



NEAR PRIME INDEX

H1 2025

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WELCOME TO THE INAUGURAL ATOM BANK NEAR PRIME INDEX.

A biannual report which brings together economic insights, Atom bank data and the thoughts and hopes of mortgage brokers from across the country.

Brokers have been polled on their experiences with Near Prime clients, covering factors such as what issues are pushing borrowers away from Prime deals, the key considerations for Near Prime borrowers, and their expectations for the future of the market.

Analysis from the Financial Conduct Authority¹ last year found around 7.4 million adults were having difficulty paying their bills, while more than 5.5 million had missed a bill or payment in the previous six months. And though these figures represent an improvement on previous research from the regulator, they highlight the concerns millions have about meeting their financial obligations, and why understanding Near Prime has never been more important.

Three key themes have emerged in the report already: flexibility, automation and education. All three demonstrate why this sector is going to grow in importance, and why we as a lending industry have a duty to go further in supporting Near Prime borrowers.

Near Prime is only going to play a bigger role in future, with brokers reporting an uptick in annual Near Prime business. This chimes with our own data, where record levels of Near Prime activity have been registered repeatedly over the last year.

What's more, with first-time buyers making up a substantial proportion of the Near Prime sector, the health of the future housing market relies on lenders delivering a more understanding, flexible approach to historic payment blips.

This simply isn't an area lenders can afford to ignore any longer.

RICHARD HARRISON

Head of Mortgages, Atom bank

Flexibility:

Brokers are frustrated at the 'computer says no' approach to assessing creditworthiness. By failing to acknowledge the individuality of cases, some lenders are making it unnecessarily difficult for borrowers to access the funding they need. A more flexible approach across the industry, that looks beyond credit scores, could be transformative.

Automation:

Flexibility should not be at the expense of speed though. Automation can play an effective role in delivering for Near Prime borrowers, providing them with the certainty at pace that Prime borrowers enjoy. If technology is applied properly, it opens this market up, rather than restricts it.

Education:

What shone through from brokers was the need to educate borrowers, from the sort of activities and issues that can push them into Near Prime status, to the options open to them even if their credit histories have the odd black mark.

¹ <https://www.fca.org.uk/publications/financial-lives/jan-2024-recontact-survey-summary>

UNDERSTANDING ADVERSE

Non-Prime lending can cover a wide range of circumstances for hopeful borrowers. Understanding the distinctions is important for brokers looking to find the right funding for their clients.

Adverse acts as an umbrella term, covering the negative issues a prospective borrower may have experienced, from a missed utility payment or unpaid parking fine to a CCJ.

Within that, there are then levels of adverse. Near Prime may also be referred to as 'light adverse', covering issues that are likely to have been more modest. Examples include borrowers recovering from a couple of missed payments, self-employed workers who may have been impacted by late payments from their own clients, and those who have suffered from life events which reduced their ability to meet their payment responsibilities. These issues tend to be temporary, the exception rather than the rule.

As those problems become more pronounced and long-lasting, the borrower will move towards the heavy adverse or sub-prime category. This is where the borrower has a longer history of missed payments, or perhaps has gone bankrupt, while issues may not have been fully resolved.

Different lenders will consider different degrees of credit issues across their Near Prime or Sub-Prime lending, which is why the role of the broker is so important.

It also provides an opportunity for education. Brokers told us their clients are often unaware of the issues that can push them into Near Prime, nor of the mortgage options open to them even if they have less-than-perfect credit. Brokers are key in not only navigating the waters of adverse mortgage lending, but ensuring clients understand how their actions can have long-lasting consequences.



THE NEED FOR NEAR PRIME

While the high street often operates with a black-and-white “yes” or “no” for mortgage applications, the reality for many borrowers is a more complex picture.

For those who fall just short of ‘Prime’ lending criteria, a Near Prime mortgage offers a crucial stepping stone to homeownership.

Our Near Prime Index shows the key reasons why brokers are placing Near Prime cases with us, highlighting that while some reasons are clear-cut, others are less obvious and related to an automated credit system.



REASONS FOR NEAR PRIME STATUS

Default:

76%

Arrears:

38%

**Prime credit
score fail:**

27%

CCJ:

12%

That defaults are such a big contributor to Near Prime status is telling. These can often be minor issues, yet are having a major impact on a borrower's mortgage prospects. Near Prime is a crucial option for those who have suffered a small credit blip but are still an excellent prospect.

