

Briefing:

Where did banks lend in 2025?

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For more information, please contact author Alec Haglund at alec.haglund@positivemoney.org.uk.

Using the latest annual data from the Bank of England, this briefing demonstrates that commercial bank lending is heavily skewed towards the purchasing of existing assets, particularly property, rather than supporting productive investment in the real economy.¹ Despite a small increase in credit allocated to productive sectors in the real economy in 2025, the data shows how UK banks overwhelmingly favour inflating the price of existing assets rather than investment in producing new goods and services.

Key findings

- Less than 1 in 10 pounds of total credit is held by productive industries in the real economy. For every £6 in credit created for mortgages in 2025, only £1 was created for productive industries.
- 85% of net new lending in 2025 went towards speculative and financial activities.
- Only 6.6% of the total increase in net lending across the economy in 2025 went towards productive industries in the real economy
- Mortgage lending now makes up 57.1% of all bank lending, standing at over £1.5tn as of December 2025.
- Outstanding credit held in the productive sectors of the economy was £256bn as of December 2025 while credit held by the FIRE (financial, insurance, and real estate) sectors of the economy was three times higher at £744bn.
- In 2025, the productive sector saw its largest increase in annual net lending in five years at £9bn, but this pales in comparison to the increases in net lending for mortgages, at £52bn, or the FIRE sector, at £68bn.
- The share of lending held by the FIRE sector increased from 26.9% at the end of 2024 to 28.1% at the end of 2025, with the sector seeing the largest increase in annual net lending since the financial crisis.
- The share of total lending held by the productive sectors of the economy fell slightly in 2025, from 9.8% to 9.6%

Introduction

When commercial banks make loans they create new money in the economy.² As such, they serve a critical function in the economy, and banks' allocation of credit has a significant impact on economic activity. Banks increase the purchasing power of

¹ All data is from Bank of England bankstats tables C 1.2.

² Positive Money (2013) [How banks create money](#)

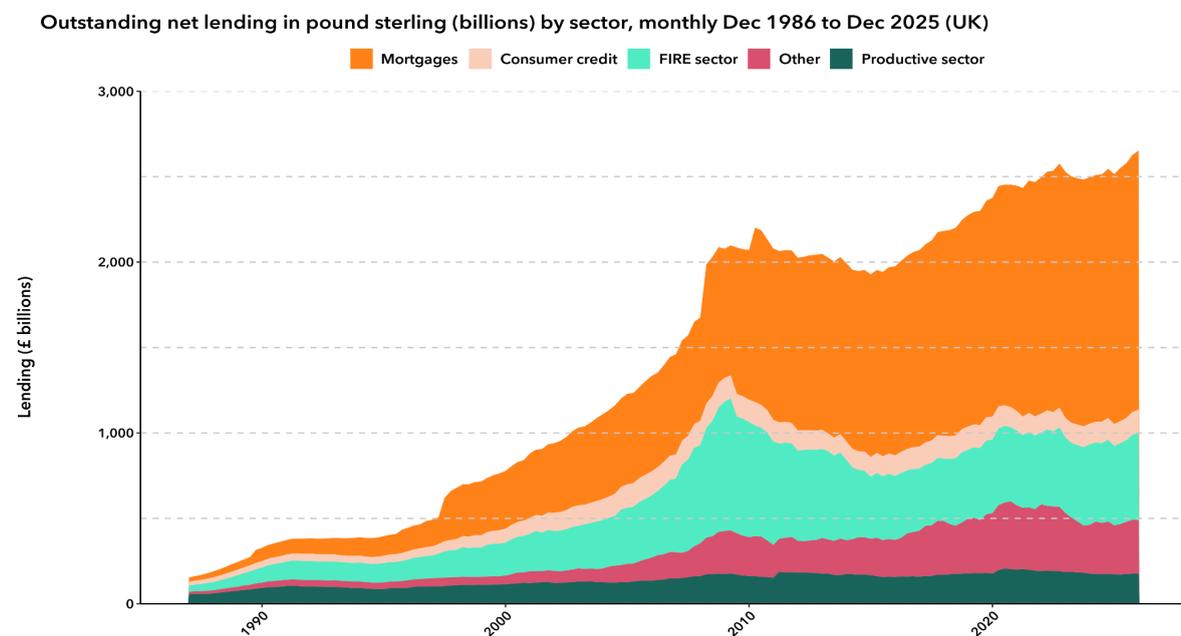
certain sectors or industries over others when they create loans, which makes bank lending a valuable indicator for understanding the direction of the economy, illustrating what types of industries and economic activity is supported by the financial system.

