

# Understanding your investment

By investing through RateSetter you are entering into credit agreements as a lender with one or a combination of individuals or businesses as the borrower(s). You should read the following information and the Lender Terms carefully before making your investment. **If you have any questions, please feel free to give us a call on 020 3142 6226.**

## 1. **Credit Risk Analysis** - how we assess borrowers

Our minimum requirements for borrowers vary according to the type of loan being offered but all decisions are based on risk assessments by our specialist credit analysis and underwriting teams.

In the case of individual borrowers, we:

- conduct identity checks;
- analyse their credit history and score; and
- assess their ability to make repayments (affordability).

For business borrowers, we:

- review the company's trading history and accounts;
- assess the creditworthiness of the company directors and in some cases, require the directors or other third parties to give a personal guarantee; and
- where appropriate, take other security, for example by putting a charge over the company's assets or requiring a cross-company guarantee.

## 2. **Arrears management** – what happens if a borrower can't or won't pay

To protect our investors against borrower default, money is set aside in the Provision Fund. In cases where a borrower doesn't make a payment when due, the Provision Fund pays the lender on their behalf. We believe in treating all our customers fairly, both lenders and borrowers, so we always do what we can to help borrowers who experience payment difficulties. If despite our efforts, we can't get the loan back on track, the Provision Fund can settle the loan with the lender in full. The lender can then re-invest in a new loan contract or withdraw the funds.

We closely monitor the amount of money in the Provision Fund but it does not provide a guarantee. If the Provision Fund has insufficient funds to cover borrower defaults you may receive less interest than you expected, lose some or all of the capital you invested and/or it may take longer than expected for you to receive your money back.

## 3. **Run off plan** – what happens if RateSetter stops trading

RateSetter maintains a fully funded plan that is designed to allow the company to continue to administer all existing loan contracts even if the Exchange closes to new business. So, in the unlikely event of RateSetter ceasing to trade, your loan contract(s) will continue to be administered on your behalf.

## 4. **Transparency** – how you can keep informed about the risks

We publish all our default data online, which can be used to analyse the quality of our loan book and previous lending. The figures are updated daily and you can view them anytime by visiting [www.ratesetter.com/aboutus/statistics](http://www.ratesetter.com/aboutus/statistics). Further information about our Provision Fund, including how we calculate expected future default rates, can be found at [www.ratesetter.com/lend/provisionfund](http://www.ratesetter.com/lend/provisionfund). Please note that historic information should not be used as the sole indicator of future performance.

# Lender Terms

## 1. Introduction

- 1.1. Retail Money Market Limited ("**RateSetter**", "**us**", "**we**") is a limited liability company registered in England and Wales, number 7075792. Our registered office address is 6th Floor, 55 Bishopsgate, London EC2N 3AS. We are authorised and regulated by the Financial Conduct Authority.
- 1.2. We provide an exchange (the "**Exchange**") on [www.ratesetter.com](http://www.ratesetter.com) and other websites operated by or on behalf of selected partners. The purpose of the Exchange is to facilitate the arrangement of credit agreements between borrowers and lenders (the "**RateSetter Customers**"), either or both of which may be individuals or corporate bodies (for example, companies).
- 1.3. Once you have registered with RateSetter in accordance with the Website and Exchange Terms of Use (the "**Website Terms**"), you will be able to monitor and manage your investment using an online account (your "**RateSetter Account**").
- 1.4. These Lender Terms (the "**Terms**") set out the terms and conditions relating to your use of the Exchange as a lender and your relationship with RateSetter and should be read in conjunction with the Website Terms. These Terms apply to you equally whether you are lending on the Exchange as an individual or as an incorporated body.
- 1.5. These Terms, together with the Website Terms and the Privacy Policy, replace any previous versions of the Terms & Conditions. We may make changes to these Terms from time to time. If a material change is made, we will notify you at least one calendar month before the change becomes effective by e-mailing you and/or including information about the change in your monthly lender statement.
- 1.6. You are not allowed to transfer to anyone else any of your rights or obligations under these Terms or under any credit agreements for which you act as lender (your "**Matched Loans**") other than in accordance with these Terms or with RateSetter's prior written consent.
- 1.7. These Terms are governed by the laws of England and Wales and the courts of England and Wales will have exclusive jurisdiction in relation to any and all disputes arising from them. If a provision of these Terms is or becomes illegal, invalid or unenforceable that shall not affect the legality, validity or enforceability of any other provision of these Terms.
- 1.8. Any calculations, forecasts or estimates provided in or pursuant to these Terms (for example, figures provided on our website pursuant to clause 7.6) are provided on a best estimate basis.
- 1.9. We may determine, in our absolute discretion, when our Exchange or any part of it is open and may close the Exchange or any part of it at any time. We are not obliged to accept any offer made on the Exchange.