**DAVID
CASTLING**

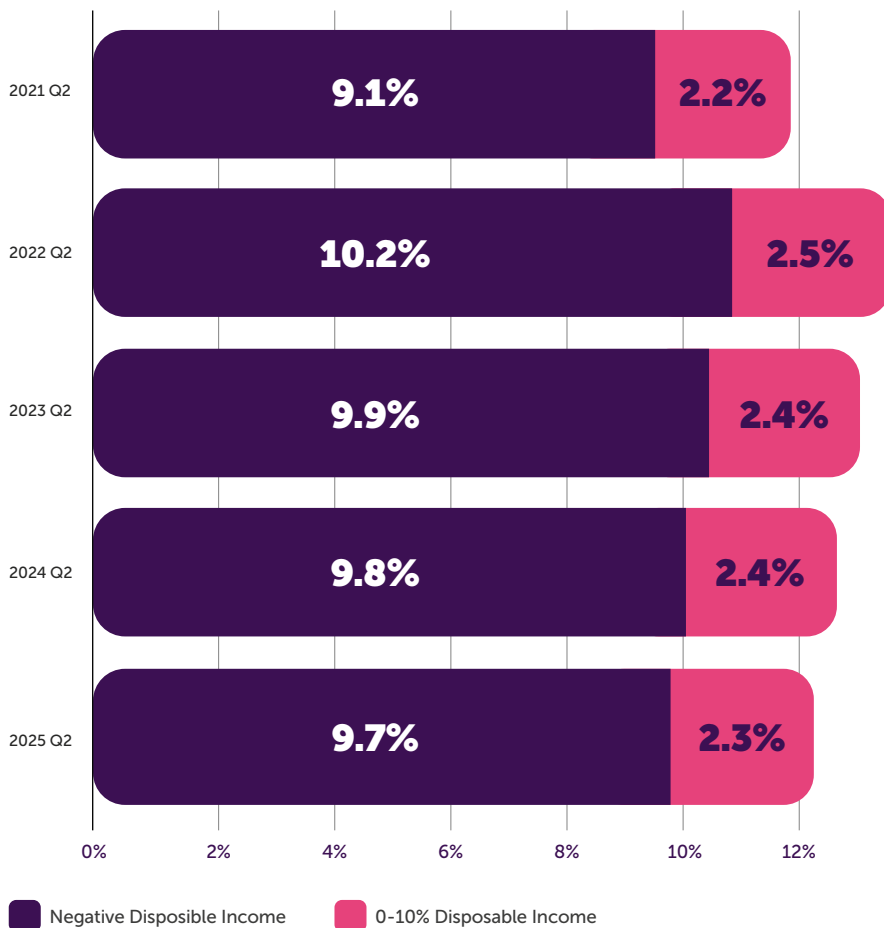
Head of Intermediary
Distribution, Atom bank

Source: Atom bank Near Prime customer data, H1 2025

THE LACK OF A SPENDING SAFETY NET

While the peak of the recent cost of living crisis is subsiding, some consumers are still spending everything they earn on essentials, leaving little room for shocks.

Declining disposable income

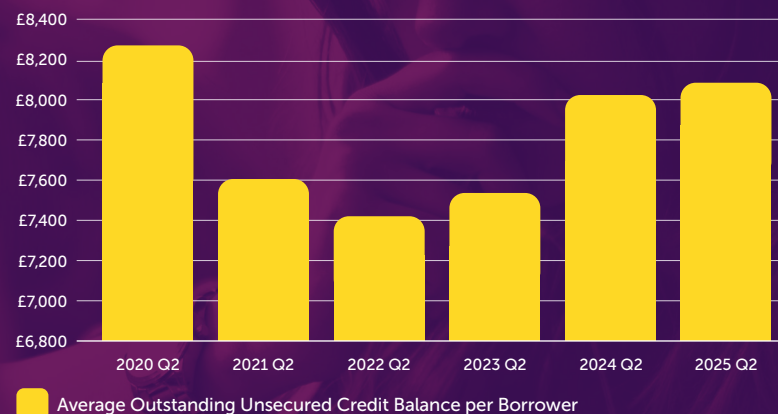


All graph data based on TransUnion affordability data - high-level aggregate statistics

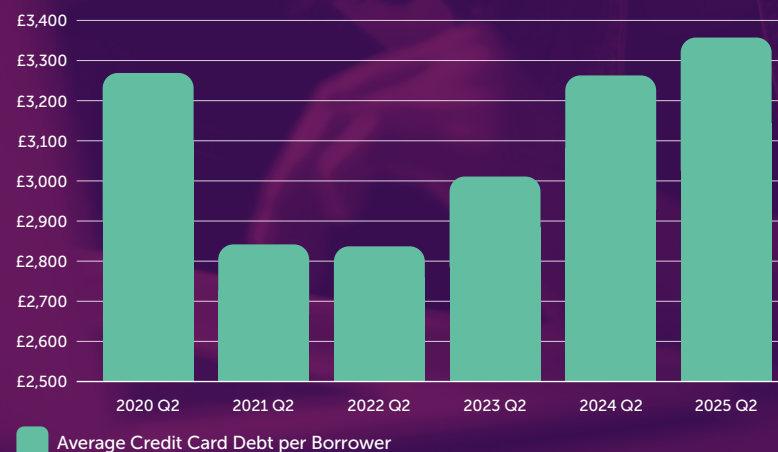
INDEBTEDNESS ON THE RISE

Levels of personal indebtedness are on the rise, with only a slight reprieve in the pace of growth in 2024. They are moving back towards the peaks seen before COVID, with worries that the ongoing impact of cost of living pressures will push them even higher.