The latest annual data demonstrates that more than half of all lending goes towards mortgages, contributing to the inflation of house prices and driving housing and wealth inequality, while almost one-third of total lending goes towards speculative activities in the FIRE sector. Less than one-tenth of total credit creation goes towards industries in the real economy. This disparity continues to grow from year to year, raising questions over whether the current financial and monetary system is equipped to support investment in economic activities which actually increase incomes, wellbeing, or productivity, rather than merely fuelling speculative bubbles in the financial or property markets.

A historical overview of the allocation of credit in the UK

This section presents a historical data analysis of bank lending in the last decades, and how the allocation of credit in 2025 compares to previous years. Figure 1 shows the large increase in mortgage lending beginning in the 1990s, which stands in stark contrast to the stagnation of levels of credit allocated to the productive sectors of the economy.³

Figure 1: Mortgage lending has grown significantly in the last four decades, while lending to the productive sector has stagnated



Source: Bank of England bankstats tables C1.2

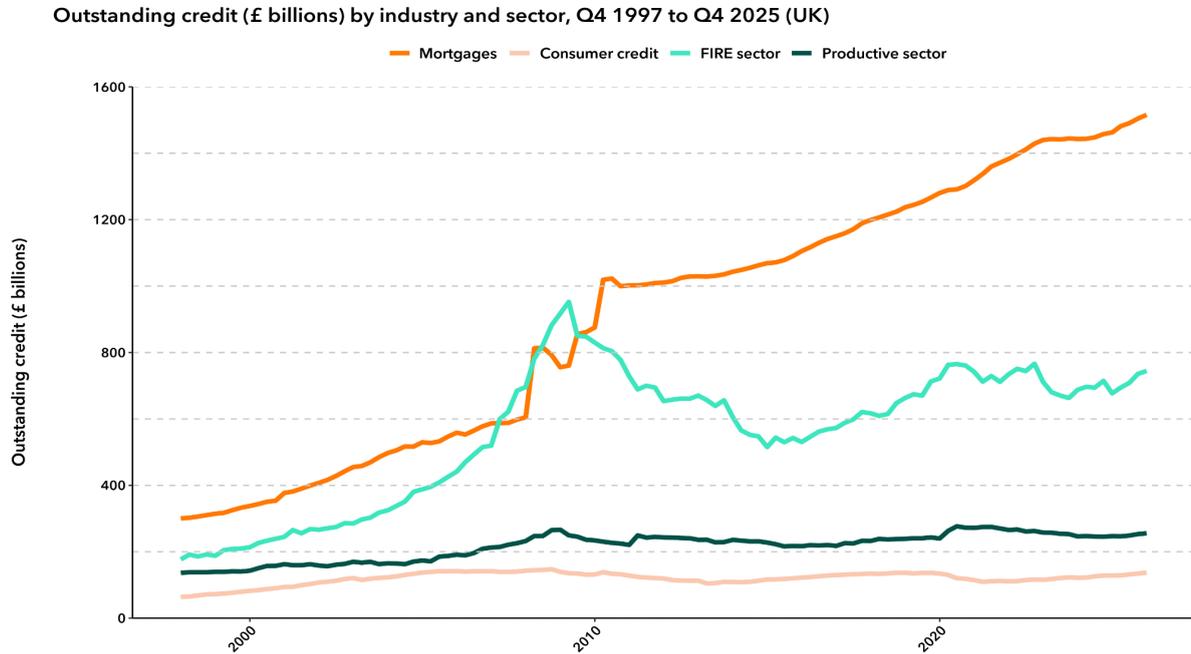
Note: FIRE is defined as the financial, insurance and real estate sectors of the economy. Productive industries include: Electricity, gas and water, recreational and community service, agriculture, hunting and forestry, fishing, mining, manufacturers, construction, wholesale and retail, hotels and restaurants, transport, storage and communication, public administration and defence, education providers, health and social work organisations.

