Interest rates falling for small loans

BORROWERS taking out loans between £7,500 and £15,000 are enjoying the lowest interest rates since the banking crisis began.

However, those seeking to borrow smaller amounts are being forced to pay far more than in 2007, new figures reveal.

Average rates on personal loans of more than £7,500 and spread over five years have plummeted to just 6.79pc, making monthly repayments £148, according to comparison website Moneysupermarket.

That's a dramatic drop from the average rate of 8.27pc in 2010 for a similar-sized loan, when monthly repayments were £153.

By contrast, the cost of borrowing under £3,000 has rocketed, with the average interest rate on loans of this size at its highest for six months, according to Moneysupermarket.

If you want to take out a loan of £3,000 today, spread over five years, you'll be hit with an average rate of 15.15pc, making repayments £71 a month.

But if you had borrowed the same amount in 2007, you'd have paid interest at 10.6pc, with monthly payments of just £64.

Moneysupermarket's spokesman Paul Lawler says many lenders hiked rates on their smaller loans following the credit crunch because they were far less profitable.

However, hot competition to win borrowers for bigger loans has meant lenders have had to offer cheaper rates to attract customers.