Rising unsecured credit

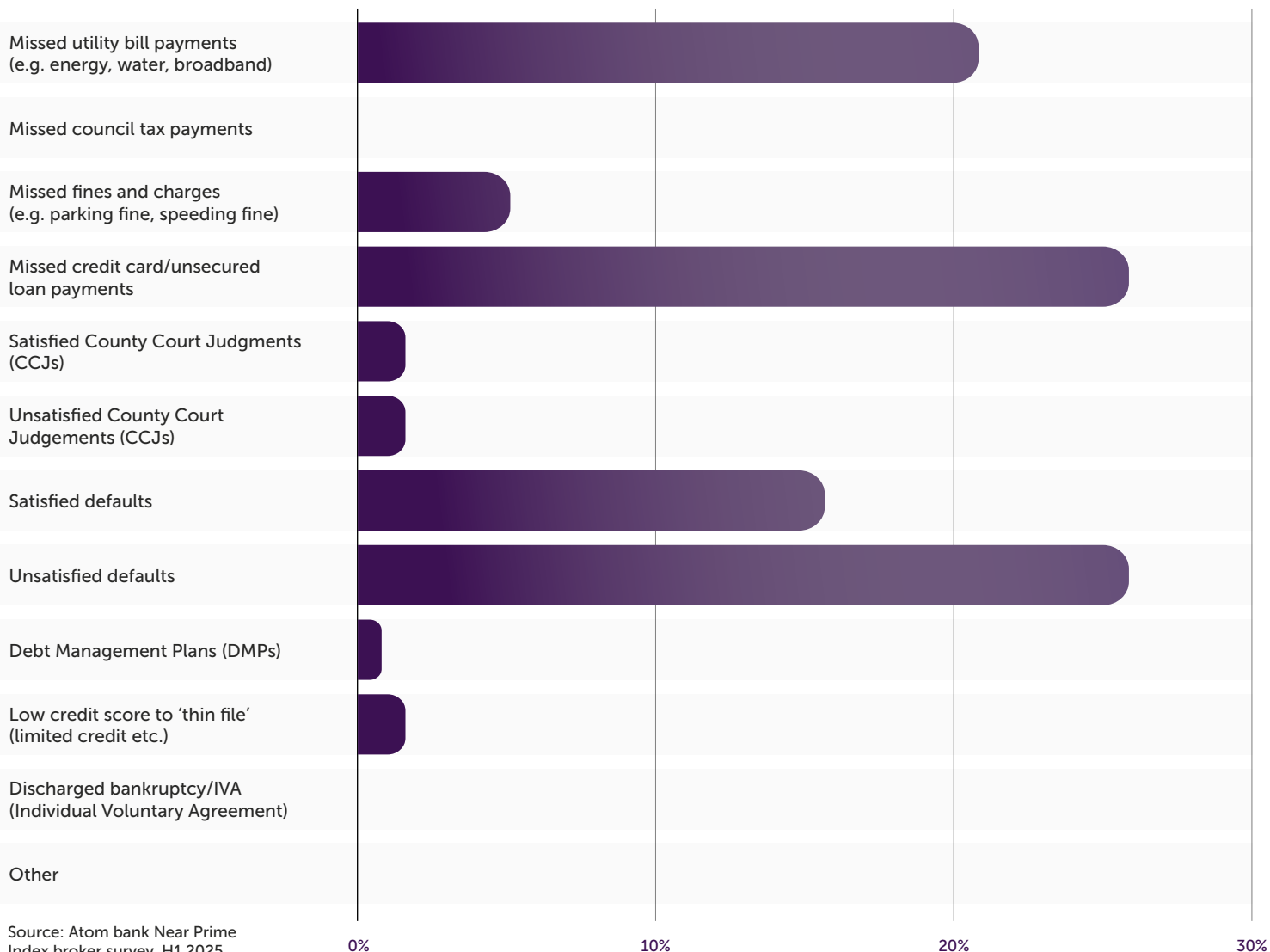


Credit card debt growing



THE CREDIT ISSUES BROKERS ARE SEEING

Brokers were asked which credit issues they most frequently see among their Near Prime clients.