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³ Note that monthly data on bank lending by industry prior to 1997 contains the category 'Other' which includes both some industries in the FIRE sector and the productive sector.

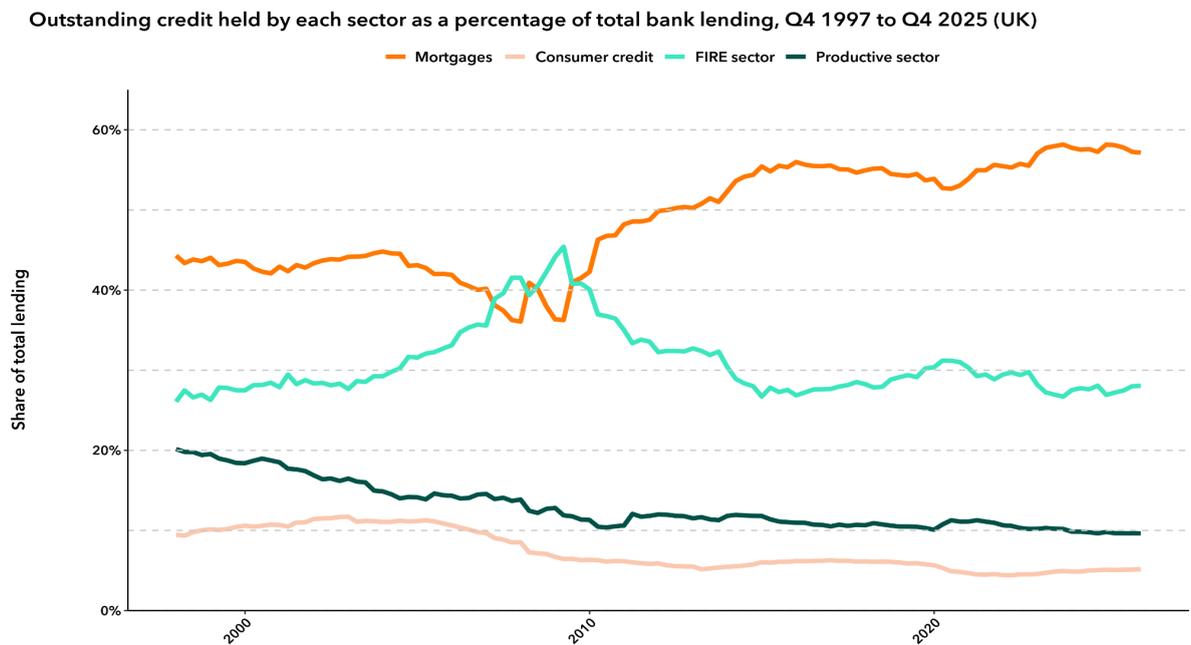
As Figure 2 shows, the scale of outstanding credit held both in mortgages and the FIRE sectors are multiples higher than that of the combined outstanding credit held by all industries in the productive sectors of the economy.

Figure 2: Outstanding credit in mortgages stood at £1,516bn at the end of 2025⁴



Source: Bank of England bankstats tables C 1.2. positivemoney
 Note: FIRE is defined as the financial, insurance and real estate sectors of the economy. Productive industries include: Electricity, gas and water, recreational and community service, agriculture, hunting and forestry, fishing, mining, manufacturers, construction, wholesale and retail, hotels and restaurants, transport, storage and communication, public administration and defence, education providers, health and social work organisations.

Figure 3: Mortgage lending constituted 57.1% of total lending at the end of 2025



Source: Bank of England bankstats tables C 1.2. positivemoney
 Note: FIRE is defined as the financial, insurance and real estate sectors of the economy. Productive industries include: Electricity, gas and water, recreational and community service, agriculture, hunting and forestry, fishing, mining, manufacturers, construction, wholesale and retail, hotels and restaurants, transport, storage and communication, public administration and defence, education providers, health and social work organisations.

