



NEAR PRIME INDEX

H2 2025

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WELCOME TO THE ATOM BANK NEAR PRIME INDEX FOR H2 2025

This next instalment of the Atom bank Near Prime Index highlights just how important this area of the market is.

Once again we have brought together our own lending data with the experiences of brokers across the country, to gauge how demand is moving and the hurdles faced by potential borrowers.

Tellingly, not only have brokers seen demand for Near Prime products increase since the inaugural edition of the report in November last year, but they also expect to see further growth in the market. Near Prime is becoming a more central aspect of their daily activities too, accounting for more of their workloads.

The factors driving Near Prime are only becoming more acute. Brokers pointed to cost of living pressures in particular becoming more pronounced since the last report, a situation which only looks likely to continue given the current global events and concerns about rising inflation.

The conflict in the Middle East is having a tangible impact on existing Near Prime borrowers too. 2026 has been signposted as a significant year for refinancing, with 1.8 million fixed rates maturing according to UK Finance. Those already on a Near Prime product face the prospect of refinancing at not only higher rates than their current deal, but at higher rates than would have been expected just a few months ago.

For newer borrowers, an element of Near Prime that's easily overlooked is its role as an enabler. In this edition of the Near Prime Index, we are delving into how important this is, with first-time buyers not only making up a more substantial portion of Atom bank's Near Prime customers, but those of brokers too.

As increasing numbers of potential homebuyers come to the market with imperfect, or simply 'thin' credit records, a competitive Near Prime landscape becomes essential.

The housing ladder doesn't function if buyers can't access the first rung, and given rising house prices and the difficulties of saving a sizeable deposit, that accessibility is pushed even further out of reach if the borrower's credit position also represents a hurdle.

As Near Prime evolves, we are seeing a clearer divide between the types of borrower turning to these products. The needs and wants of a borrower with an actual history of adverse issues can be markedly different from those of borrowers who fall outside of Prime criteria simply because of a thin credit file.

The projected growth of the Near Prime market means failing to see these nuances and adapt will quickly become unjustifiable.