General life incidents and ongoing difficulties with the cost of living are driving borrowers into Near Prime status. One-off incidents are having an oversized impact on people's credit status, ruling them out of traditional Prime lending, even though these issues are not necessarily an indication of their ability to pay a mortgage. These aren't the 'Sub-Prime' borrowers of old, but people who have hit a bump in the road and deserve a more understanding approach from lenders.

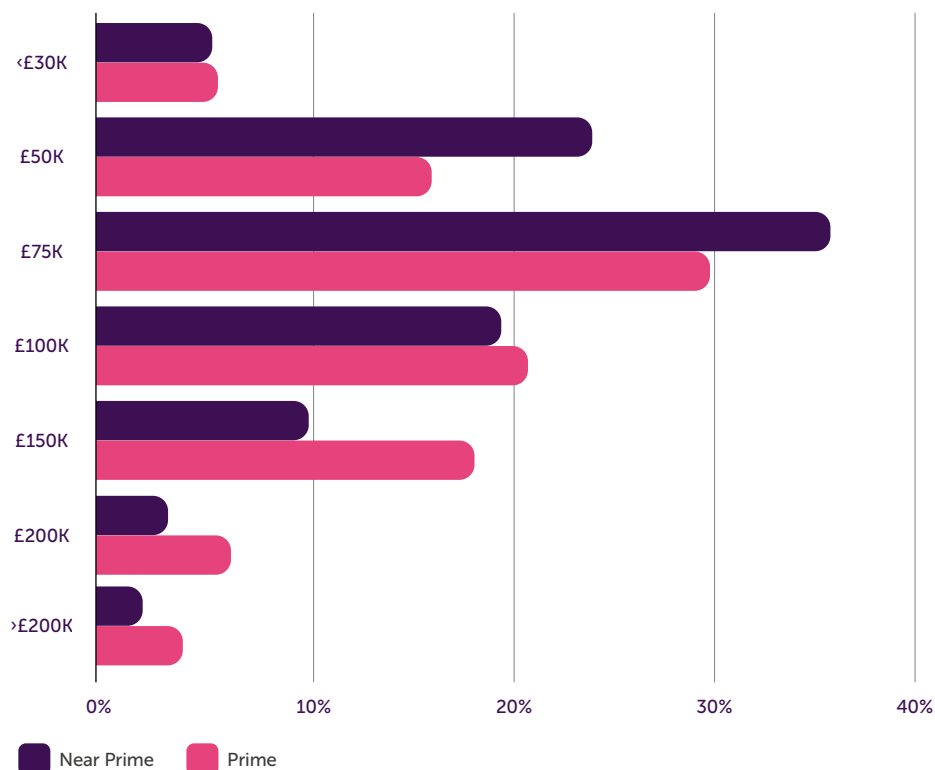
Brokers are the frontline in educating borrowers about the payment mishaps which will impact their mortgage prospects, but also why they still have options. The odd credit blip does not mean the borrower has no chance of acceptance, or will be stuck with high-priced, poor value mortgage products. Demystifying Near Prime mortgage finance is crucial.

DAVID CASTLING

Head of Intermediary Distribution,
Atom bank

WHAT DO NEAR PRIME BORROWERS LOOK LIKE?

NEAR PRIME VS PRIME: HOUSEHOLD INCOMES



Source: Atom bank Near Prime customer data, H1 2025

² <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/householddisposableincomeandinequality/financialyearending2024>