⁴ Bank of England monthly data shows that growth in mortgage lending has continued into 2026, with the figure for outstanding credit held in mortgages stood at £1,519bn as of January 2026

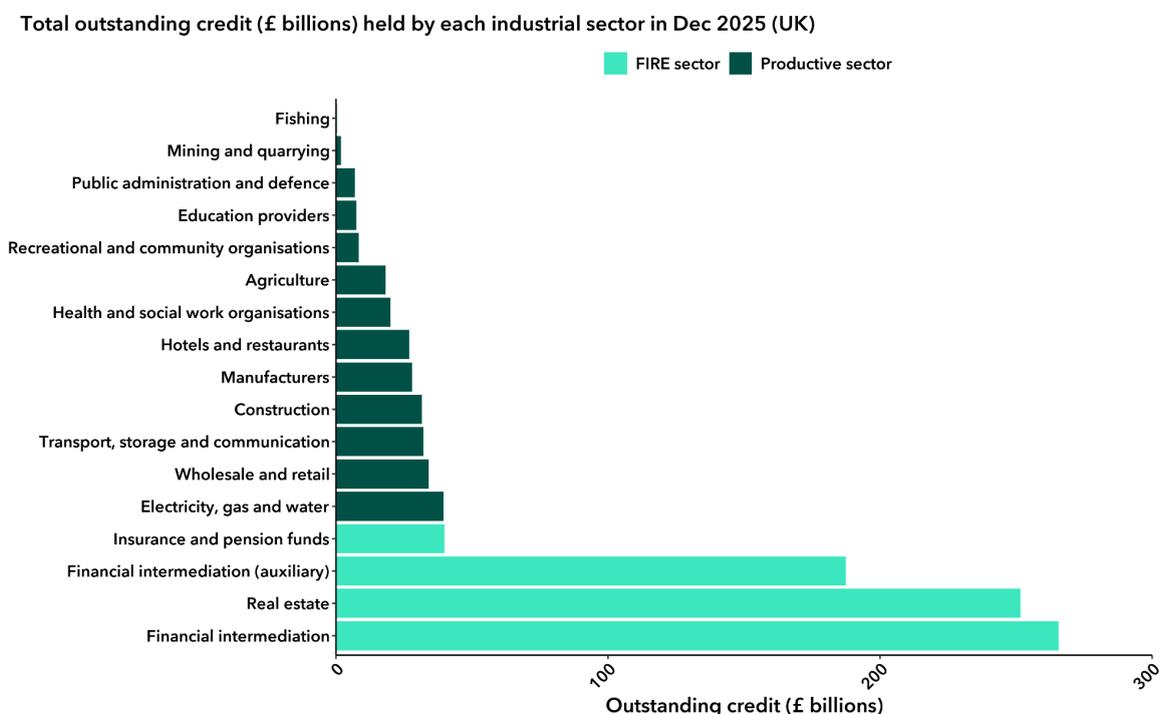
As Figure 3 shows, the share of total credit held in mortgages fell slightly in 2025, but this does little to alter the decades-long growth in the share of credit held in mortgages when compared to historic levels, as mortgage lending only made up 31.6% of total lending at the end of 1996, or 16.4% at the end of 1986.⁵ Although lending to the FIRE sector has fluctuated, and declined from its peak around the financial crisis, since the 1990s it has consistently held a much higher level of outstanding credit than the productive sectors.

- Outstanding lending to the FIRE sector grew by £68bn in 2025, compared to only £9bn for the productive sector.
- Although mortgage lending increased by £53bn in 2025, the share of lending secured against homes fell from 58.2% to 57.1%, largely due to growth in the share of lending going to the FIRE sector.
- The share of lending to the FIRE sector increased from 26.9% at the end of 2024 to 28.1% at the end of 2025.
- The share of total outstanding credit held by the productive sectors of the economy fell slightly in 2025, from 9.8% to 9.6%.

Bank lending in 2025

This section presents an overview of bank lending in the UK today, including trends and changes in 2025.

