Form AL - Analysis of lending to UK residents

This is an industrial analysis of **loans and advances** (including claims made under sale and repurchase agreements), **finance leases**, and **facilities** granted to UK residents other than monetary financial institutions (MFIs). Funds placed with UK MFIs (banks and building societies) or non-residents, or facilities related to them, should not be included in this return. Lending for special schemes for exports (regarded as lending to non-residents) is also excluded.

Borrowers are classified according to the main activity of the customer. The classification system used is set out in the Classification of Accounts Guide, and is based upon the Standard Industrial Classification 2007 (or SIC2007). This, in turn, is based upon NACE, the European industrial classification system. On the form, the SIC Classification or the SIC sub-section classification is noted in brackets after each item. The main changes between the 2019 and the previous version of Form AL (the 2011 version) are noted in Statistical Notice 2018/01 which can be viewed at:

www.bankofengland.co.uk/statistics/notice/statistical-notice-2018-01

In the case of a subsidiary whose prime function is to raise finance on behalf of other group companies, the treatment will depend on the nationality of the parent company and on the existence of any affiliates operating alongside the financing subsidiary in the UK. Any financing subsidiary of a parent group incorporated in the UK should be classified according to the main activity of the parent (except where the main activity of the group concerned is banking, when the lending should be recorded as being to a financial intermediary). If the financing subsidiary is the sole UK subsidiary of a non-resident parent corporation, it should be classified as “other financial intermediaries not elsewhere covered”. A financing subsidiary of a non-resident parent group, with affiliates in the UK, should be classified according to the main activity of those other UK companies. This guidance also applies to Special Purpose Entities (providing they do not relate to securitisation in which case they should be classified under this subsection within Financial Intermediation).

In addition to this, holding companies shall be captured separately by industry on pages 5-7 of Form AL. Holding companies can be defined as companies whose principle activity is to own a subsidiary corporation, through holding at least fifty percent of the subsidiaries’ equity, whilst not providing any other service: they do not provide management services to their subsidiaries. This aligns to SIC code 64.2. However, holding-like entities that cannot act independently of their parents and are simply passive holders of assets and liabilities are not treated as holding companies as they are not seen as separate institutional units. Therefore these entities would be considered “artificial subsidiaries” and not separated. This includes entities that do not hold a controlling share of the assets of the group.

Non-profit institutions serving households and unincorporated businesses (e.g. sole traders and partnerships) should be classified according to the main activity of the institution or business, unless the proprietor or a partner has borrowed on personal account, in which case the loan should be treated as lending to individuals.

Further guidance about the classification of accounts may be found within the Classification of Accounts guide. Guidance may also be obtained from the Monetary Statistics Group of the Data and Statistics Division using the Helpdesk number (Tel. 020 3461 5360).

Total Loans and advances (including claims under sale and repurchase agreements)

This comprises loans and advances as reported under BT items 29A to 29D (and indistinguishably within this, amounts receivable under finance leases) together with claims under reverse repurchase (repo) agreements (BT items 30E to 30H).

Loans and advances

Form AL collects loans and advances by original maturity split by 'up to and including 12 months maturity' and 'over 12 months maturity'.

Claims under sale and repurchase agreements should be excluded from the split of maturity. These balances should continue to be reported in total loans and advances on page 3 (and equivalently on page 7).

The original maturity of a loan is defined as the length of time between the drawdown and the final scheduled repayment date.

Overdrafts and credit cards do not typically have a final scheduled repayment date; these should be reported in the loans under 12 months category due to the short-term nature of the instrument.

Where a reporting institution has loans outstanding at the reporting date under revolving credit lines, and does not expect that they will be renewed upon maturity, these loans should be entered according to their immediate maturity; loans that the reporting institution expects to be routinely renewed on maturity should be entered according to the end date of the credit facility.
Where the borrower has notified the reporting institution that funds will be repaid on a specific date in advance of final maturity, the specific date should be taken as the maturity date.

For a loan that has been renewed upon final maturity i.e. a 'roll-over', this should be treated as a new loan, and the original maturity should be defined as the length of time between the date of the roll-over and the final scheduled repayment date. However, purely technical break facilities should be disregarded. If a loan is re-negotiated during its life, but the final scheduled repayment date is unchanged, then this should not be treated as a new loan and the original maturity should not change.

For example, in the case of a loan with a final repayment date in three years, but where a 'break clause' after one year gives the borrower the opportunity to repay, but is not expected to do so, or where changes are made to the terms of the loan (e.g. the interest rate), then the original maturity should be reported as three years. If, after 3 years, the loan is then rolled over upon maturity for a further twelve months, then the original maturity should be reported as twelve months from then on.

Reporting institutions should inform the Bank if any changes in approach are made with respect to maturity classification. If any reporting institutions are unable to fully align their reporting with these definitions then they should contact the Bank.

Facilities outstanding

This comprises all outstanding loans and advances, overdrafts and facilities granted to UK residents, whether or not drawn. Where a facility may be drawn in sterling, euro or other currencies at the option of the borrower, enter the unutilised portion of the facility in the ‘other currencies’ column. Total facilities outstanding, in sterling, euro or in other currencies, must at least equal, or more probably exceed, total loans and advances outstanding in each column. Similarly, facilities outstanding under each sub-category must either equal or exceed loans and advances outstanding under that same sub-category. Unauthorised overdrafts should be included as if a facility had been granted. Only include the actual drawings on credit card accounts and agreed drawings under the reporting institution’s staff housing loan and staff personal loan facilities and not the theoretical credit limits available. This item is part of BT item 43.