cent (£29billion) over the same period. Mr. Blake said that households that fall outside of the credit terms of traditional lenders are increasingly looking toward other credit providers, regardless of the cost. With banks expected to further tighten lending conditions and they expect the shift towards alternative lenders to continue unabated. The current reports also predicted an increase in write-offs across consumer credit and corporate loans, with default on unsecured lending set to increase. However, the predicted increase in write-offs of residential loans is small which is inevitable.

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