Two Bubbles, Two Ledgers

Read through Minsky's financing postures, UK mortgage lending and the AI build-out are heading in opposite directions. The regulator's own data show that lending without evidenced income, and above 95% of the property's value, has all but disappeared since 2007. The Bank of England's latest report shows AI debt building fast.

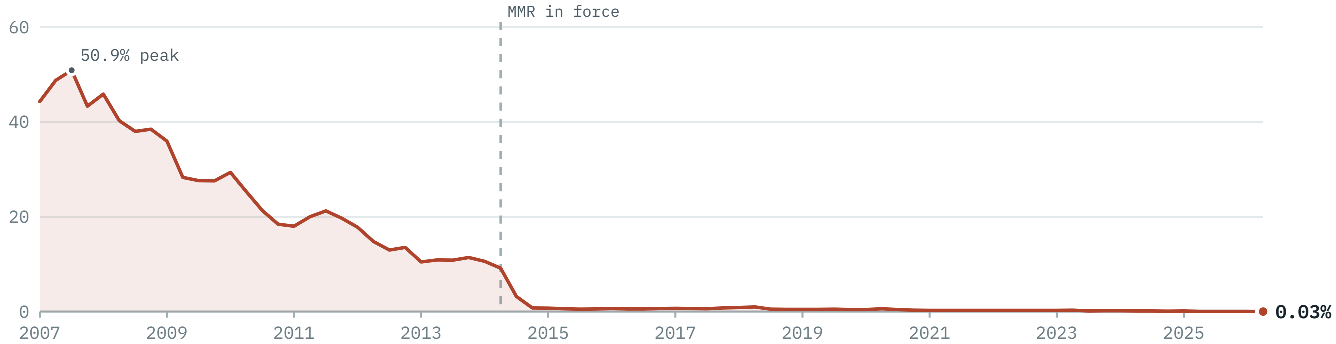
78 quarters, 2007 Q1 to 2026 Q2   Regulated lending, shares by value   Compiled 16 Sep 2026

Lending with no evidenced income	Interest-only share of lending	Lending above 95% loan to value	Securitised share of balances
48.8% → 0.03%	42.1% → 7.4%	5.8% → 0.54%	17.6% → 5.4%
2007 Q2 → 2026 Q2	2007 Q2 → 2026 Q2	2007 Q2 → 2026 Q2	2007 Q2 → 2026 Q2

FIGURE 1

At the 2007 peak, half of mortgage lending had no evidenced income

Share of regulated lending, by value, where the borrower's income was not evidenced. The FSA's own estimate: at the market's 2006/07 height, 45% of all mortgages were advanced without income verification (DP09/3, para 4.50).

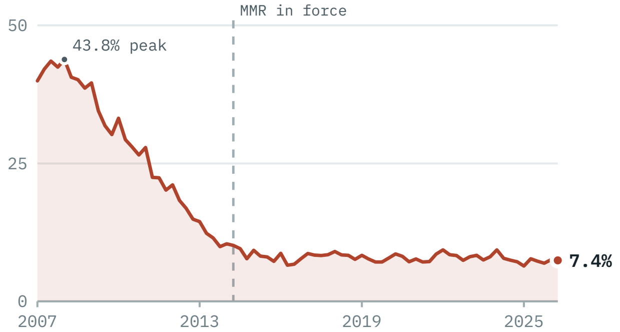


Source: FCA/BoE MLAR detailed long-run tables, table 1.31, regulated lending, retrieved 16 Sep 2026. Single-income and joint-income rows combined. Peak 50.9% in 2007 Q3; 0.03% in 2026 Q2.

FIGURE 2

Interest-only fell from two-fifths of lending to under a tenth

Share of regulated lending by value. The FSA's 2006/07 figure, from CML sales data, was 33% of residential mortgages, most with no repayment vehicle (DP09/3, para 4.90).

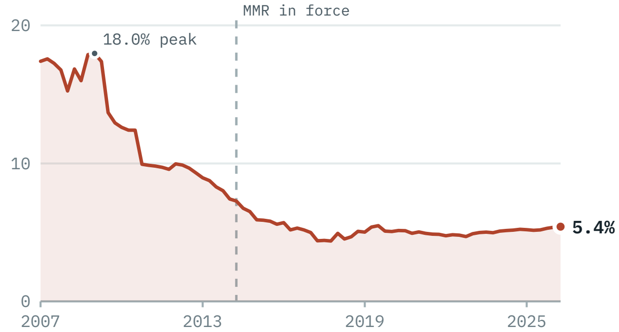


Source: FCA/BoE MLAR detailed long-run tables, table 1.32, regulated lending, retrieved 16 Sep 2026. Peak 43.8% in 2008 Q1.

FIGURE 3

The securitisation-heavy funding model of 2007 has not been rebuilt

Securitised share of regulated balances. The FSA found securitisation and whole-loan sales contributed to looser lending standards (DP09/3, para 2.7).



Source: FCA/BoE MLAR detailed long-run tables, table 1.11, regulated lending, retrieved 16 Sep 2026. Peak 18.0% in 2009 Q1.