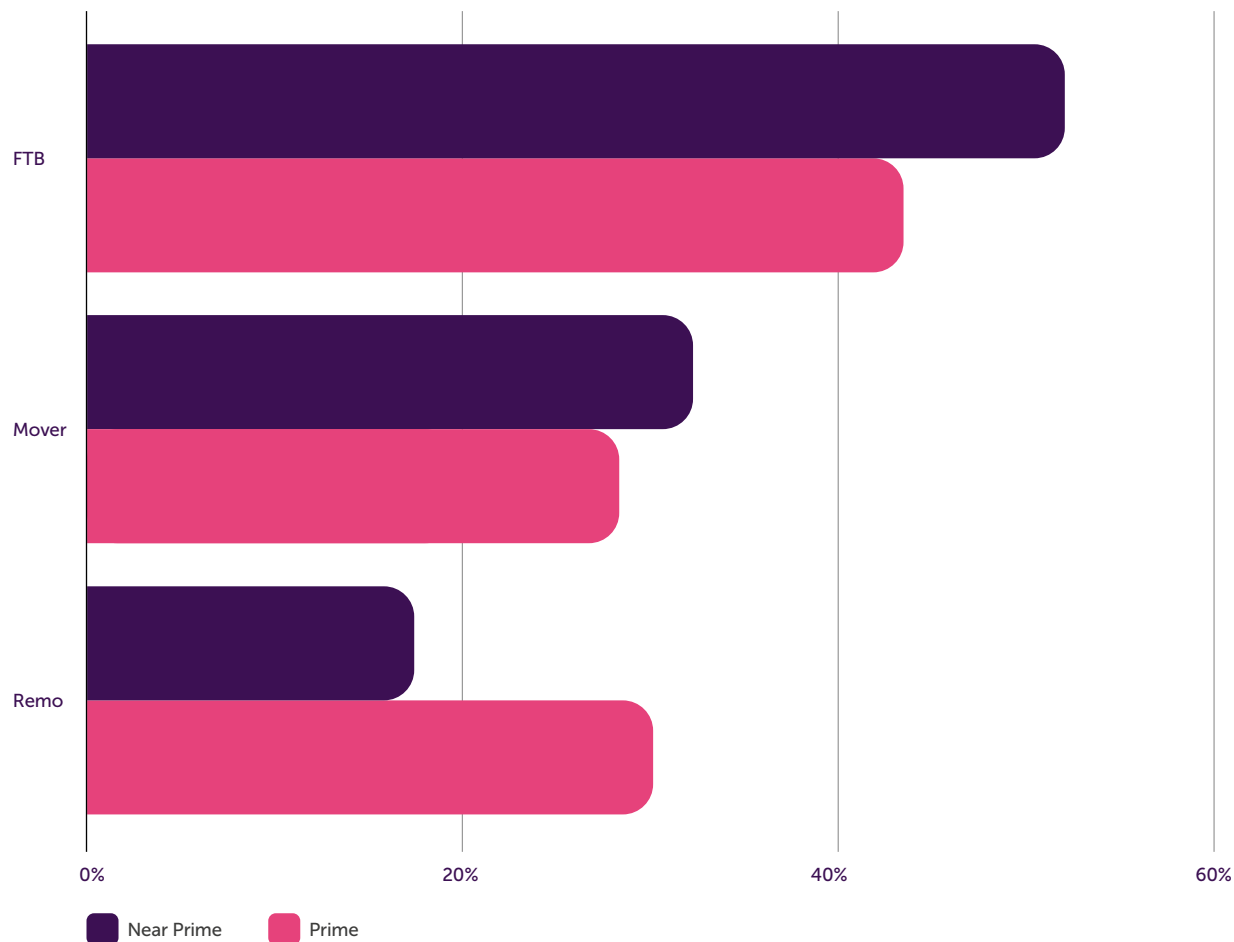
³ <https://ifs.org.uk/news/one-million-middle-income-working-age-adults-unable-meet-unexpected-expense-costing-one-months>

A significant proportion of Atom's Near Prime business involves households with higher than average incomes², highlighting that credit issues can impact anyone. Research in 2023 from the Institute of Fiscal Studies (IFS)³ found that a million middle-income households had virtually no savings to turn to in times of an emergency. That lack of a safety net leaves people vulnerable to missed and late payments, pushing them into the Near Prime category.

DAVID CASTLING

Head of Intermediary Distribution,
Atom bank

NEAR PRIME: BORROWER TYPE



Source: Atom bank Near Prime customer data, H1 2025

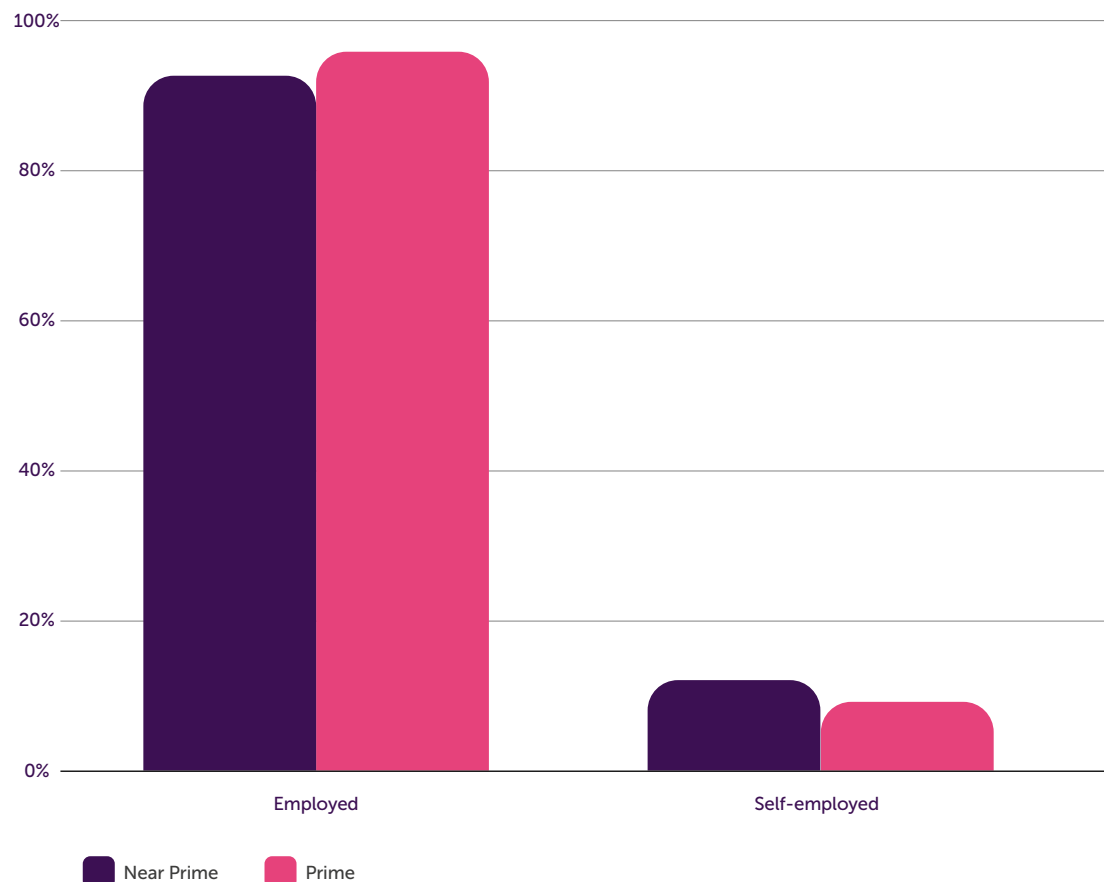
More than half of the Near Prime borrowers we have worked with have been first-time buyers, which highlights how important Near Prime is to the health of the overall market. Accessing the market is becoming ever more difficult, with rising house prices pushing homeownership out of reach, while rents hitting record highs have made it more challenging to save a deposit.

