# Virgin Money signals return in mortgage market with hopes interests rates 'have peaked'

Mortgage lending has fallen at Virgin Money but the challenger bank says there are signs the market is picking back up to pre-pandemic levels.

The lender – which has its main sites in Newcastle, Glasgow and Leeds – highlighted a "subdued" market in a first quarter trading update to investors on the London Stock Exchange. Unsecured lending, including the use of credit cards, grew 2.8% but provisions for bad debts grew to nearly £640m, as customers falling behind on credit card repayments edged higher.

Virgin said it was confident in its medium term outlook as it continues a restructuring effort which has included branch closures throughout the country. The measures, which have cut around a third of the bank's branch network, were said to have helped stabilise costs despite inflation.

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While mortgage lending, at £57.1bn, was 2.2% lower in the first quarter of 2024 compared to last year, business lending was 6.7% higher at £9.01bn and unsecured lending grew 7.8% to £6.7bn. Virgin said the growth in business lending came at good margins within its specialist sectors.

On mortgages, Virgin said: "The group is trading nimbly to optimise performance, including the launch of our innovative new ‘Fix and Switch’ range, along with our new premium broker service, delivering an enhanced experience and a larger pipeline of recommended cases. There are early signs in January that market activity has improved, including market applications volumes more in line with 2019 levels within both residential lending and more recently buy-to-let. Looking ahead, the group expects customer sentiment in mortgages to continue to improve, given the emergence of more positive trends at lower customer rates.”

The trading was in line with expectations as credit quality was said to be solid. The bank recorded a £64m impairment charge during the quarter, compared with a £66m impairment charge in the same period of 2023.

Meanwhile, net interest margin, which measures the difference between interest income from loans and the amount of interest paid out to saver, was unchanged at 1.89% year-on-year, though down slightly on the full year 2023 results. A £150m share buyback announced late last year was 34% complete at the end of January.

David Duffy, Virgin Money chief executive officer, said: “We have made a positive start to the year, with strong Q1 results in line with our guidance. We’ve delivered growth in new accounts, deposits and target lending segments, at stable margins and with ongoing cost efficiencies.

“We are encouraged by both our customers’ resilience and improving sentiment in the mortgage market as interest rates have peaked. We carry good momentum into 2024 as we continue to successfully execute our strategy.