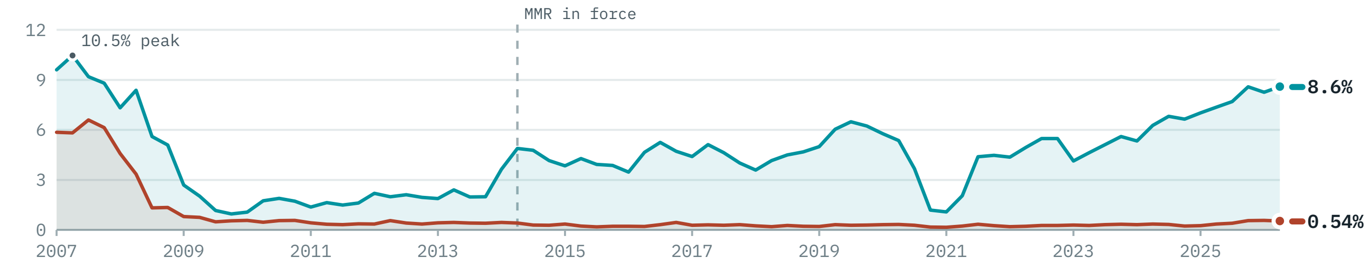
Definitions. Regulated lending: loans secured on a home the borrower or their family live in. Buy-to-let is mostly non-regulated and excluded. Loan to value, interest-only and income shares are percentages of the value of gross advances in the quarter, not of the number of loans. Minsky's financing postures, as summarised by Knell (2014): hedge, where income covers interest and principal; speculative, where income covers interest but the debt must be rolled over; Ponzi, where income covers neither and repayment relies on rising asset prices. Applying them to UK mortgages and AI financing is this pack's interpretation; the Bank of England does not use these categories.

FIGURE 4

Lending above 95% never came back. The 90 to 95% band did.

Regulated lending by loan to value. What is different now: incomes are evidenced, and the Bank of England's Financial Policy Committee caps lending at 4.5 times income or more at 15% of new mortgages, measured across the market over four quarters. That measure stood at 10.8% in 2026 Q1 (13.2% in the quarter alone).

Over 95% · Over 90% up to 95%



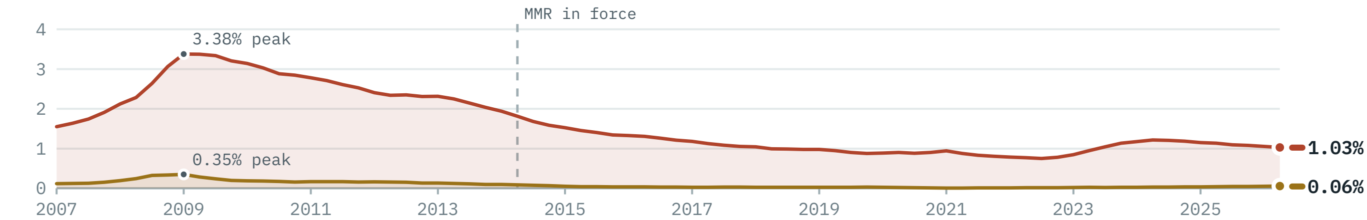
Source: FCA/BoE MLAR detailed long-run tables, table 1.31, regulated lending, retrieved 16 Sep 2026. Over 95%: peak 6.6% in 2007 Q3. Over 90% up to 95%: peak 10.5% in 2007 Q2, 8.6% in 2026 Q2. FPC limit: Bank of England FSR, Jul 2026, s5.2.

FIGURE 5

What it looked like when it went wrong

Share of regulated balances in arrears (1.5% of the balance or more, including possessions) and in possession.

In arrears · In possession



Source: FCA/BoE MLAR detailed long-run tables, table 1.7, regulated lending, retrieved 16 Sep 2026. Arrears peak 3.38% and possessions peak 0.35%, both 2009 Q1.

LEDGER TWO · AI CREDIT

Where risk is building now

> …the financial stability risks posed by this increasing demand for debt financing have to date been contained by modest stocks of outstanding debt. **This is changing at pace.**

Bank of England, Financial Stability Report, July 2026, section 2.3

AI hyperscalers' capital spending forecast for 2028

<$600bn BLOOMBERG CONSENSUS, DEC 2025 REPORT → **>$1tn** BLOOMBERG CONSENSUS, JUL 2026 REPORT

The five hyperscalers in US investment-grade debt

3% OF DEBT OUTSTANDING, END-2025 vs **15%+** OF NEW ISSUANCE, 2026 TO EARLY MAY

AI issuers in US high-yield debt

1% OF THE JP MORGAN HY INDEX, END-2025 vs **41%** OF NEW ISSUANCE NOT FOR REFINANCING, 2026 SO FAR

AI companies' share of private credit deals (OECD)

9% 2024 → **34%** 2025

The Bank's hypothetical scenario: US equities fall 45% over six quarters, credit spreads widen by 350 basis points and the dollar weakens, leaving UK GDP 2.2 percentage points lower. The Bank says the impact is encompassed by its 2025 Bank Capital Stress Test and 2024 Desk-Based Stress Test scenarios, “to which UK banks were resilient”. 3% and 15%: JP Morgan, 7 May 2026, cited by the Bank. 9% and 34%: OECD Global Debt Report 2026, Figure 2.25, share of private credit deal value going to AI companies. Hyperscalers: Alphabet, Amazon, Meta, Microsoft and Oracle.

Sources. FCA and Bank of England, MLAR statistics: detailed long-run tables (tables 1.11, 1.31, 1.32, 1.7), retrieved 16 Sep 2026. Bank of England, Financial Stability Report, July 2026 (data as at 25 June 2026), sections 2.2, 2.3 and 5.2. OECD, Global Debt Report 2026, Figure 2.25. FSA, DP09/3 Mortgage Market Review, October 2009. FCA, CP13/2. Framing: M. Knell, Schumpeter, Minsky and the financial instability hypothesis, 2014.

Compiled with AI assistance from the sources above. Not financial advice.