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Debt warning as banks target the gig economy: Millions of workers to get new mortgage deals, but experts fear the return of reckless lending

- RBS, HSBC, TSB, Nationwide and smaller rivals to sell risky mortgages and loans
- Banks to launch mortgages specifically designed for workers in the gig economy
- Experts said that banks would need to follow strict rules

By HELEN CAHILL FOR THE MAIL ON SUNDAY

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Britain's biggest banks are preparing to sell risky mortgages and loans to millions of gig economy workers in an echo of the borrowing boom before the 2008 financial crisis.

In a new battleground, RBS, HSBC, TSB, Nationwide and smaller rivals including Tandem are working on plans to cash in on the rise of agency workers, freelancers

and food delivery drivers.

The lending push includes launching the first ever mortgages specifically designed for workers in the gig economy and those on zero-hour contracts.



Banks plan to cash in on the rise of agency workers, freelancers and food delivery drivers

The plans come after research last week revealed that the average household now owes nearly £12,800 on credit cards, loans and car finance – up more than 50 per cent from 2009.

Baroness Ros Altmann, a former Pensions Minister, warned that the UK ‘may be recreating conditions that led to the financial crash ten years ago’.

Experts said that banks would need to follow strict rules to avoid lending large sums to gig economy workers who could struggle to repay the debt.

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'Stop Deliveroo and the gig economy dragging

TSB's research has found that 10million people now have unpredictable incomes. This figure is expected to grow by 30 per cent by 2025.

This type of worker may in the past have turned to high-cost credit firms for cash as they could not show a bank they had a reliable source of income.

Now The Mail on Sunday can reveal that banks are working on new ways to assess the creditworthiness of these customers in order to offer loans safely. Typically, banks will use technology to assess customers' spending patterns.



RBS is planning an expansion of its digital bank Mettle, which launched in November, to sell loans and accounting products to freelancers and sole traders

Banks contacted by The Mail on Sunday said they would lend cautiously.

RBS is planning an expansion of its digital bank Mettle, which launched in November, to sell loans and accounting products to freelancers and sole traders.

The current account app will generate income by offering business loans through Esme Loans and Rapid Cash, separate sub-brands owned by RBS. It will also earn commissions by referring customers for other products such as accounting software or tax advice.

Marieke Flament, chief executive of Mettle, said gig economy workers were 'massively underserved'. She added: 'Working from 9 to 5 in a corporate job is not the norm any more. The market is absolutely huge and it is growing. We see a gap in the market that is something we should serve, so we are launching this product.'



TSB will use different lending criteria to allow it to lend to people working in uncertain jobs

HSBC has made it easier for workers on zero-hour contracts to get a mortgage by relaxing its rules for people not in full-time work. Borrowers will now only have to show proof of one year's employment with the same employer rather than two, and just one P60 tax form rather than two.