Figure 4: The four industries in the FIRE sector hold significantly more outstanding credit than industries in the productive sector



Source: Bank of England bankstats tables C 1.2.

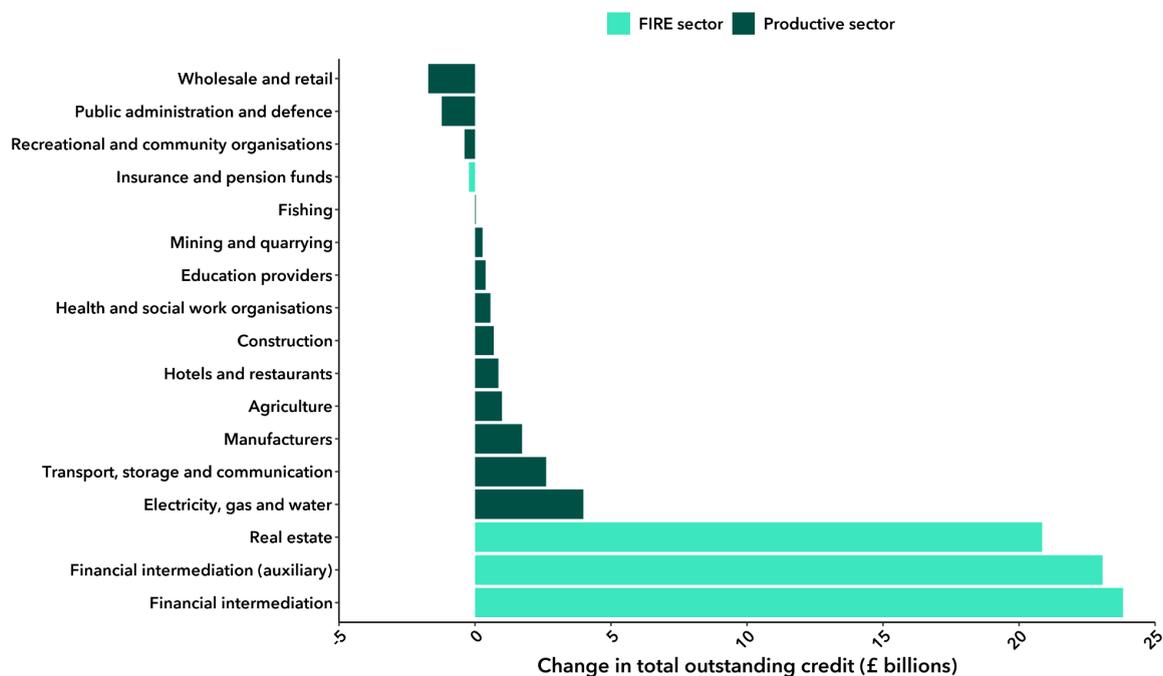
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⁵ Bank of England bankstats tables C1.2 (long-run)

Figure 4 illustrates just how much more outstanding credit is held by the financial and real estate sectors compared to industries in the real economy such as agriculture, manufacturing, or transport. Similarly, Figure 5 shows that it is the same industries in the FIRE sectors that saw their stock of outstanding credit increase the most in 2025. Industries in the FIRE sector saw the largest increases in outstanding credit in 2025, including real estate at £20.8bn, financial intermediation (auxiliary) at £23.1bn, and financial intermediation at £23.8bn. Although many key productive industries did see an increase in outstanding credit, such as construction at £0.7bn, manufacturers at £1.7bn, transport, storage and communication at £2.6bn, or electricity, gas, and water at £4bn, these increases are much lower than those of the industries in the FIRE sector.

Figure 5: Industries in the FIRE sectors saw the largest increases in outstanding credit

Change in total outstanding credit (£ billions) held by each industrial sector between Dec 2024 and Dec 2025 (UK)



Source: Bank of England bankstats tables C 1.2.

