

Loans market could still improve despite recession



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Press Release Summary: Financial solutions company Think Money have commented that the loans market could still see a recovery over the next few months if the bank bailout scheme is implemented successfully, amidst warnings that the UK is now on the brink of recession.

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Press Release Body: Following a week that saw perhaps the strongest signs yet that the economy is about to enter a recession, coupled with warnings from Bank of England Governor Mervyn King and Prime Minister Gordon Brown that a recession is very likely, financial solutions company **Think Money** have said that the loans market could still see signs of recovery in the coming months, so long as the Government's bank bailout scheme is implemented successfully.

Recession fears hit a new high as figures from the National Office for Statistics showed the first drop in economic output in 16 years between July and September this year. Output fell by 0.5%, exceeding economists' predictions.

If the British economy records another fall in output in the fourth quarter of 2008, it will be officially considered a recession – although many experts, such as the Ernst & Young ITEM Club, have expressed the opinion that we are already in a recession.

And at a meeting of business leaders at the Leeds Chamber of Commerce, Bank of England Governor Mervyn King said in a speech: "it now seems likely that the economy is entering a recession."

Regarding the market for loans, King commented: "We now face a long, slow haul to restore lending to the real economy, and hence growth of our economy, to more normal conditions."

But a spokesperson for **Think Money** said that it is not the end of the road for the loans market. "It's logical to assume that it may become more difficult on the whole to obtain loans, mortgages and other forms of credit – but that doesn't mean it will be impossible to obtain loans for the duration of the recession.

"The Government's bank bailout scheme is aimed at stimulating the market for personal loans as well as business loans, and the cash injections should give lenders increased confidence in their ability to offer loan products. The falling LIBOR rate is a good indicator that, in the short term at least, this has been working.

"It's important to remember that financial institutions depend on interest from loans as a source of income, so lenders will have to remain as competitive as they can be in that respect."

The **Think Money** spokesperson added that both secured and unsecured loans should be available in some capacity. "Lenders will feel more confident offering secured loans, as they are backed up by assets which act as a potential 'guarantee' to the lender," she said. "In this respect, lender confidence isn't so much an issue as the lack of liquidity, which should hopefully improve with the bailout scheme, as well as any future base rate cuts.

"Unsecured loans may prove a little more difficult for consumers to obtain than secured loans, as they are often perceived as 'higher risk'

by lenders, but it will still be very much possible – it may just take longer to find the right deal.

And the spokesperson was keen to emphasise the importance of loans advice in times of economic difficulty. "Speaking to a professional loans adviser can often make the difference when it comes to finding the best loan deals," she commented.

"A loans adviser will talk through your financial situation in confidence, and will advise you on what you can expect in terms of the type of loan, interest rates, and the amount you can borrow. Once they have done that, they will be able to search the market for you, saving you valuable time and effort, and hopefully meaning you will end up with a loan that suits your needs."

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