The make-up for first-time buyers has changed as a result - they are often older, more advanced in their careers, and while they tend to have a higher salary, that isn't making life easier. If Near Prime first-time buyers are to have a hope of getting onto the ladder, they need access to higher LTVs as well as a more flexible approach towards gifting and deposits. The lending industry needs to recognise that being a first-time buyer is already an incredibly stressful time - if there is negative credit involved, these anxieties are magnified. First-time buyers therefore deserve a faster, more understanding service.

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NEAR PRIME: EMPLOYMENT STATUS

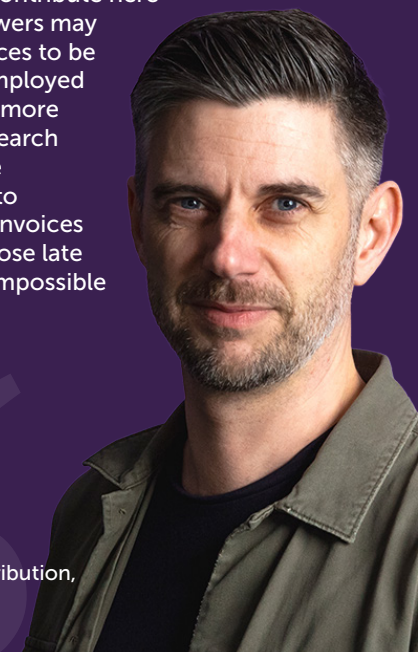


Source: Atom bank Near Prime customer data, H1 2025

⁴ <https://www.ipse.co.uk/articles/government-late-payment-reforms-freelancers>

While self-employed borrowers make up a smaller proportion of our overall lending applications, there is a distinct lean towards more self-employed applicants needing a Near Prime mortgage than employed applicants.

One factor which can contribute here is self-employed borrowers may be left waiting for invoices to be paid, compared with employed applicants who enjoy a more consistent income. Research from IPSE⁴ suggests the average amount owed to freelancers in overdue invoices is above £5,000, and those late payments can make it impossible to meet regular bills.

