

Definitions and notes to editors

1. Protecting customer confidentiality

Lenders have taken care to strike a balance between the desire for transparency and the need to protect customer confidentiality. To protect the privacy of business and personal customers, a set of parameters were agreed with the Government to ensure customer confidentiality is protected and that there is compliance with data privacy rules. This has led to some postcode sectors at both individual bank and aggregate level being redacted.

Business groups have stressed that great care must be taken to ensure that the borrowing of commercial customers cannot be identified.

2. What do borrowing levels indicate?

Stock levels are not equivalent to current demand or new borrowing - they reflect drawn-down amounts from agreed borrowing facilities. They will comprise borrowing agreements made in the past and new agreements, less partial or full repayments or borrowing written off.

The postcode attributed to a personal loan is determined by the correspondence address of the applicant. The postcode attributed to SME lending is derived from the business's primary trading location.

Borrowing is not a direct indication of the financial health of borrowers. Levels will reflect the demographic or characteristic make-up of a sector and its population.

For example, predominantly residential sectors will be unlikely to see high levels of SME borrowing. Predominantly commercial or industrial areas will be unlikely to see high levels of mortgages or personal loans.

3. What is being reported?

Lenders report on three separate product streams: SME lending, residential mortgages and unsecured personal loans. All figures reflect the total amount of borrowing outstanding on customer accounts.

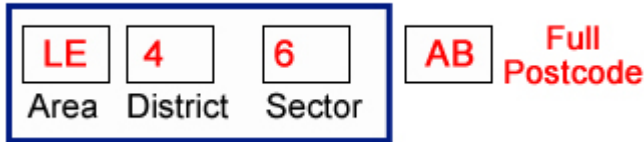
This figure will fluctuate over time for a number of reasons including:

- new borrowing agreements
- customers repayments, either in part or in full
- existing agreements mature
- borrowers moving location
- borrowers switching into or out of alternative finance products
- borrowers switching to a different lender

4. What is a sector postcode?

This exercise centres on the postal addresses represented by Royal Mail postcodes. The postal address is a sorting and routing instruction to Royal Mail staff.

They are made up of several components, as follows:



The Royal Mail periodically reviews and makes changes to its postcodes, for example, when there are new homes or businesses in a development area, new or re-routed roads or a lack of codes for extra capacity.

The data published here reflects borrowing in 'live' postcodes (according to the list published by the Royal Mail in November 2014), and is therefore an up-to-date picture of its geographic distribution across Great Britain. There are around 1.8 million full postcodes, 10,000 sector postcodes, 3,000 districts and 120 postal areas.

There are a number of alternative geographical classifications, for example county, local authorities and parliamentary constituencies, but these do not necessarily directly map across to sector postcodes.

5. Population composition of postcode sectors

The population and geographical size of postcode sectors vary greatly. Similarly, the number of small businesses in each postcode sector differs significantly.

UK Finance has produced three tables: one on small business lending, one for the personal loans dataset and one for the mortgage dataset.

Table 1 - SME lending across the regions

We have used figures compiled by the Department for Business, Energy Industrial Strategy that provide a regional breakdown of SME turnover to produce a table which shows that regions outside London and the South East receive a higher proportion of SME lending than their share of SME turnover. Regional data is used for this table as there is no postal sector data available for SME turnover.

| | Percentage of Britain's SME Turnover (estimated) | Percentage of Britain's Gross Value Added 2014 | Percentage of Britain's SME Lending December 2015 |
|--------------------------|---|---|--|
| London | 30% | 23% | 20% |
| South East | 18% | 15% | 13% |
| North West | 8% | 10% | 11% |
| South West | 5% | 8% | 11% |
| West Midlands | 8% | 7% | 9% |
| Scotland | 6% | 8% | 8% |
| Yorkshire and the Humber | 6% | 7% | 8% |

| | | | |
|-----------------|----|----|----|
| East of England | 9% | 9% | 8% |
| East Midlands | 6% | 6% | 6% |
| Wales | 2% | 3% | 5% |
| North East | 2% | 3% | 3% |

Source: BEIS / UK Finance

6. Why are some figures not available?

One of the key roles played by UK Finance has been to ensure that participating lenders report as fully and as meaningfully as possible, whilst also adhering to all relevant data privacy, competition and other laws. As highlighted above, a major consideration and necessary requirement has been to maintain customer confidentiality.

A general level of protection for customers is afforded by publishing postcode figures six months in arrears. This is a deliberate part of the design of this exercise, and will be an on-going feature.

To protect customer confidentiality UK Finance have agreed three filters with Government to ensure the protection of individual customers and their confidential data. Therefore, individual borrowing data should not be imputable directly, or in conjunction with other third party data.

Borrowing amounts outstanding for a postcode sector are not disclosed if;

- There are fewer than 10 borrowers active in the postcode sector, or
- Borrowing within the postcode sector is highly concentrated amongst a small number of borrowers.

In addition

- Individual lenders are not obliged to publish borrowing at postcode sector level if they hold less than 10 per cent of SME borrowing, 3 per cent of mortgages or 3 per cent of personal loans in a postcode sector.

These filters are applied to the data in the hierarchical order above. When applied to the aggregate dataset, the total value of borrowing redacted is relatively small: such borrowing accounts for 4 per cent of SME lending, under 1 per cent of mortgage lending and less than 0.5 per cent of personal loans.

In the UK Finance aggregate datasets, UK Finance take further steps to protect against disclosure in redacted postcode sectors as the data is aggregated.

For example, if 6 lenders publish data in a postcode sector but 1 lender is required to redact their total for that sector, the publication of the full (7 lender) total by the UK Finance in the aggregate data set would disclose the redacted value of the 7th lender.

To protect against this inadvertent disclosure, UK Finance only publishes the sum of all 7 lenders where either no lenders have been required to redact their totals or where there are 2 or more lender redactions in the sector. If either one or two lenders are required to redact their sector total (as in the example above), UK Finance will only publish the sum of the publishable lenders data.

The effect of the redaction filters may vary from quarter to quarter, which can make direct comparisons from quarter to quarter for some postcode sectors difficult. UK Finance is continually looking at ways to make the analysis of this data more informative. However, all data that is not disclosed as a result of these filters is included in the postcode area level totals to make the regional and postcode area level comparisons as meaningful as possible.

The aggregated data shows NIL for any postcode sector where there is no lending by the banks in this exercise and "0" where there is lending but the data has been redacted to preserve confidentiality.