Alarm as mortgage borrowing dives and credit card debt soars

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ortgage borrowing slumped but credit card debt rose sharply in April in an ominous sign that households are feeling the pinch of the cost of living squeeze.

Latest figures from the Bank of England (BoE) show that net mortgage borrowing fell sharply from £6.4 billion to £4.1 billion. Mortgage approvals for house purchases dropped from 69,500 to 66,000 in the month.

However, net consumer credit rose from £1.3 billion to £1.4 billion with credit card debt soaring by 11.6%, the highest since November 2005.

Experts said the figures suggested that house buying decisions are being put off while increasing numbers of families are forced to use credit cards to help make ends meet.

Andrew Montlake, managing director of the mortgage broker, Coreco, said: “This latest rise in consumer credit will trigger even more alarm bells at the Bank of England.

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“It shows the economic storm clouds are getting darker by the day. People can take out credit and loans if they are confident, but in this case it’s almost certainly because they are seeking extra cash to cover their bills and put food on their tables.

“The drop-off in mortgage approvals is surprising as April and May have been exceptionally busy, although we do expect the combination of weaker borrower sentiment and lenders tightening their affordability to feed through in the months ahead.”

Steve Seal, boss of Bluestone Mortgages, said: “Despite a dip in mortgage lending due to the current inflationary environment, it’s clear that the homeownership dream lives on. However, as the cost of living crisis continues to put a squeeze on household and personal finances, we expect to see a growing cohort of customers locked out of the mainstream mortgage market.”

Jonathan Samuels, CEO of lender Octane Capital, said: “While our unquenchable thirst for homeownership remains, we’re starting to see many lenders reign in the range of products they are offering, as well as the rates they’re prepared to offer them at.

“The consequence of this is naturally going to be a reduction in buyer activity coming via the mortgage sector, as many homebuyers are now finding they simply can’t secure the home they want, with a mortgage that suits their financial situation.”