## 2. Appointment of RateSetter as your agent

- 2.1. By agreeing to these Terms, you are appointing RateSetter as your exclusive agent to act in all matters relating to the origination, negotiation, administration and management of your Matched Loans, including:
  - 2.1.1. conducting credit and affordability checks on prospective borrowers to determine their creditworthiness and to agree the amount, term and rate at which they can borrow;
  - 2.1.2. communicating any offers to lend on the Exchange to other RateSetter Customers;
  - 2.1.3. negotiating, agreeing and executing on your behalf any agreements or deeds relating to Matched Loans, for example, any credit agreement and/or associated security documents;

- 2.1.4. acknowledging the creation of a trust over any security granted in favour of or held by a security trustee and acceding to the terms of any security trust arrangements on your behalf;
  - 2.1.5. upon a Matched Loan being agreed, advancing the amount of credit to the borrower or to a third party where agreed and authorised by the borrower;
  - 2.1.6. collecting all payments due under the terms of your Matched Loans;
  - 2.1.7. communicating with borrowers in relation to your Matched Loans and receiving any notices or communications borrowers may send in relation to your Matched Loans;
  - 2.1.8. keeping and maintaining all records relating to your Matched Loans;
  - 2.1.9. responding to any complaints or disputes in respect of your Matched Loans;
  - 2.1.10. conducting negotiations during the term of your Matched Loans, for example, those relating to early repayment;
  - 2.1.11. following the service of any legally required notice, terminating any of your Matched Loans and notifying the borrower of any such termination;
  - 2.1.12. beginning and/or conducting any enforcement action against a borrower in relation to any of your Matched Loans, for example if they fail to make payments;
  - 2.1.13. in relation to any Matched Loan which is secured, appointing a trustee to hold the security on trust for you and the other lenders, and where required, giving the trustee instructions in relation to the security; and
  - 2.1.14. entering into any transfer agreements (or sending notices in relation to them) on your behalf in order to transfer the benefit of all or part of any of your Matched Loans to the Provision Fund (as explained in clause 7), another RateSetter Customer, RateSetter itself or a third party in accordance with these Terms.
- 2.2. RateSetter is subject to various laws, rules and regulations (including by virtue of the permissions granted to it by the FCA) and actions taken by RateSetter on your behalf or on behalf of other RateSetter Customers are at all times subject to such laws, rules and regulations.
  - 2.3. You agree that RateSetter, or any agent acting for or on behalf of RateSetter, may appoint a third party service provider to perform RateSetter's duties under these Terms, either temporarily or permanently, partly or in full. In circumstances where such an appointment is made, any rights or obligations in these Terms which relate to RateSetter shall become the rights and obligations of the appointed third party.
  - 2.4. You agree to be bound by the terms of any Matched Loans entered into on your behalf and any amendments to those terms as agreed by RateSetter. You understand that by lending through the Exchange, you may lose money if one or more borrowers fail to repay their loans.
  - 2.5. At the conclusion of each tax year, RateSetter will e-mail you a statement detailing your transactions from the preceding year, including details of any interest earned. It is your responsibility to account for any taxes relating to your use of the Exchange and any interest earned. The tax you have to pay is dependent on your individual circumstances and may be subject to change in the future. If you are in doubt, you should seek independent advice.
- ### 3. Putting money in
- 3.1. To place a lending order you must first credit your "**Holding Account**" by transferring funds into a segregated client money bank account held on trust for the RateSetter Customers (the "**Trust Account**"). Any interest earned on funds in the Trust Account will be paid into the Provision Fund.
  - 3.2. The Trust Account will at all times be a segregated account held by one of the major UK high street banks. This ensures that should RateSetter cease to trade, the money held in this account will not be considered to be part of RateSetter's assets and will be available for return to you. Funds belonging to individuals and companies are held together in the Trust Account and in the event of a distribution all RateSetter Customers will rank equally, regardless of whether they are an individual or a business.
  - 3.3. You agree to provide us with the sort code and account number of the UK bank account that you wish to use to send and receive funds when using the Exchange (your "**Nominated**