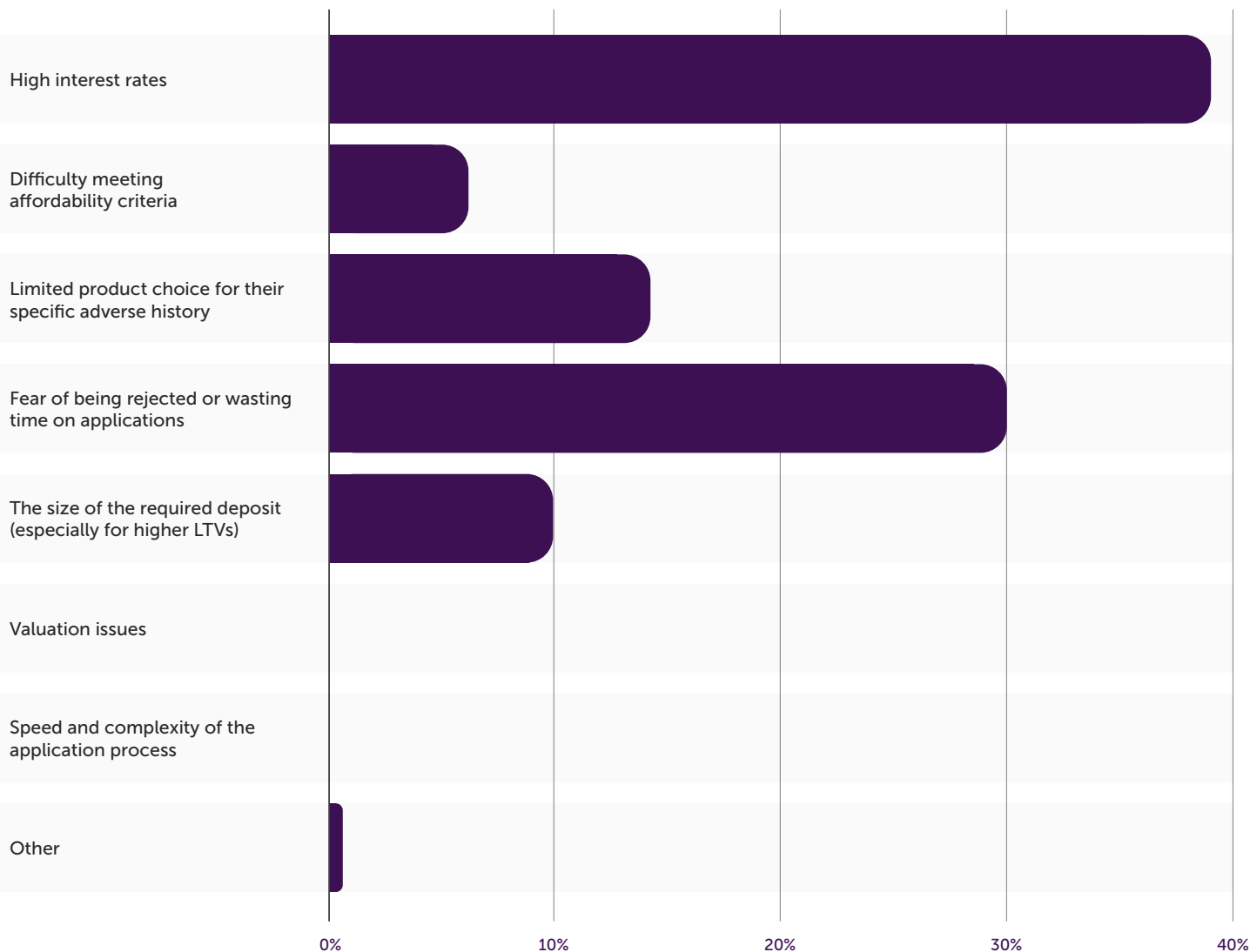


DAVID CASTLING

Head of Intermediary Distribution,
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Source: Atom bank Near Prime Index broker survey, H1 2025

WHAT IS THE BIGGEST CONCERN YOUR NEAR PRIME RESIDENTIAL CLIENTS EXPRESS WHEN DISCUSSING THEIR MORTGAGE OPTIONS?



Source: Atom bank Near Prime Index broker survey, H1 2025

There can be a real fear among Near Prime borrowers, whether that's about the interest rates on offer, or whether they will even be accepted for a mortgage.

Brokers play an essential role in educating borrowers about the options open to them, as well as combatting concerns about costs.

Credit blips do not need to spell disaster for borrowers, however large swathes of potential homeowners assume they need not apply.

DAVID CASTLING

Head of Intermediary Distribution,
Atom bank

THE BROKER VIEW

TO CAPTURE ON-THE-GROUND SENTIMENT, WE ASKED BROKERS FOR THEIR VIEWS ON THE SECTOR.

Responses covered everything from economic pressures and lender behavior to product availability and the need for borrower education.

EDUCATION

Education is needed in two areas, argue brokers. First, borrowers need to understand the issues that can push them into Near Prime, such as missed phone bills or unpaid parking fines. But they also need to be educated on the existence of Near Prime, the options that are open to them even if there have been credit blips in the past, and how they can look to regain Prime status in the future.



THE ECONOMY

Brokers expect the Near Prime sector to grow due to broader economic pressures. They foresee the impacts of the cost of living crisis, unemployment, and rising rent over recent years forcing more clients into this category, as previous missed payments become an issue in the present. Research in 2023⁵ showed that 16 million people had missed a payment in the previous 12 months.

Those are the people who need mortgage help today, but may find their Prime options limited.