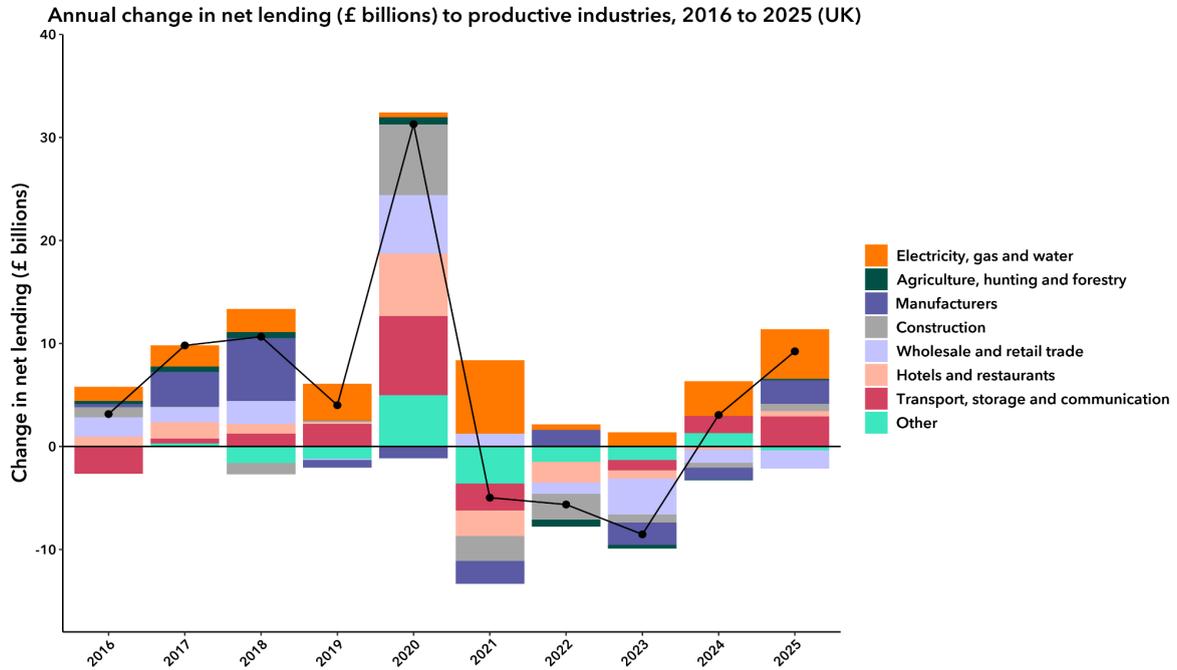
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Figure 6 shows the annual change in net lending for each of the productive industries, meaning those industries that are not in the financial, insurance, or real estate sectors. As the figure illustrates, it was the second year in a row that annual net lending increased, following three years of consecutive falls in annual net lending.

- The annual change in net lending for the electricity, gas and water industry was the highest among productive industries in 2025 at £4.8bn, followed by transport, storage and communication at £2.9bn, and manufacturers at £2.3bn.
- The construction industry saw a positive change in annual net lending at £0.7bn after four years of consecutive falls in annual net lending.

- Annual net lending for wholesale and retail fell by £1.8bn, and has now been negative for four consecutive years.

