



8 February 2016

First tax-free marketplace lending ISA product announced

- Investors will be able to choose from four products, with terms between one month and five years
- Inclusion in ISA wrapper could provide tax savings of up to £376 for higher rate taxpayers¹
- One in four cash ISA holders considering moving to the Innovative Finance ISA when it launches in April 2016
- Full annual ISA allowance of £15,240 will apply, and transfers from stocks and shares and cash ISAs will be allowed

RateSetter has become the first marketplace lender to publish details of the tax-free Innovative Finance ISA (IF ISA) that it plans to make available from April 2016.

Investors that open a RateSetter IF ISA will be able to choose from four products, with terms ranging from one month to five years. A unique aspect of RateSetter is that investors can accept the interest rate set in the markets, or choose to set their own rate – this feature will also be available to IF ISA investors. There will be no management fees for investors.

The four products (and their rates at the time of writing²) are:

- One month term (2.8%)
- One year term (3.8%)
- Three year term (4.3%)
- Five year term (5.7%)

The RateSetter Innovative Finance ISA will operate in the same way as existing RateSetter accounts. It will be available to new and existing customers, and the standard ISA allowance of £15,240 per tax year will apply.

IF ISA rules also allow for transfers from existing cash and stocks and shares ISAs, meaning people who hold existing ISAs can transfer them into an IF ISA, while retaining their tax-free status.

The IF ISA will not be covered by the Financial Services Compensation Scheme, but in common with other RateSetter investments it will be protected by the Provision Fund. The Fund has ensured that in the course of lending more than £1bn over five years, no individual RateSetter has ever lost a penny (although past performance is not a guarantee for the future and capital is at risk).

Rhydian Lewis, CEO at RateSetter, commented:

“The launch of the IF ISA will provide a massive boost for investors - we calculate that existing investors could save as much as £376 in tax per year if they are higher rate taxpayers¹. And given the potential for

¹ Based a higher rate taxpayer investing the full ISA allowance of £15,240 in our 5 year product at 6.18%, the average rate on our 5 year product over the last 12 months. Assumes reinvestment of capital at the same rate and withdrawal of interest.

² Live rates are published at <https://www.ratesetter.com/lend/products>

significantly better rates on offer, it's no wonder that one in four cash ISA holders say they are considering opening an Innovative Finance ISA."

"We've had strong interest from both existing and new investors so it's great to be able to start to reveal the detail of the product – we'll have more details over the coming weeks as we get closer to the launch."

ISA rules do not allow direct transfers of existing marketplace lending investments into an IF ISA. However, RateSetter is looking at ways to make it as easy as possible for investors to open and fund a RateSetter IF ISA.

Investors who want to sign up to receive further information about the Innovative Finance ISA can do so at www.ratesetter.com/innovative-finance-isa.

Notes to editors

Populus survey – methodology: Populus surveyed 2,090 UK adults online between 2-3 December 2015. Of this population, 978 owned a cash ISA. Data were weighted to be demographically representative of all UK adults. Populus is a member of the British Polling Council and abides by its rules. The tables and verbatim sheets are available on request.

How does RateSetter work?

By using technology and cutting out the huge overheads and bureaucracy of traditional finance providers, our market delivers a good return for investors and a fairer deal for borrowers. Investors set the rate they require for their money and how long they are prepared to invest for. RateSetter assesses borrowers and only approves creditworthy applicants (roughly 1 in 5 applicants). Borrowers get a fast decision and funds can be transferred in a matter of hours.

How does RateSetter manage investors' risk?

All borrowers pay into the *Provision Fund* which is designed to manage investors' risk by spreading it across the whole loan portfolio. This Fund repays investors in the event that a borrower misses a payment. The Provision Fund reduces the risk of loss so effectively that no individual RateSetter investor has ever lost a penny: a unique feat amongst the major marketplace lending platforms. While this is not a guarantee for the future, it is a track record that we are proud of and are highly incentivised to maintain. The Provision Fund concept has subsequently been copied by other platforms.

The Provision Fund spreads investors' risk across RateSetter's entire loan book, meaning that investors are not exposed to the risk of any individual loan. Therefore, unlike other marketplace lending platforms, RateSetter's investors do not need to manually diversify by sifting through hundreds of borrowers and selecting loans, and borrowers' anonymity and personal details are also protected.

Is RateSetter regulated?

Yes, RateSetter is regulated by the FCA. We are also a founding member of the Peer-to-Peer Finance Association, the body that promotes best practice in our sector.

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RateSetter is an online marketplace offering a ground-breaking proposition that allows people, institutions and businesses to invest at interest rates that they can set themselves. The platform has lent more than £1bn since it was founded in October 2010. RateSetter's latest market rates can be found [here](#).

Our products are not covered by the Financial Services Guarantee Scheme and capital is at risk. RateSetter's Provision Fund has ensured that no individual investor has lost a penny since RateSetter launched in 2010 - a unique feat amongst the major players in our sector. All borrowers pay into the Provision Fund, which reimburses investors in the event that a borrower misses a payment.

In 2014, RateSetter became the first marketplace lender to launch with a retail licence in Australia. In December 2015, the platform won Best Peer-to-Peer Lender in the FT and Investors Chronicle Wealth Management Awards for the second year running. In March 2015 Rhydian Lewis was named *FinTech Leader of the Year*, and RateSetter was the highest-voted platform by Which? readers in July 2015.

RateSetter is authorised and regulated by the Financial Conduct Authority.

More info is available at www.ratesetter.com

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