



Introduction of new Quoted Rates Data

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The Bank of England publishes statistics on interest rates offered to households by banks and building societies – ‘quoted rates’ – for a range of lending and deposit products. From today (7 March 2019) a number of changes to these statistics are being introduced. This article provides a summary of the changes made, and explains the impact of these changes on the data.

1) Changes to the Quoted Rates interest rates series

The changes being introduced to the Quoted Rates data this month are:

- a) the addition of new series;
- b) an expansion of the sample of banks and building societies from which quoted rates are calculated to cover the whole market;
- c) an improvement to the approach to weighting different lender’s interest rates together to create a representative aggregate series;
- d) the approach for selecting individual products from banks and building societies to compile the aggregate series;
- e) a move to publishing the average quoted rate over the month, rather than value at the end of the month, consistent with the Bank’s *Effective Rate* statistics; and
- f) a move to publishing quoted rates once a month on the 5th working day.¹

The specific methodological changes are discussed in detail in [‘Forthcoming changes to quoted interest rates data -2019’](#).

¹ Previously an update which used weights for the current month, rather than previous month, to aggregate individual institutions interest rates together was published on the 21st working day of the month. Now, series will be re-weighted in the next month’s publication.

2) Additional series

A number of new products have been introduced for mortgages. For owner-occupier mortgages, the sample has been expanded to include a wider range of five-year fixed-rate mortgages, reflecting their increased popularity. For buy-to-let mortgages the sample has been expanded from one to four products. The new rate for the five-year fixed-rate 60% loan-to-value (LTV) owner-occupier mortgage was close to 0.35 percentage points in January 2019, around 0.20 percentage points higher than its two-year fixed-rate equivalent (Chart 1). The new buy-to-let products that have been introduced have higher interest rates than their owner occupier counterparts, particularly for products with a fixation of 5 years, where rates are more than 0.6 percentage point higher.

Additional series for credit cards that cater for specific market segments have also been introduced. The new 'Credit Cards – Representative' series shows the most competitive Annual percentage Rates (APRs) of credit cards that are available to a wide range of people. The interest rate is around 0.8 percentage points higher than the previously published credit card series. The new data also shows that credit cards with high 0% balance transfer or purchase periods had interest rates that were around 1 percentage point higher than the 'Representative series'. Credit cards marketed as 'Low rate' had interest rates that were around 5-8 percentage points lower (Chart 2).

Chart 1: Interest rates on mortgage products
owner occupier (OO), buy-to-let (BtL)

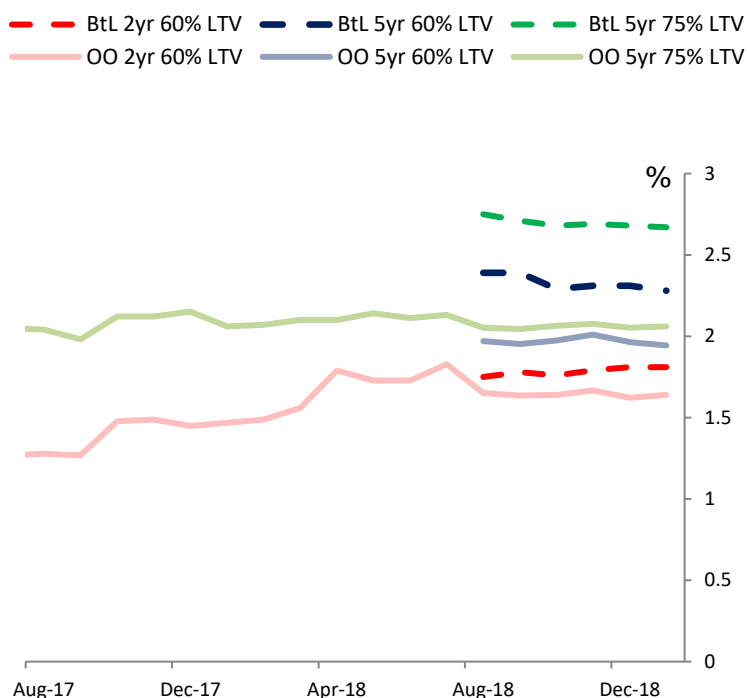
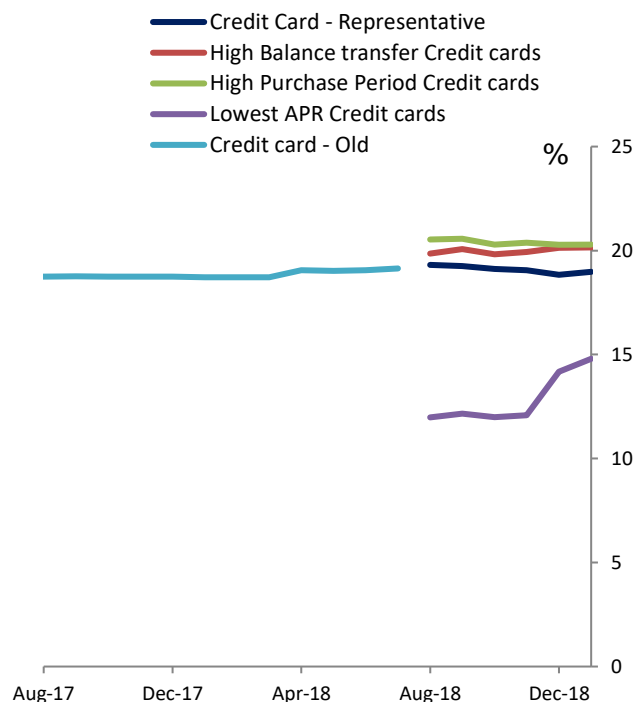