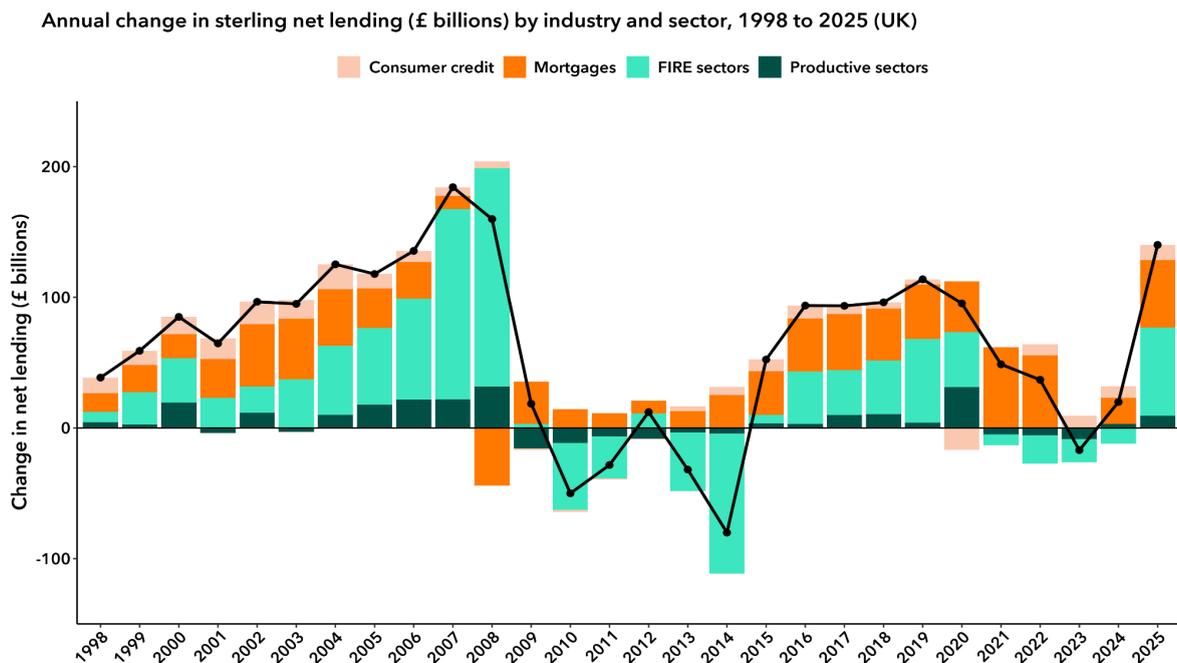
Figure 6: The electricity, gas, and water industry saw the greatest increase in net lending among productive industries in 2025



Source: Bank of England bankstats tables C 1.2.
 Note: Annual changes have been calculated by summing quarterly change. 'Other' includes Fishing, Mining and quarrying, Public administration and defence, Education providers, Health and social work organisations, and Recreational, personal and community service.

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Figure 7: Productive sectors only accounted for 6.6% of the total increase in net lending across the economy in 2025



Source: Bank of England bankstats tables C 1.2.
 Note: FIRE is defined as the financial, insurance and real estate sectors of the economy. Productive industries include: Electricity, gas and water, recreational and community service, agriculture, hunting and forestry, fishing, mining, manufacturers, construction, wholesale and retail, hotels and restaurants, transport, storage and communication, public administration and defence, education providers, health and social work organisations.

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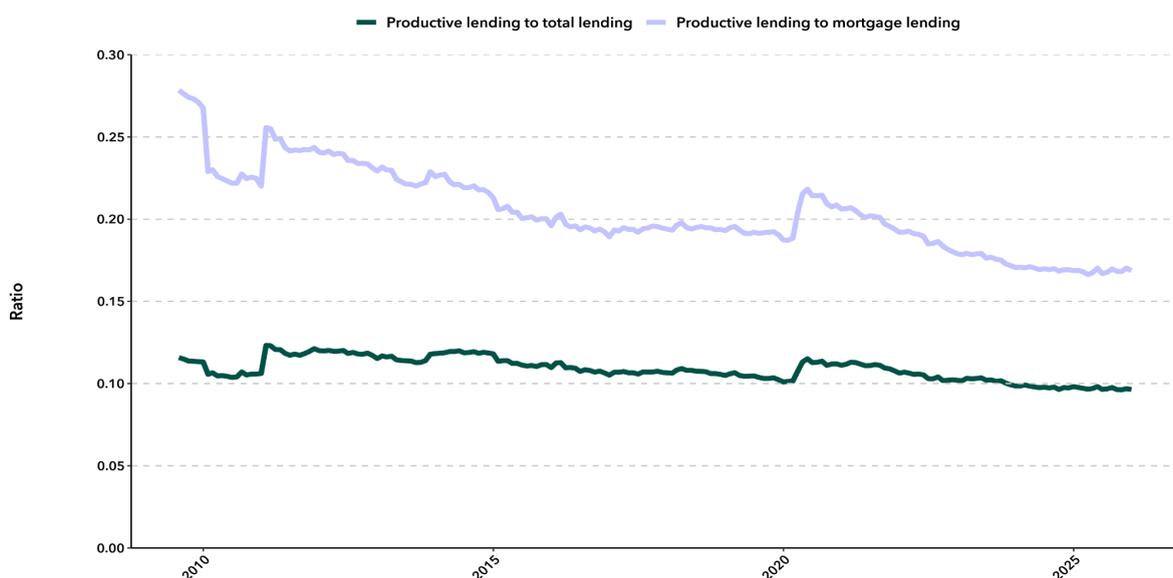
Figure 7 shows that increases in net lending have consistently been far higher for mortgages and the FIRE sector than for productive industries.

