



### RateSetter publishes accounts for 2015-16

- Revenue up 46%. Pre-tax loss of £4.9m.
- Results driven by decision to charge fees over the lifetime of loans rather than only upfront.
- If all fees had been taken upfront, RateSetter would have recorded a pre-tax profit.
- Major investment in financial year 2015-16; will continue in 2016-17.

#### Monday 19<sup>th</sup> September 2016

Peer-to-peer lending platform RateSetter has published its 2015-16 accounts, showing that it increased revenues from £12.6m to £18.5m over the year. The company made a pre-tax loss of £4.9m, compared to a pre-tax profit of £476k for the preceding year. The company's results are in line with expectations set out at the start of the year and reflect the decision to charge more fees over the lifetime of loans rather than upfront and a planned increase in investment back into the business.

Loans under management increased by 70 per cent, from £341m on 31 March 2015, to £581m a year later, while the number of active investors grew from 18,608 to 31,036 over the same period. Today these figures stand at £640m and 36,310 respectively – with a 70 per cent increase in new active investors in the period since the EU referendum compared to the same three months last year.

RateSetter made a profit for the years ending 31 March 2014 and 2015, proving that its business model works and is sustainable.

One of the main investment considerations for the money raised in 2015 from a consortium of investors including Woodford and Artemis was to alter the timing of receiving income: in 2015 RateSetter started to charge a greater proportion of its fees over the lifetime of loans rather than purely up front when loans are written. This creates a more sustainable recurring income stream as more money comes in over the term of loans, reducing pressure to lend in order to generate revenue when credit conditions are poor. Importantly, it also aligns RateSetter's interests with those of its investors as it provides a financial incentive to only approve loans which perform. If all fees had been taken upfront when loans were written, rather than charged over the lifetime of loans, RateSetter would have recorded a pre-tax profit in 2015-16.

RateSetter has invested in marketing activity, the IT that underpins the online platform, hiring more employees and moving to a larger office in the City of London.

Rhydian Lewis, RateSetter founder and CEO, commented:

*"Having turned a small profit in 2013-14 and 2014-15, proving our model, we've deliberately planned and delivered an increased level of investment into our business. That investment is already starting to pay off.*

*The switch from up front to recurring fees was not a decision we took lightly. However, it greatly enhances the sustainability of our business - we strongly feel that it will prove to be a very positive development and anticipate that others in our industry will follow our lead.*

*Being an early stage lending business is tough and you are prey to negative selection. However, we are now beginning to see P2P work and attract more investors and better borrowers."*

RateSetter expects to grow considerably in the financial year ending March 2017. It expects to record a loss again, as the business continues to invest to scale.

## Notes to editors

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**RateSetter** is one of the UK's largest marketplace lenders, and has lent more than £1.4bn to UK individuals, businesses and property developers, including £500m in 2015 alone.

The platform offers a ground-breaking proposition that allows retail, institutional and corporate lenders to invest at interest rates set in an open market. RateSetter is not covered by the Financial Services Compensation Scheme and capital is at risk. RateSetter's Provision Fund has ensured that no individual investor has ever lost a penny since RateSetter launched in 2010 - a unique feat amongst the major platforms in the industry. All borrowers pay into the Provision Fund, which repays 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. RateSetter was the highest-rated platform by Which? readers in both 2015 and 2016.

RateSetter is authorised and regulated by the Financial Conduct Authority.

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