Chart 2: Interest rates on credit cards



Please note that the quoted rates data calculated on the new basis prior to February 2019 are illustrative.

3) Impact of methodological changes on existing series

The interest rates on the majority of pre-existing products are little changed, despite some significant changes to the calculation approach. Differences between the new and old interest rates are caused by an expansion of the

sample to include smaller lenders and deposit takers, changes in the way firms' rates are weighted together required by this expansion, and changes in the selection criteria for products. Charts 3 and 4 show that the scale of these differences has been broadly similar over the months for which the two versions of the data have been calculated. The impact of each change on previously published series are shown in Annex 1.

The changes led to increases in 12 of the 26 quoted rates series (by up to 0.81 percentage points) and decreases in 13 (by up to 1.24 percentage points), with the interest rate on one product unchanged. The average absolute revision was 0.16 percentage points. Mortgage rates were on average unchanged, but for consumer credit products the average change in interest rate was -17 basis points. The largest change was to the interest rate for overdrafts, which is now 124 basis points lower, reflecting changes to the products selected from individual lenders for inclusion in the series. The largest increase was for the credit card series, which is 81 basis points higher, reflecting the exclusion of 'low rate' cards that had previously been incorporated in the series.

For mortgages, weighting changes had the largest impact. Mortgages are now weighted using [Product Sales Data](#) – an FCA loan level collection – so the lending flows used are based on the same products as rates are selected for. The expansion of the sample also had a significant impact, reflecting the incorporation of new banks with higher average interest rates than those previously captured.

For consumer credit, most of the impact to series came from changes in product selection. For example, the exclusion of 'low rate' cards from the 'representative' series shifted it up by 61 basis points.

The impacts of changes to deposit series were mixed. The largest shifts were to instant access accounts, which were shifted up 12 basis points due to a change in product selection, and the 2 year fixed-rate ISA which was shifted down by 22 basis points due to changes in weighting approach.

Chart 3: Fixed-rate 75% LTV (Loan-to value) mortgages – old and new quoted rates

— 2 year fix 75 - old — 2 year fix 75 - new
— 5 year fix 75 - old — 5 year fix 75 - new