**Bank Account**"). Your Nominated Bank Account must be in your name and registered to your current address. Payments made by any means, including by debit card, into the Trust Account must be from your Nominated Bank Account. Any funds paid into the Trust Account from any bank account other than the Nominated Bank Account may be returned to the paying account.

- 3.4. When you pay money into the Trust Account, you are confirming that you are authorised to do so. You will make such payments in good faith and will not attempt to reverse a payment made into the Trust Account or take any action which will cause such a payment to be reversed by a third party. If your Nominated Bank Account is a joint account, you confirm that when making transfers into the Trust Account, you are acting with the authority of the joint account holder.
- 3.5. You can transfer funds from your Nominated Account to the Trust Account by:
  - 3.5.1. making a bank transfer, including your RateSetter Account number as a reference;
  - 3.5.2. making a debit card payment through the RateSetter website, subject to a transaction fee of £1.50 for any payments less than £1,000; or
  - 3.5.3. setting up a monthly direct debit using the "**Regular Lender**" feature in your RateSetter Account.

Funds sent by bank transfer or taken by Direct Debit may take up to two working days to show in your Holding Account and be available to lend on the Exchange. Payments made by debit card will immediately show in your Holding Account.
- 3.6. We may at any time, after giving you reasonable notice of our intention to do so, set off any sums owed by you to RateSetter or to a RateSetter Customer against any funds held in a RateSetter account in your name.

#### 4. Offers and matching

- 4.1. The Exchange operates by automatically and anonymously matching offers to lend with applications to borrow. By lending through the Exchange you confirm that you are not knowingly lending to a "connected party" as defined in the Income Tax Act 2007, such as a spouse, relative or business partner. You can find the full definition of a connected party at [www.legislation.gov.uk/ukpga/2007/3/section/993](http://www.legislation.gov.uk/ukpga/2007/3/section/993).
- 4.2. The rate you select when you make an offer to lend (the "**Lender Rate**") is the annualised expected rate which assumes:
  - 4.2.1. you do not use the Sellout function in accordance with clause 6;
  - 4.2.2. your money is not repaid early by the borrower, in part or in full;
  - 4.2.3. the Exchange is not in a Stabilisation Period in accordance with clause 8; and
  - 4.2.4. you re-invest all repayments at the same rate and term.
- 4.3. You may choose to lend and/or re-invest at the "**Market Rate**", which is set each day by taking a weighted average of all the rates transacted during the previous day between 6am and 10pm. RateSetter makes no guarantee as to the level of the Market Rate at any given time or any given day. By choosing to lend at the Market Rate, you agree and accept that the calculation of the Market Rate at the time any funds are matched is correct as at the time of matching.
- 4.4. Subject to clause 4.10, lenders are matched within each market first by rate and then by time. This means that if there are multiple lenders offering the same rate, they will be matched in order of when they placed their offer to lend on the Exchange. An offer to lend may be posted on its own or may be combined with other offers to lend and may be accepted by one or a combination of multiple RateSetter Customers.
- 4.5. You can withdraw all or part of an offer to lend (until it has been matched) by cancelling the relevant offer in your RateSetter Account. The cancellation of an outstanding offer to lend becomes effective when your instruction to cancel is successfully received and processed by us, which is usually done within one working day. Until we process the cancellation, you acknowledge that your offer may remain outstanding and available for acceptance.