- Mortgage lending has seen an increase in annual net lending every year since 1998, with the sole exception of 2008, at the height of the financial crisis.
- The increase in annual net lending to the FIRE sectors, despite some fluctuations during economic downturns, has far outpaced that of productive industries, which have seen annual decreases in net lending in 11 years since 1998.
- In 2025, productive industries saw their largest increase in annual net lending in five years, at £9bn, but this still pales in comparison to that of mortgages, at £52bn, or the FIRE sectors, at £68bn.
- 2025 saw the largest increase in annual net lending for the FIRE sector since the financial crisis
- At £12bn, 2025 saw the largest annual increase in net lending for consumer credit since 2004

As Figure 8 shows, the ratio of productive lending to total lending has been steadily falling since 2009, and fell from 0.098 at the end of 2024 to 0.096 by the end of 2025. The ratio of productive lending to mortgage lending remained stable in 2025 at 0.169, meaning that for every £6 in credit created for mortgages, only £1 is created for productive industries.

Figure 8: For every 10 pounds of lending by banks, only 1 pound goes towards productive industries in the real economy

Ratio of productive lending to total lending and mortgage lending, monthly Jul 2009 to Dec 2025 (UK)



Source: Bank of England bankstats tables C 1.2.

What does this mean for the direction of the UK economy?

The data from 2025 demonstrates that little has changed compared to previous years, with credit creation continuing to be driven by speculative activities and for the purchasing of already existing assets. Although small, the increase in lending for productive activities is a welcome development, but this pales in comparison to the scale of growth in net lending seen in the FIRE sector or in mortgages in 2025.

The analysis highlights how the UK banking system continues to favour lending towards speculative and financial activities rather than supporting productive investment in the real economy, forming part of a longer-term trend of shifting credit allocation towards the purchasing of already existing assets, particularly in the form of mortgages.⁶ As the data analysis shows, credit creation for speculative activities exploded in the 1990s, and the disparity between productive lending and lending for the purchasing of already existing assets has only continued to grow since then, including in 2025. Growth in mortgage lending has remained strong even during economic downturns, with 2008 being the only year since 1998 in which net lending to mortgages fell. While speculative credit creation suffered a slight setback in growth following the financial crisis, the years since can be characterised by a familiar pattern – stagnating or falling lending towards productive activities and a continuous and steady increase in lending towards mortgages.

The deregulation of the banking sector in the 1980s has clearly led to a substantial misallocation of credit towards non-productive, financial, and speculative activities, rather than resulting in more efficient allocation of credit in the real economy. Instead of supporting productive investment, credit allocation in the UK has become fundamentally geared towards asset price-inflation. Without intervention, this will not only worsen inequality between those who own assets and those who do not, but it will also significantly increase the risk of financial crises. It should be a cause for concern that the FIRE sector saw its largest increase in annual net lending since the financial crisis in 2025, while already holding three times the outstanding credit of all industries in the productive economy combined.

When situated within the historic context of a persistent trend away from productive lending, the data from 2025 raises the question of whether the current policy framework is capable of reversing this allocative bias, or if it is necessary to reform credit policy. Although the current framework for credit allocation purports to be neutral, without an allocative bias towards a particular type of lending, this data clearly demonstrates that the disparities between lending towards productive activities and towards speculative or financial activities will only continue to grow without an intentional shift in policy to change course.

⁶ Jordà, Ò, Schularick, M., and Taylor, A. M. (2014). *The Great Mortgaging: Housing Finance, Crises, and Business Cycles*. National Bureau of Economic Research Working Paper 20501