RICHARD HARRISON

Head of Mortgages, Atom bank

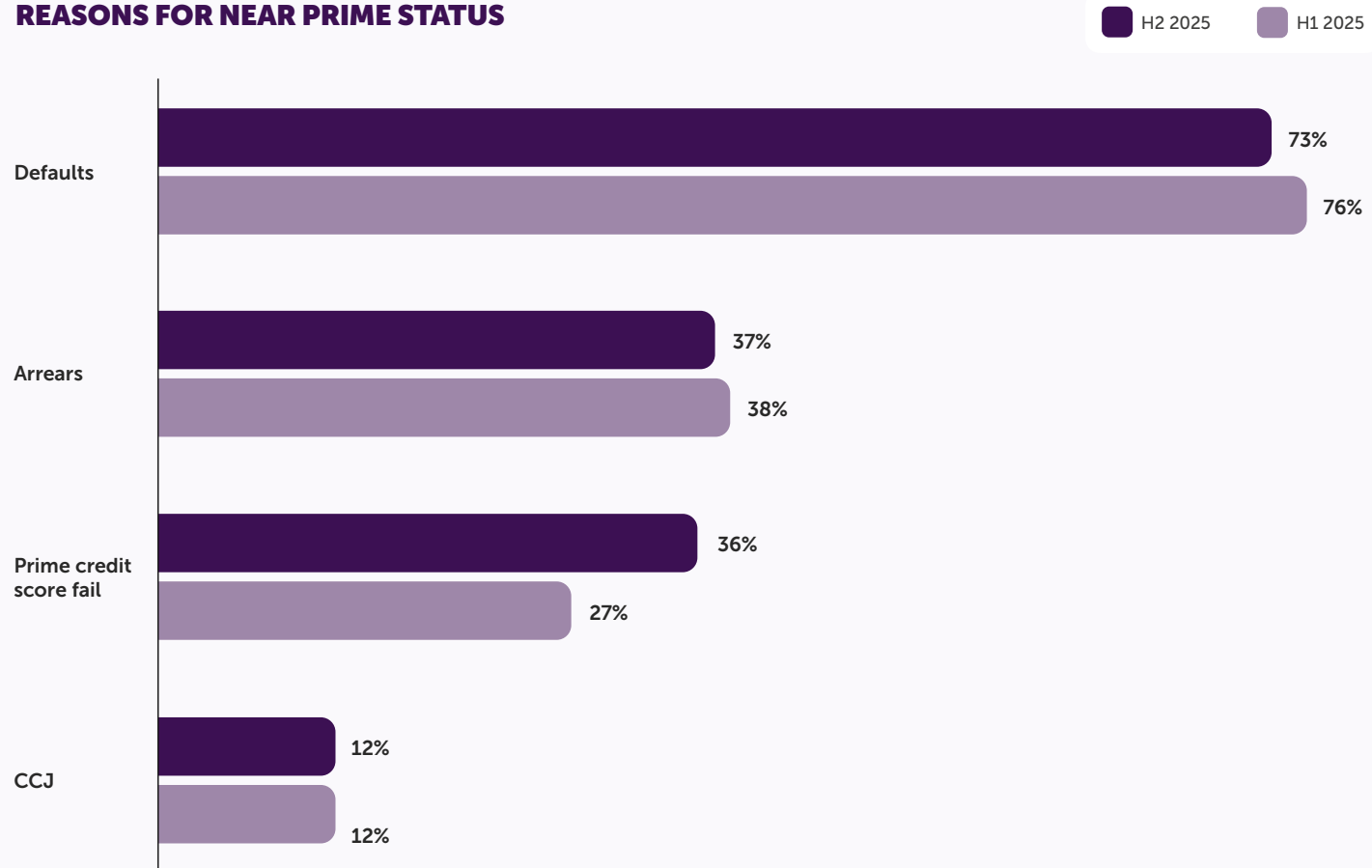


WHAT'S DRIVING NEAR PRIME?



WHY ATOM BANK MORTGAGE CUSTOMERS FELL INTO NEAR PRIME

REASONS FOR NEAR PRIME STATUS



Source: Atom bank Near Prime customer data, H2 2025

Defaults remain the biggest contributor to Near Prime status, highlighting how even minor issues can have long-lasting, significant impacts on a borrower's mortgage prospects. Near Prime offers a vital route for those who have been on the wrong end of a temporary payment problem but remain more than capable of maintaining mortgage payments.



DAVID CASTLING

Head of Intermediary Distribution, Atom bank



RISING FINANCIAL STRAIN: HOUSEHOLD AND CREDIT PAYMENT TREND DATA

KEY TREND INDICATORS FOR UK CREDIT CARDS (DEC 2025)

Rising cost of living pressures have resulted in not only higher credit card balances over the last year, but a growth in credit card accounts with two or more missed payments.

| Metric | Amount | Month-month change | Year-year change |
|-------------------------------------|--------|--------------------|------------------|
| Average Card Balance | £1,950 | +1.7% | +4.8% |
| Accounts with One Missed Payment | 1.4% | +6.4% | -4.3% |
| Accounts with Two Missed Payments | 0.3% | -1.2% | +3.1% |
| Accounts with Three Missed Payments | 0.2% | +3.7% | +4.9% |

Source: FICO UK Credit Card Market Report: December 2025

WHICH FINANCIAL WELLBEING TRACKER (FEB 2026)

4.9%

of households reported missing a household bill payment

3.9%

of households reported missing a loan or credit card payment

4.7%

of renters reported missing a rent payment

1.7%

of mortgage holders reported missing a mortgage payment

Source: Which? Financial Wellbeing update (February)



WHAT ARE THE NEAR PRIME CATALYSTS?

Brokers were asked what they believe are the primary reasons for the current demand levels for Near Prime mortgages.

Cost of living has been a consistent concern for households in recent years, and as the effects of rising bills and persistent inflation have begun to bite, it appears to be pushing more borrowers into the Near Prime category. That has also been a factor in the growth in reliance on consumer credit, as people have turned to short-term borrowing options to help them get through temporary payment challenges.

Notably, thin credit records were pinpointed by one in six brokers, highlighting that it's not just those with a history of missed payments who are missing out on Prime finance.