- 4.6. You are entirely responsible for the information you provide to us concerning each offer you make and for checking that it is accurate. We will not enquire into the reasonableness of any offer you make and we will not be liable for incorrect entries made by you, including any data input errors with respect to the amount or rate of any offer.
- 4.7. Subject to clause 4.5 above, when you make an offer to lend (including automated offers made through re-investment and/or Regular Lender), you are waiving any cancellation rights which apply. That means that once all or part of an offer has been matched, you will be bound by the terms and conditions of the resulting Matched Loan(s) and you will not be able to amend, cancel or withdraw from the Matched Loan(s) other than in accordance with these Terms.
- 4.8. An offer to lend may be matched with all or part of a loan which has a term that differs from your offer. In cases where the term is longer than the term you selected, we will use our best efforts to transfer the loan to another lender at the end of the term you selected. You should be aware however that our ability to do so will be subject to there being funds available on the Exchange at the required rate. If there are insufficient funds available on the Exchange, your money will be returned to you as and when the borrower repays their loan, which may take longer than the term you selected. In cases where the term is shorter than the term you selected, your investment may be repaid early. If this happens, the sum paid back to you will be dealt with in accordance with the Re-Investment settings you have selected in your RateSetter Account.
- 4.9. When a borrower order is fully matched to lender funds, the loan will be formed the same day (the "**Contract Date**") and the funds sent to the borrower on the next working day (the "**Term Date**"). Interest on all loans will accrue daily on the capital amount outstanding from and including the Term Date up to and including the date on which the loan is settled in full. This means that if your funds are matched to a new loan, you will begin to accrue interest the working day after the loan is formed. If your funds are matched to an existing loan (e.g. if another lender is using the Sellout function), you will begin to accrue interest on the calendar day after your funds are matched.
- 4.10. Unless the Exchange is in a Stabilisation Period in accordance with clause 8, loans funded by the Rolling Market are rolled ("**Rolled**") each time the borrower makes a payment. When a loan is Rolled, the funds matched to that loan are repaid to the relevant lenders and new lenders are matched to the loan. Any funds repaid are then dealt with in accordance with the relevant lender's Re-investment settings. This means that if you are investing in the Rolling Market at Market Rate, the rate you receive in relation to all or part of your investment may change when your Matched Loans are Rolled. Any funds repaid when your Matched Loans are Rolled which are set to re-invest in the Rolling Market at Market Rate will take priority over any other funds entering or already on the market at the same rate.
- 4.11. Any repayments you receive in respect of your Matched Loans, including monthly repayments, overpayments or settlements paid by the borrower or the Provision Fund, will (subject to the amounts received reaching the minimum order amount of £10) be automatically re-invested as follows:

<b>Initial investment</b>	<b>Re-investment</b>
Rolling Market	Rolling Market
1 year Market	Rolling Market
5 year Market	5 year Market

- 4.12. You can change the way your funds are re-invested (including specifying that they are not re-invested at all), by altering the Re-Investment settings in your RateSetter Account. Any changes to your Re-Investment settings normally take effect immediately but may take up to 24 hours to be activated.

## 5. **Withdrawing funds**

- 5.1. You may transfer funds from your Holding Account into your Nominated Bank Account by choosing the **"One-off Withdrawal"** option in your RateSetter Account or using the **"Auto Withdrawal"** option which allows you to specify that funds be withdrawn on a regular basis. Withdrawals are normally credited to your Nominated Bank Account by the end of the next working day but may be delayed up to 5 working days in cases where additional fraud or identity checks are required, for example when you make your first withdrawal. You may not withdraw funds into any account other than your Nominated Bank Account.
- 5.2. You may not withdraw funds which are waiting to be matched or which have already been matched. In the case of funds waiting to be matched, you may be able to cancel all or part of your order, as set out in clause 4.5. If you successfully cancel, the funds will be moved to your Holding Account and can then be withdrawn in accordance with clause 5.1.
- 5.3. If your funds have already been matched, you will only be able to withdraw funds using the Sellout function detailed in clause 6 or as and when payments are made by the borrower (subject to your Re-Investment settings). You can use the **"Drawdown"** function to request that a specified amount be paid into your Holding Account from borrower repayments, after which the system will revert to your specified Re-Investment settings.
- 5.4. If you would like to close your account, you must first Sellout of all your loans (see section 6 below) and withdraw any funds in your holding account. Once you have done that, you can contact our customer services team using the details on our website to request the account be closed.