LENDER BEHAVIOUR

Brokers anticipate more lenders entering the market and offering a greater variety of products, which will ultimately benefit borrowers. Brokers hope for a shift away from automated decisions toward a more human-centric underwriting approach. They believe that lenders who adopt “common sense” and assess cases on a case-by-case basis will have the biggest impact, particularly by accepting minor or “accidental” credit issues. This doesn’t mean a move away from automation entirely, but rather adopting it sensibly so that Near Prime borrowers benefit from the same experience as their Prime peers.

INTEREST RATES

A common frustration is the high cost of Near Prime products. While higher rates can be justified, brokers feel that at times rates and fees are not competitive, especially considering that many Near Prime clients are not high risk. There is a danger that some lenders are pricing for profit rather than to reflect risk, with brokers calling for lower costs to make the market more accessible. Some brokers expect rates to fall, opening up accessibility.

CHANGING BORROWER BEHAVIOUR

Brokers noted shifts in client behavior, such as a “more relaxed view on credit commitments” and the increasing impact of “buy now, pay later” services on credit files. Some noted that services like Klarna and Paypal ‘Pay in 3’ had been embraced by borrowers, but was also the source of the missed payments which pushed them into Near Prime status. If such services continue to grow in popularity, they may also drive further Near Prime activity.

HIGHER LTVS

Brokers believe a key development would be the introduction of higher LTV products to support customers with smaller deposits. They see a growing need for more 90% and 95% LTV options, a view backed up by the strong demand Atom bank has seen for its 90% Near Prime products. However while there has been some progress, a wider range of options are needed to meet demand.

Source: Atom bank Near Prime Index broker survey, H1 2025

⁵ <https://maps.org.uk/en/media-centre/press-releases/2023/one-in-three-missed-payments-on-vital-bills-already>

THINGS AREN'T SO BLACK AND WHITE

Pigeon holing borrowers doesn't work.

The number of people who fall outside 'normal' criteria is growing, and will continue to do so. Given the economic shocks we've experienced in recent times, that should come as no surprise, which is why it's so important to have lenders who will take a holistic approach to understanding a borrower's situation, rather than simply counting the blips on their credit file.

Borrowers might not be familiar with terms like 'Prime' or 'Near Prime', but they do tend to understand that missed payments, defaults and the like are detrimental to their chances of getting a mortgage, and worry that a past issue will result in them having to deal with a much higher interest rate. That's why they are pleasantly surprised when they see rates from lenders like Atom bank which are really competitive.

For brokers, the big thing is to help borrowers realise that mortgages aren't quite so black and white. More lenders are picking up on the need for Near Prime finance, and that's welcome, as it will help us to support more people in fulfilling their dream of home ownership rather than being shut out due to past issues.

**JONNY
MAGILL**

Chief Commercial Officer, Haysto

CONCLUSION

This first Near Prime Index tells us a lot about the state of the market today, as well as what brokers and borrowers need in the months and years ahead.

It helps clear up misconceptions about what a Near Prime borrower looks like, highlighting that payment issues can impact anyone. Given so many cases are driven by general life incidents rather than long-term ill financial discipline, this can include those households with incomes above the UK average.

Brokers are crying out for lenders to adopt a more 'common sense' approach, judging each case on its merits. They are tired of lenders blaming the perceived complexity of these cases for a slow, manual process which only increases the level of anxiety felt by Near Prime borrowers, particularly those hoping to take their first step onto the housing ladder. There is a lack of fairness in both the assessment of such cases, but also the way in which those assessments are carried out.

Criteria must evolve. The lack of options at high LTV levels are holding back swathes of would-be borrowers, a problem which is only going to become more acute if house prices continue to rise at their current rate. The demand we have seen for our 90% LTV range demonstrates the need is there, but lenders need to step up.

But really the future of Near Prime is a question of education. Across the industry, we must do a better job at helping our customers understand the repercussions of their financial decisions. That late phone bill or unpaid parking fine may not seem like a big deal, but it can have an enormous impact on a person's borrowing prospects. We have to make that clearer.

Brokers have a central role to play in educating clients about their options even if payment mistakes have been made in the past. A black mark need not spell the end for their mortgage hopes, with lenders considering a wide range of adverse circumstances.

Looking to the future also means helping Near Prime clients return to Prime status. Given so many cases involve a one-off or temporary issue, there is no reason why these borrowers cannot attain the top credit status once more. We have seen it first hand at Atom bank, where Near Prime clients are automatically offered a Prime rate at maturity if their circumstances have improved.

Over the last year, the majority of our Near Prime borrowers have received a Prime quote, while on average Near Prime borrowers have been able to return to qualifying for Prime criteria in two years. This highlights the importance of brokers looking beyond solely the first deal, and of lenders being committed to rewarding customers who improve their credit position.

Near Prime cannot be viewed as a life sentence, but rather a bump in the road. Lenders and brokers must work together to ensure that bump is as minor as possible.

RICHARD HARRISON

Head of Mortgages, Atom bank