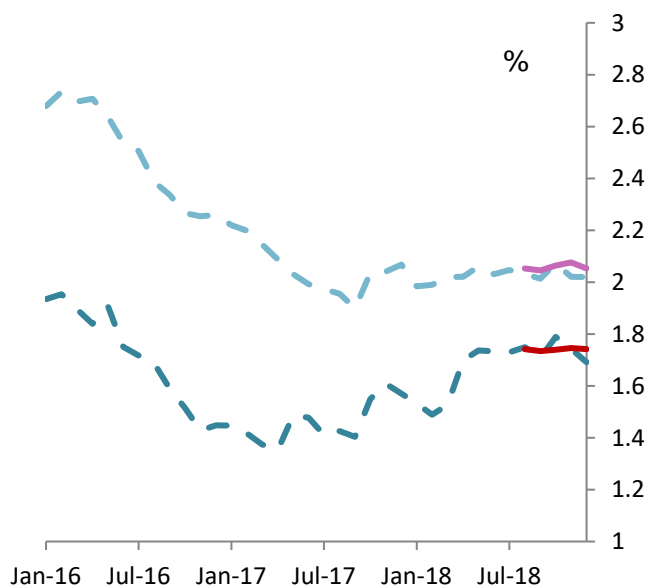
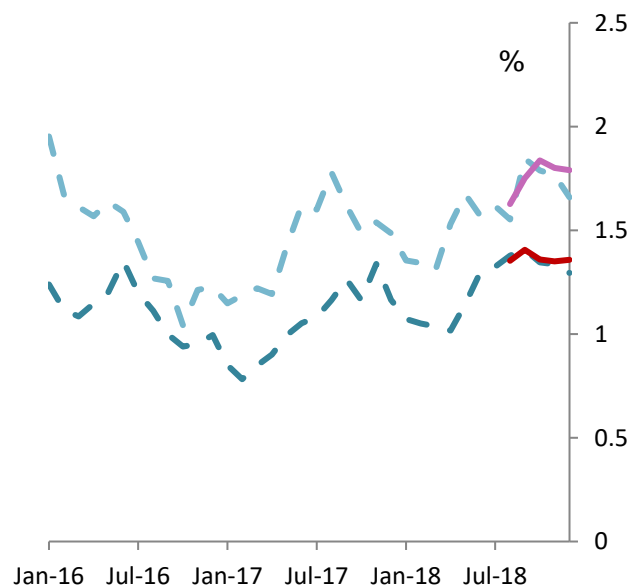


Chart 4: Fixed-rate bonds – old and new quoted rates

— 2 year FRB - old — 2 year FRB - new
— 3 year FRB - old — 3 year FRB - new



Please note that the quoted rates data calculated on the new basis prior to February 2019 are illustrative

Annex Table 1: Decompositions of changes to series for all products (Average change of August and September 2018)

Product	Average change in QR	Impact of changes on series (pp)				
	(pp)	Product selection	Weighting	End-month to average month rates	Mortgage criteria***	Sample change
Mortgages						
Revert-to-rate*	-0.10	0.03	-0.22	-0.03	0.00	0.12
2yr var 75% LTV	0.12	0.07	0.09	-0.03	0.00	-0.01
Lifetime tracker	0.01	0.00	0.02	-0.01	0.00	0.00
2yr fix 60% LTV	-0.04	-0.01	0.00	0.02	-0.09	0.04
2yr fix 75% LTV	0.01	-0.05	0.05	0.00	-0.01	0.02
2yr fix 85% LTV	-0.05	0.00	-0.03	0.00	-0.07	0.05
2yr fix 90% LTV	0.05	-0.11	0.15	0.03	-0.04	0.02
2yr fix 95% LTV	0.12	-0.10	0.15	0.09	-0.01	-0.02
3yr fix 75% LTV	0.11	0.02	-0.05	0.00	0.00	0.14
5yr fix 75% LTV	0.03	-0.01	0.01	0.00	0.00	0.02
5yr fix 95% LTV	0.06	-0.01	0.09	0.11	0.00	-0.13
10yr fix 75% LTV	-0.07	-0.03	-0.10	0.05	0.00	0.00
BTL 2yr fix 75% LTV	-0.17	-0.59	0.34	-0.06	0.00	0.13
Consumer Credit						
£5k personal loan	-0.22	-0.03	0.10	0.00		-0.29
£10k personal loan	-0.05	-0.02	-0.02	0.00		-0.02
Credit card**	0.81	0.61	0.05	0.09		0.06
Overdrafts	-1.24	-1.16	0.01	0.00		-0.09
Deposits						
Instant Access+bonus	0.13	0.12	-0.03	-0.01		0.05
Instant Access-bonus	0.13	0.12	-0.03	-0.01		0.05
Var ISA+bonus	-0.01	0.01	0.06	-0.02		-0.06
Var ISA-bonus	-0.01	0.01	0.06	-0.02		-0.06
1yr fixed-ISA	0.00	0.00	0.04	-0.02		-0.02
2yr fixed-ISA	-0.28	0.00	-0.22	-0.01		-0.04
1yr fixed-bond	0.06	0.04	-0.08	-0.01		0.12
2yr fixed-bond	-0.01	-0.01	-0.02	-0.01		0.03
3yr fixed-bond	-0.01	-0.02	0.10	-0.02		-0.07

* "SVR" series has changed to a "revert-to-rate" series.

**Decomposition of difference between old "credit card" series and new "credit card – representative" series.

*** Changes in mortgage selection criteria include changing the representative size of mortgage from £150k to £185k for owner occupier mortgages and including cashback in the consideration of products for inclusion in the calculation of the aggregate.