## 6. The **"Sellout"** function

- 6.1. You should be prepared to lend for the full term of your Matched Loans. Once your funds are matched and a loan is formed, you may be able to withdraw matched funds before they are repaid by the borrower by using the **"Sellout"** function but this will only be available where there are replacement funds available in the market, either from another RateSetter Customer or from RateSetter itself.
- 6.2. If you are using the Sellout function to access money invested in the Rolling market, there is no fee for doing so. This means that as long as there are funds available in the market to replace the amount being withdrawn, all capital requested plus interest at the Lender Rate on that capital up to the date of Sellout will be returned to your Holding Account.
- 6.3. If you are using the Sellout option to access money invested in the 1, 3 or 5 year markets, it may result in the overall interest earned being significantly lower than the Lender Rate you selected when making your original offer to lend. This is because the amount returned to you will be adjusted to account for the lower interest rate applicable to monies invested over a shorter term and for any change in the rates available on the Exchange.
- 6.4. The amount returned to you when you use the Sellout function in the 1, 3 and 5 year markets will equal the capital amount requested plus interest accrued to the date of the Sellout, minus the Return Fee and any Assignment Fee. The amount will be estimated and displayed to you before you commit to the Sellout.
- 6.5. To calculate the Return Fee, we will:
  - 6.5.1. determine the total interest you earned on the capital you want to withdraw up to the date of the Sellout ('A');
  - 6.5.2. determine the longest term available at the time your funds were originally matched that would have expired before the date of the Sellout;
  - 6.5.3. calculate the total interest you would have earned if your funds had been invested at the Market Rate on the term determined by clause 6.5.2 ('B');
  - 6.5.4. calculate the difference between A and B (the **"Interest Deficit"**); and
  - 6.5.5. set the Return Fee as the greater of:
    - i. 0.25% of the capital being returned; or
    - ii. the Interest Deficit.
- 6.6. To calculate the Assignment Fee, we will determine whether the rate at which another RateSetter Customer(s) taking over as lender(s) is/are willing to lend is at a higher or a lower interest rate than you are receiving. If the required rate is lower than you are

receiving there will be no Assignment Fee. If the required rate is higher than you are receiving, we will calculate the difference between the interest you would have received and the interest due to the new lender(s), which will be the Assignment Fee.

## 7. The Provision Fund

- 7.1. To provide protection to RateSetter Customers lending through the Exchange, RateSetter and/or its partners set aside funds as a provision against projected borrower defaults (the "**Provision Fund**").
- 7.2. The Provision Fund may also be used to pay costs not otherwise covered in the terms of the loan contract, but only where necessary to prevent a future default and/or to achieve the best outcome for both the lender and borrower. For example, in some circumstances you may be funding a loan used for the purchase goods or services. If the product is defective and the supplier does not remedy the issue or is insolvent, arranging and paying for a repair may be the best way to ensure repayments continue and both the lender and borrower get the best outcome. If the cost has arisen as a result of an error by RateSetter, RateSetter will cover the cost itself, not the Provision Fund.
- 7.3. The Provision Fund is not a guarantee, it does not mean you will always get your money back and it does not amount to a contract of insurance under the Financial Services and Markets Act 2000.
- 7.4. If a payment becomes due under the terms of any of your Matched Loans and is not paid by the borrower, the Provision Fund will automatically make payment to you on the borrower's behalf. If this happens, you agree that any right you had against the borrower in respect of that payment will be transferred to the Provision Fund. The Provision Fund may then seek to recover the payment from the borrower for its own account.
- 7.5. If at any stage during the term of a Matched Loan, RateSetter reasonably believes that future payments due are not likely to be received in accordance with terms of the contract or at all, RateSetter may use the Provision Fund to settle a Matched Loan in full. This may occur, for example, if there is a significant change to the borrower's circumstances or if a borrower repeatedly fails to make payments on time. If this happens, you agree that the entire benefit of the loan will be transferred to the Provision Fund and you will have no right to any payments subsequently received from the borrower.
- 7.6. You can see real-time financial information about the Provision Fund on the RateSetter website, including:
  - 7.6.1. the total amount of cash held in the Provision Fund (the "**Provision Fund Balance**");
  - 7.6.2. the future contributions borrowers are contracted to pay into the Provision Fund over the term of their loans, discounted to take account of estimated rates of early repayment and default (the "**Contracted Future Income**");
  - 7.6.3. the estimated value of all security given by borrowers and the value of the loans in relation to which it was given (the "**Security Held**");
  - 7.6.4. the expected loss for all active loans, calculated by estimating the likelihood of default on each loan and taking into account our average recovery rate following default ("**Expected Losses**");
  - 7.6.5. the "**Provision Fund Coverage Ratio**", calculated by adding the Provision Fund Balance and the Contracted Future Income and comparing the resulting figure to the Expected Losses;
  - 7.6.6. the "**Capital Coverage Ratio**", calculated by adding:
    - 7.6.6.1. the Provision Fund Balance;
    - 7.6.6.2. the Contracted Future Income;
    - 7.6.6.3. the future interest income due to the lenders from all loans discounted to take account of estimated rates of early repayment and default; and comparing the resulting figure to the Expected Losses.