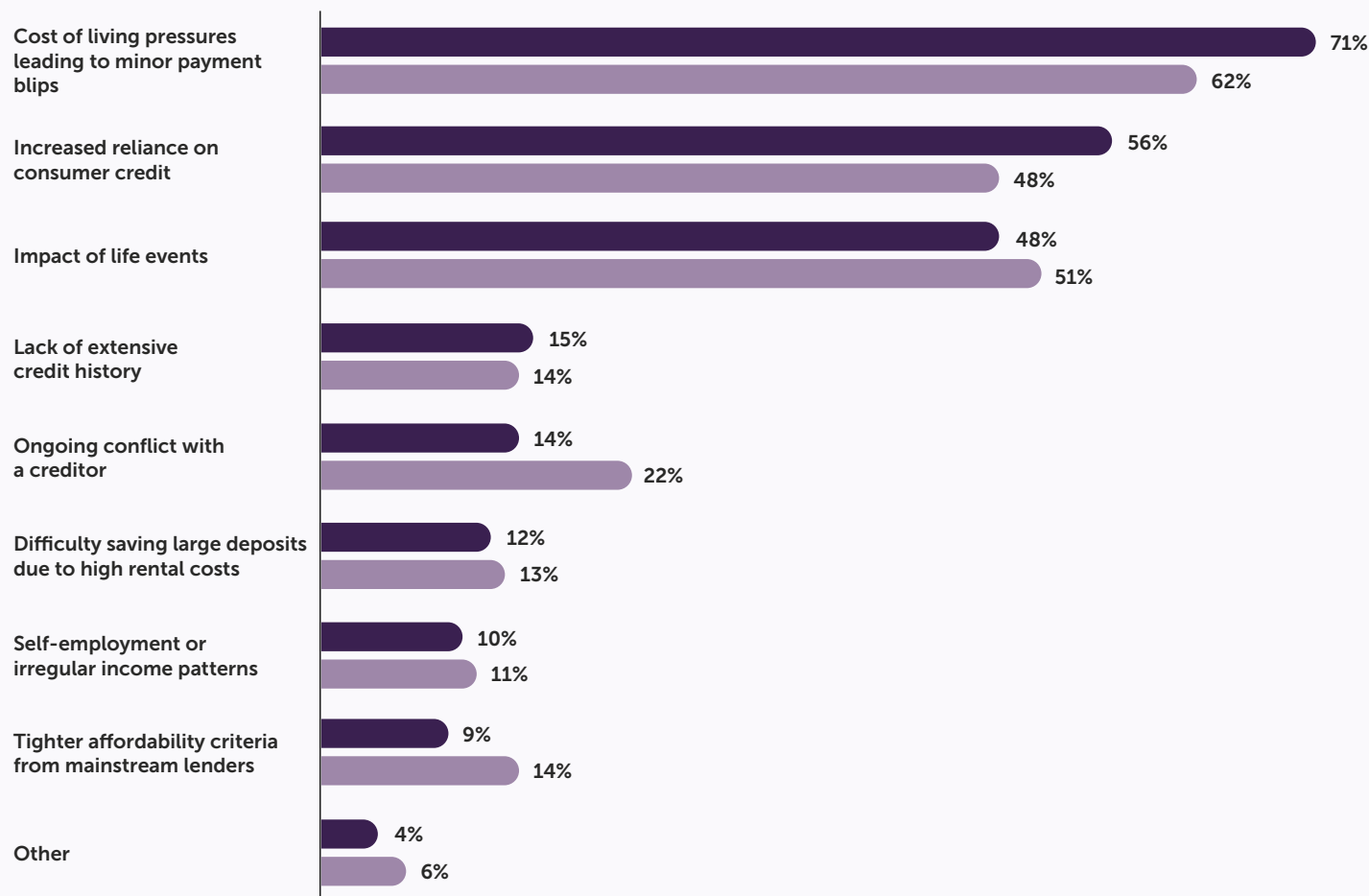
DAVID CASTLING

Head of Intermediary Distribution,
Atom bank

PRIMARY REASONS OF DEMAND FOR NEAR PRIME

Source: Atom bank Near Prime Index broker survey H2 2025

H2 2025 H1 2025



UNDERSTANDING NEAR PRIME BORROWERS

THE TWO TYPES OF NEAR PRIME BORROWER

Based on Atom bank customer data and analysis, we believe Near Prime borrowers often fall into one of two typical profiles.



THE REHABILITATOR

| | |
|------------------|--|
| Typical LTV | Under 85% |
| Average age | c40 years old |
| Financial status | Equity rich; already on the property ladder |
| Credit profile | Credit issues due to recent life event (eg, divorce, job loss) |
| The core need | For a lender to look past the credit score |



THE STARTER

| | |
|------------------|--|
| Typical LTV | 90% |
| Average age | c35 years old |
| Financial status | FTBs, lower household income (£58k) than Prime borrowers (£70k)* |
| Credit profile | "Thin" file or missed payments |
| The core need | Access to higher LTV lending for their credit profile |

*At the same LTV levels

It's important for brokers and lenders to understand the differences between types of Near Prime borrower. While some fall outside of Prime criteria because of previous credit blips, others fall foul of a slim credit record which prevents them meeting the tighter credit score requirements of mainstream lenders. As an industry, we need to not only recognise that the needs and ambitions of these borrower groups are different, but ensure our products and services cater to them both.

