Understanding Your Risk – Lending Criteria When the Loan is Granted

	INDIVIDUALS		BUSINESSES	PROPERTY DEVELOPERS	LENDING BUSINESSES (DISCONTINUED)
	INDIVIDUALS - UNSECURED	INDIVIDUALS - SECURED			
DESCRIPTION	Loans to individuals for a variety of uses. Includes direct loans and point of sale loans.	Secured vehicle loans, most with a tracker and immobiliser fitted to the vehicle.	Loans and hire purchase agreements to small and medium sized businesses to help them become more productive (e.g. Asset Purchase, Stock Purchase, R+D, Acquisition, Cash Flow, Expansion)	Secured loans for property development (LTV <65%)	Lending to individuals and businesses via third party specialist lenders
LOAN SIZE	£500 - £35,000 (in certain circumstances up to £100,000)	Up to £25,000	£25,000 - £750,000 (with 3 historic loans of £750k to £1.7M)	£500k - £7.5m	£2m up to £34m per lending business. They lend onwards to individuals (£1 - 10k) and businesses (£40 - £200k) with one loan at £600k.
LENDING CRITERIA AT ORIGINATION	• UK resident with ID and residency confirmed; • All applicants assessed for creditworthiness and affordability (using, at a minimum, credit reference agency and application form data); • No unemployed applicants (self-stated); • Applicants must be at least 18 years old at the point of application; • No Bankruptcies, Individual Voluntary arrangements (IVAs), Debt relief orders (DRO) or Trust deeds; • No recent defaults on the credit file.	• UK resident with ID and residency confirmed; • All applicants assessed for creditworthiness and affordability (using, at a minimum, credit reference agency and application form data); • Applicants must be at least 18 years old at the point of application; • No active Bankruptcies, Individual Voluntary arrangements (IVAs), Debt relief orders (DRO) or Trust deeds; • UK/EU/EEA driving licence; • Loans are secured against the vehicle purchased; • The vehicle is fitted with a tracker/immobiliser to facilitate repossession if the borrower defaults.	• 3-years trading; • 2-years posted accounts; • 3-months to 5-years tenor; • Financial analysis & affordability from cash flow financial statements; • No equity finance, LBO or mezzanine debt; • No loan which is "fiduciary" or "fronting" in nature; • No clubs, associations, charities or trusts; • Loans above £100k will typically have a guarantee from directors/shareholders and/or tangible security.	• Min. 5 years previous development experience of similar schemes; • Min. 20% equity, typically cash. Max loan to costs of 80%; • Max. 65% loan to value; • Planning permission to be held; • Min 10% contingency on hard construction costs; • 1st legal charge security only; • Guarantees from directors/shareholders.	• Third party lending business provides "first loss" buffer. Provision Fund only takes losses if third party defaults; • We no longer write new wholesale loans and existing wholesale loans are running down as they repay over time in accordance with their schedule. However, please note that newly invested lender money may be matched to existing wholesale loan contracts if an existing lender has sold out. NEW LENDING DISCONTINUED

ADDITIONAL INFORMATION

We take a careful approach to lending and only lend to borrowers who are creditworthy when the loan is granted and can demonstrate that they are able to pay back the loan. Borrowers' creditworthiness may change over time and cannot be guaranteed.

You can track default metrics in the KEY INFORMATION section on the Market Data page: https://www.ratesetter.com/aboutus/statistics

- Borrowers include individuals (mainly lower risk but some higher risk), businesses, property developers and other lending businesses (specialist financial businesses who lend onwards to individuals and businesses – now discontinued as a source of new lending).
- We aim to spread our lending across these different types of borrowers and, especially for business and property development, across different sectors within them. This helps diversify risk as loans to different types of borrowers perform differently through the economic cycle. Hence, diversification could be considered a strength. We actively monitor the amount of lending to each type of borrower to keep it within concentration limits set in accordance with our risk appetite.
- The governance of lending is modelled on best practice from the banking world. Lending decisions are made by skilled and experienced underwriters. All lending is monitored by an experienced risk function and overseen by the Board Risk Committee.
- The loan portfolio performance is monitored at aggregate level and by segment to ensure performance remains within our risk appetite.

Version 2.0 Updated 14/09/2017