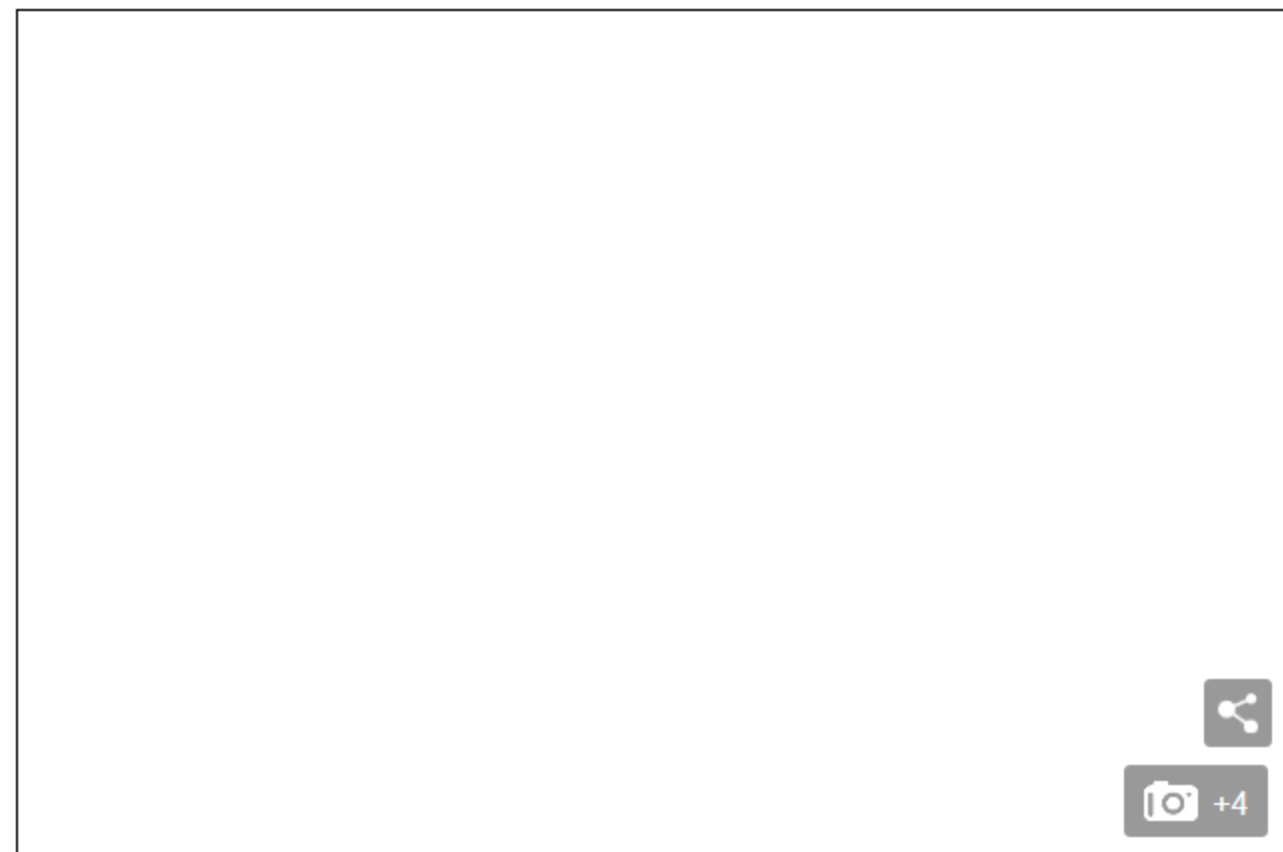
TSB will also use different lending criteria to allow it to lend to people working in uncertain jobs. The bank is working on new ways to assess customers' spending and income to see if they can keep up with mortgage payments.

Nationwide also plans to trial technology from start-up Trezeo that lets freelancers automatically save when they earn more than usual – and get money back when

their balance runs low.

Digital bank Tandem is using technology to assess borrowers' spending patterns. It wants to launch a mortgage designed for the gig economy next year.

Chief executive Ricky Knox said: 'These customers are valuable when you look across all of the different products you can offer them. There will be many, if not all, of the big banks looking to do something like this.'



Nationwide plans to trial technology from start-up Trezeo that lets freelancers automatically save when they earn more than usual – and get money back when their balance runs low

Ian Gordon, banking analyst at Investec, said: 'We are talking about the sort of lending that mainstream banks have pretty much avoided since the crisis. This is a fairly-early stage development of established banks seeking to broaden their appetite. It's early days but this holds out the possibility of improved availability and pricing for those people.'

James Daley, managing director at Fairer Finance, said: 'There are more and more people who are working with uncertain incomes, and I don't think they should be shut out of the world of credit because they are not in a salaried role at a company.'

'We just have to make sure it doesn't end up as the gateway to irresponsible lending, where people borrow more than they can afford because the affordability criteria are

waived and they are left to self-certify how much they are going to make, which is what used to happen.'