A key thing of note is that higher LTV lending is not synonymous with higher risk. Of our borrowers at 90% LTV, a fifth (20%) have zero combined adverse events, while well over a quarter (29%) only have one. These borrowers are not classed as Near Prime because of an extensive history of credit problems, but because of either a lack of credit exposure or missed payments, all of which don't lead to defaults or CCJs.



DAVID CASTLING

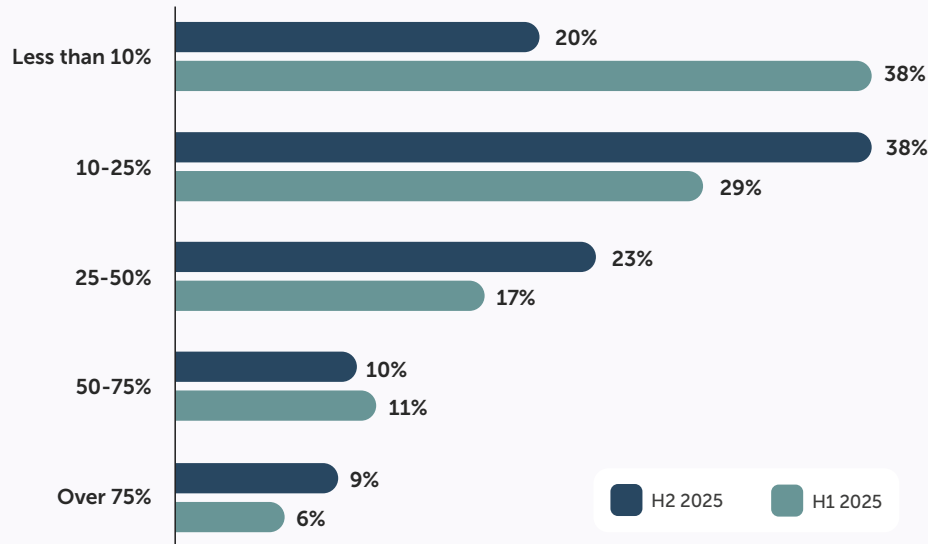
Head of Intermediary Distribution, Atom bank

THE FIRST-TIME BUYER CHALLENGE

Broker and customer data highlights how Near Prime products are increasingly acting as an enabler, opening up access for aspiring home buyers.

FIRST-TIME BUYERS REPRESENT A BIGGER PROPORTION OF BROKERS' NEAR PRIME CLIENTS

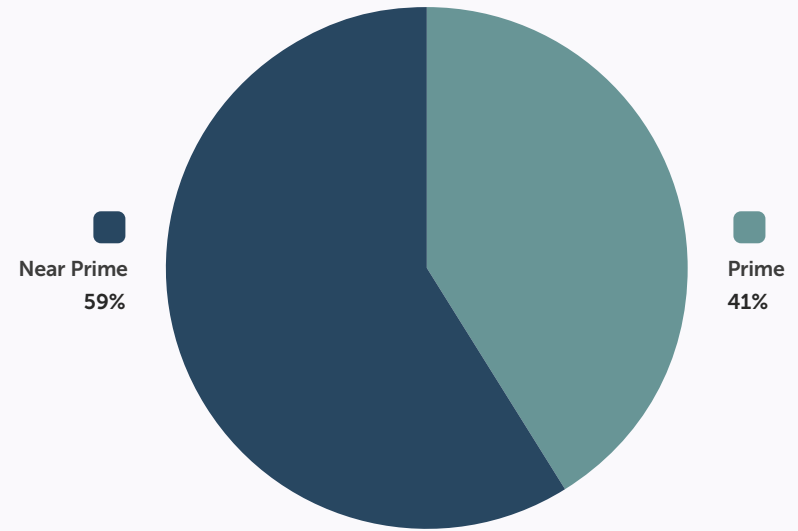
What % of your Near Prime clients are FTBs?