## 8. Stabilisation Period

- 8.1. If at any time, in the opinion of RateSetter, the Provision Fund does not have sufficient funds to cover current or expected borrower defaults (a "**Negative Position**"), and RateSetter reasonably believes the Negative Position is not capable of being rectified

through the ordinary course of business, RateSetter may put the Exchange into a "**Stabilisation Period**". If the Exchange enters a Stabilisation Period, RateSetter will continue to treat all RateSetter Customers fairly and act in their best interests, seeking to minimise the loss to lenders at all times and to exit the Stabilisation Period as soon as possible.

- 8.2. During a Stabilisation Period, the Lender Rate and/or capital repayments lenders are entitled to may be reduced in accordance with terms 8.4 and 8.5 below (an "**Interest Reduction**" or a "**Capital Reduction**" respectively). The amount of any reduction will apply equally to all RateSetter Customers entitled to protection from the Provision Fund (the "**Eligible Lenders**") and will be paid in full into the Provision Fund.
- 8.3 The amount of any Interest Reduction or Capital Reduction will be reflected in your RateSetter Account when the deduction is made but will only be paid into the Provision Fund when the relevant payment is made by the borrower. For example, if your funds are invested in the 1 year market, any reduction made would be reflected in your RateSetter Account immediately but would only be available to be paid into the Provision Fund at the end of the loan term when the borrower repays in full.
- 8.4. An Interest Reduction will be applied if RateSetter reasonably believes the Provision Fund Coverage Ratio is or will imminently be below 100%. An Interest Reduction will result in a reduction to the Lender Rate you are entitled to receive during the relevant period. For example, if you have invested £1,000 at a Lender Rate of 5%, during normal operation approximately 14p of interest would accrue daily ( $(£1,000 \times 0.05) / 365$ ). If there is an Interest Reduction of 50% for 10 days, the Lender Rate for those 10 days would reduce to 2.5% and interest would accrue at 7p per day. When the borrower pays that interest (which could be during or after the Stabilisation Period), 70p will automatically be deducted from the payment due to you (10 x 7p) and paid into the Provision Fund.
- 8.5. A Capital Reduction will be applied if RateSetter reasonably believes the Capital Coverage Ratio is or will imminently be below 100%. If there is a Capital Reduction, you agree to assign your right to the amount of the Capital Reduction to the Provision Fund. For example, if you have £1,000 matched on the Exchange and there is a Capital Reduction of 1%, you agree to assign the right to £10 of capital to the Provision Fund. You will then no longer have any right to that amount of capital or any interest accruing on that capital. When the borrower next makes a payment of capital (whether or not that is during the Stabilisation Period), £10 of the payment will be automatically deducted and paid into the Provision Fund.
- 8.6. We will notify you, along with all other Eligible Lenders if the Exchange enters into or ceases to be in a Stabilisation Period and/or if an Interest Reduction or Capital Reduction is applied, increased or reduced. All notifications will be made by email to the address on your RateSetter Account and will be posted publicly on our website. Any Interest Reduction and/or Capital Reduction will apply equally to all loans outstanding and matched to the Eligible Lenders at the date of the notification.