Source: Atom bank Near Prime Index broker survey, H2 2025

NEAR PRIME CUSTOMERS SKEW TOWARDS BEING FIRST-TIME BUYERS

Proportion of cases made up of first-time buyers (%)



Source: Atom bank customer data, H2 2025

This upward trend highlights the growing importance of servicing first-time buyers within the Near Prime market. In the last Index, the proportion of brokers' Near Prime clients who were first-time buyers stood at 25% on average, but it's now risen to 30%. Near Prime is evolving into a crucial access option for those looking to get onto the housing ladder, with buyers increasingly reliant on lenders who can treat apparent credit problems on a case-by-case basis.



DAVID CASTLING

Head of Intermediary Distribution,
Atom bank

THE FIRST-TIME BUYER CHALLENGE

THIN CREDIT FILES

More than a quarter (27%) of brokers report that having a 'thin file' is a particular problem for their Near Prime first-time buyer clients. A lack of credit history is pushing borrowers into Near Prime - Experian suggests there are around five million people in the UK who are effectively 'invisible' to the credit system due to having little to no financial data.

BUYER CYNICISM

The majority of brokers' first-time buyer Near Prime clients (57%) often think homeownership is impossible due to their credit profile.

DEPOSIT CONSTRAINTS

Deposits are a big worry for Near Prime first-time buyers. More than a third (36%) of brokers pinpointed deposit size as the single biggest barrier to submitting an application, highlighting the need for high LTV options.

THE LTV GAP

When placing a first-time buyer Near Prime case, brokers say the most crucial feature they look for from a lender is high LTVs (39%), ahead of a flexible approach to assessing credit history (38%).



THE BROKER VIEW

BROKERS TOLD US THEIR THOUGHTS ON THE NEAR PRIME MARKET GENERALLY AT THE MOMENT, AND WHERE GREATER ACTION FROM LENDERS IS NEEDED.

THE NEAR PRIME PRICE PREMIUM

High interest rates are a particular concern for Near Prime borrowers, with a third (33%) of brokers pinpointing it as the biggest concern among their Near Prime clients when discussing mortgage options, ahead of fear of rejection (26%) and limited product choice (17%).

However, the price premium faced by Near Prime borrowers v Prime borrowers appears to be reducing. Around half (49%) of brokers have seen a decrease in this premium over the last 12 months, suggesting pricing is becoming more competitive for those with imperfect credit records.



THE REMORTGAGE OPPORTUNITY

2025 and 2026 have been pinpointed as significant years for remortgages, with millions of homeowners seeing their fixed rates come to an end. This is likely to feed through into greater appetite for Near Prime borrowing, as non-Prime borrowers find their deals maturing.

While this offers brokers the chance to re-engage clients, educating them about both the Near Prime market and how to rebuild their credit score, borrowers will likely face refinancing onto higher rates than they have been used to, in part due to ongoing global uncertainty and its impact on mortgage pricing.

IMPROVING LENDER APPETITE

Three quarters (77%) of brokers have seen an increase in appetite for credit impaired cases from mainstream lenders in the last six months, with more than one in 10 (12%) reporting a significant increase. As more lenders enter the market, the competition should provide brokers and their clients with more choice, while also driving innovation around criteria and LTV, something brokers have repeatedly called for.

GIFTED DEPOSITS

The importance of Near Prime finance for first-time buyers is apparent from the level of reliance on deposit support, with the vast majority (93%) of brokers reporting their adverse clients utilise some level of gifted deposit when borrowing.

For lenders to support these borrowers, greater understanding and flexibility over the source and size of gifted deposits is essential. Insisting on the deposit only coming from close family members risks freezing these borrowers out of the market.



THE NEED FOR HIGHER LTVS

Almost three quarters (73%) of brokers said there are not enough options for Near Prime borrowers looking for mortgages with LTVs above 80%. With demand growing, particularly among those looking to get started on the ladder, there is danger of a gap emerging between the level of choice for those in an equity rich position, and those reliant on high LTVs.



DEMAND IS ONLY GOING TO RISE

The vast majority of brokers expect demand for Near Prime products to grow in the coming six months. While one in five (21%) predict a stable level of interest, two-thirds (65%) forecast a slight increase, and one in 10 (12%) predict a significant jump.

LOOK BEYOND THE CREDIT SCORE

An imperfect credit score should not be seen as a life sentence. However, there are some lenders who will fail a customer based on minor issues, like a default, rather than looking at what caused it, and why.

Life events, like a job loss or a death in the family, can impact anyone. But even when the event has been resolved, the mark remains on the credit file. I'd like to see lenders have more empathy towards borrowers, more understanding towards what can be a one-off issue.

First-time buyers can suffer because of having a thin file, too. That lack of a credit track record can mean lenders are unable to determine if they are a good candidate or not, which then pushes them into Near Prime. Lenders also need to open up their attitude towards gifted deposits. First-time buyers can face a tough time saving a large deposit, and so rely on help from family and friends. However, many lenders restrict gifted deposits to solely family members, which can limit their options.



MURRAY EWING

Operations Director, The Lending Channel



An imperfect credit score should not be seen as a life sentence.



NEAR PRIME IN ACTION

OPENING UP ACCESS

THE CASE

A first-time buyer couple were looking to take their first step onto the housing ladder, but had imperfect credit records. Financial naivety had resulted in two previous defaults and a couple of mispayments within the last two years, leading the initial broker to struggle to find a high street option for them.

THE SOLUTION

The case was referred to **Anthony McDonald, Mortgage Adviser at The Lending Channel**, who immediately turned to Atom bank.



My first thought with adverse cases is always whether they fit with Atom's criteria, as they provide a competitive rate, an easy application process, and rapid turnaround speeds.

In this case, we got an offer within three days which is very impressive compared with other lenders who can take two to three weeks. The client was pleased, not only with the offer but with the smooth process, which only reflects well on us as brokers.

There is often a lack of financial education among this group. The client had a shock when they realised high street lenders wouldn't lend to them, and they weren't fully aware of their poor credit file. They then thought if they couldn't get something on the high street, they couldn't get a mortgage full stop, so there is a lot of work to do in terms of awareness.



ANTHONY MCDONALD

Mortgage Advisor, The Lending Channel

PUTTING PAYMENT PROBLEMS IN THE PAST

THE CASE

A borrower already on the housing ladder approached a broker for help arranging a mortgage. The borrower had previously experienced debt issues, including a debt management plan, which had been entirely paid off.

The initial broker ran a Decision in Principle with a high street lender, but when this was declined, they stopped answering calls and emails from the borrower.

THE SOLUTION

The borrower then approached **Liz Hussey from Solent Mortgages**, a broker new to the industry who had not handled an adverse case before. Atom bank was the first choice lender due to the rate, while on submission, the application went straight through to offer within a week.



I was surprised by how quickly things progressed. I had expected that as this was an adverse case, it would take much longer and involve loads of extra admin. However, it was really smooth and fast, while my client was over the moon with how the case progressed.

Some lenders will reject applicants purely based on not meeting a minimum credit score figure, but Atom bank was able to look beyond the score and consider the nuances of the case. For example, despite the previous debt management plan, the client had a good income and no other debt, so was a perfectly good applicant.



LIZ HUSSEY

Mortgage and Protection Adviser, Solent Mortgages



THE HOUSING LADDER RELIES ON ACCESS FOR FIRST-TIME BUYERS

Without young people being able to buy a home, those further up the ladder are unable to move on, clogging up activity.

And what's become clear is that if we are to boost the prospects of first-time buyers, that must include broader support for those who fall outside of Prime criteria.

The clearest area where this is needed is in the provision of more high LTV options. We have seen ourselves the strength of demand from those with small deposits, with Atom bank's 90% Near Prime products quickly becoming among our most popular. Given the well-documented difficulties faced by nearly all first-time buyers in saving a sizeable deposit, greater levels of choice will be required. Brokers have told us that mainstream lenders are showing more interest in Near Prime lending - if they really want to support these borrowers, then that lending must include flexible options for those with modest deposits.

Understanding over the source of those deposits is equally important. Brokers have made clear the reliance of Near Prime first-time buyers on support from loved ones, whether that's boosting their own savings or providing the deposit entirely. That is only possible if lenders are open-minded over gifted deposits, and where they are coming from, however.

Equally, lenders need to demonstrate greater understanding of the different types of Near Prime borrowers. While some are trying to repair the damage of a past credit blip, there are others counting the cost of a lack of credit history. Those with thin files but big dreams need greater support from brokers and lenders alike in establishing their options in the present, as well as developing the habits to ensure that when it's time to refinance, they are securely within the Prime category.

There is cause for optimism about the future for Near Prime borrowers. Recent months have seen more appetite from mainstream lenders for these cases, providing not only welcome choice but also pushing better value. While this progress may well have stalled as a result of current market uncertainty and its impact on mortgage pricing, we must hope that progress resumes as and when the conflict concludes.

There is clearly much work still to be done. Given the projected growth of Near Prime, and its importance as an access point for potential homeowners, getting this right will be absolutely essential for the overall health of the mortgage market.

RICHARD HARRISON

Head of Mortgages, Atom bank



