Proplend™

Proplend P2P Lending Summary

Peer-to-peer [P2P] loans are an alternative investment providing opportunities for individuals to lend directly to other people or businesses without using a bank. P2P lending operates on a 'many to many' lending model through internet intermediaries, also called a lending platform, who arrange and manage the loans. *GOV.UK*

In the UK, P2P Lending platforms are regulated and authorised by the Financial Conduct Authority. New FCA regulations (to be implemented by 9 December 2019) are being introduced to help ensure that only investors capable of understanding the risks and of bearing the consequences, invest in P2P agreements. Where investors haven't been advised, platforms are required to implement appropriateness assessments, prior to investment.

Summary of Peer-to-Peer Lending Risks More information >>>

- Peer-to-peer loans are not covered by the Financial Services Compensation Scheme (FSCS)
- All capital invested in 'P2P agreements' is at risk
  - Platforms adopting risk mitigation measures may reduce the extent of any capital losses, but the risk mitigation is not a guarantee that investors will not suffer loss in relation to capital invested
- 'Lenders' investing in P2P loans are exposed to the credit risk of the Borrower ('defaulting')
  - Lenders may suffer financial loss if the Borrower is unable to continue to make the interest payments when they fall due or to repay the loan principal amount when it falls due
- In a default scenario, property valuations, even from RICS qualified professionals, cannot be guaranteed
- Entering into P2P agreements, including investing in P2P loans via an Innovative Finance ISA, is not comparable to depositing money in a savings account (or Cash ISA)
- Lenders may be unable to exit P2P agreements before maturity
  - Liquidity of loans cannot be guaranteed even where the platform operates a secondary market
  - Where ceasing to be in active good standing or within a month of the contracted maturity date, loans will not be eligible to be listed on Proplend's secondary market ('Proplend Loan Exchange')
- Actual returns may vary over time and differ from advertised rates in the event of loan default(s)
- Proplend does not offer investment or tax advice or make recommendations. If in any doubt whether lending via Proplend's platform is suitable, potential investors should seek independent financial advice
- In the event of platform insolvency, returns may not be as expected and capital is at risk, even where direct contracts exist between Lenders and the Borrower and a backup service provider is in place

How Proplend Mitigates Lender Risk More information >>>

- Peer-to-peer property lending (debt) ranks ahead of the Borrower's equity position
- A 1st charge is required for all securing property, ranks platform Lenders ahead of any permitted 3rd party
- LTV tranching system gives Lenders a choice of risk-adjusted investments, to suit differing risk appetites
- Comprehensive credit and due diligence checks are conducted on the Borrower, including AML and KYC
  - Due diligence is also completed on all securing property, leases and tenants within those properties
- Interest for the full term + 3 months is reserved from loan principals for non-income producing properties
  - A minimum 3-months' interest is reserved where loans are backed by income-producing property

How Proplend Lending Works More information >>>

- ‘Lenders’ Invest in peer-to-peer (P2P) loans backed by commercial property (or land with planning permission)
  - Proplend Security Ltd holds a 1st charge for all securing property on behalf of Lenders
  - Proplend facilitates loans of up to £5m and up to 75% loan to value (LTV), for 6-60 months
  - P2P loans are not covered by the FSCS, so despite our risk mitigation, all capital invested is at risk
- Minimum platform investment is £1,000, with loans typically split into £1,000 parts
- Loans Tranched into LTV risk-adjusted investments - Tranche A lowest risk-return, Tranche C highest risk-return
  - In a default scenario, Tranche A (0-50% LTV) is paid before B (51-65% LTV) and then C (66-75% LTV)
  - Securing property valued 2x that of Tranche A capital, 50% higher than B capital, 33% higher than C
- Individual (Retail) and Institutional Lenders combine to fund new commercial property loans
  - ‘Mortgage’’ loans, backed by income-producing property, have at least 3 months’ interest reserved
  - ‘Bridge’ loans (typically non income-producing) have interest for the full term, plus 3 months’ reserved
  - No development loans are facilitated, nor loans backed purely by residential property
- Proplend facilitates direct contractual relationships between the Borrower and each participating Lender
  - If Proplend becomes insolvent, a backup service provider / LPA receiver picks up ongoing loan servicing
  - Wind-down arrangements help ensure investments perform as expected – they are not a guarantee
- Interest rates quoted are gross fixed rates, that are loan and Tranche-specific
  - Advertised rates are before fees, bad debt and taxes, so the actual rate of return may vary over time

Funding, Investing and Managing Your Account More information >>>

- Lenders fund, invest and manage their accounts via their online Dashboards
- Registered Lenders are notified 24 hours in advance of new loans going ‘In Funding’ – including any limits
- Manual investment is the default, with the option of enabling our automated investment facility, ‘Auto-Lend’
  - New loans are available to manual investors at midday on the day of funding
  - Auto-Lend has priority access to Tranche A only from 11:30am on the funding day
- Funded loans are typically drawn down by the Borrower within 14 days. Investments are then interest-bearing
- Interest is credited to participating Lenders accounts’, one month after drawdown and monthly thereafter
  - Proplend collects and passes on 100% of interest paid by the Borrower, to participating Lenders
- A 10% ‘Lender Fee’ is immediately debited from interest credited
- A 0.5% ‘Novation Fee’ (£5 min) is payable by any Lender who sells a loan part via our ‘PLE’ secondary market
  - Lenders can sell and buy active loans (in good standing) via the Proplend Loan Exchange (‘PLE’)
  - PLE loan part sales are at face value and require a willing buyer – liquidity cannot be guaranteed
- Loans in interest arrears, defaulted or within one month of their repayment date, can’t be listed on the PLE
- Accrued interest is payable from the buyer to the seller for any loans purchased via the PLE market
  - This is the interest that has accrued (on a pro-rata basis) since the last interest payment date
- Lenders designate a single bank account that all deposits must be received from and any withdrawals paid to
  - A regular interest option enables Lenders to receive a monthly ‘sweep’ of interest to their bank account

Proplend’s Innovative Finance ISA (IFISA) More information >>>

- IFISAs can be funded by full or partial transfers from other ISAs, as well as from annual ‘subscription’ allowances
  - There are no extra fees or restrictions for ISA transfers either into or from Proplend
- Proplend’s IFISA is flexible, meaning any funds withdrawn can be returned by the end of the same tax year
- ISA interest is earned (and paid) tax-free

Proplend Automated Investing – ‘Auto-Lend’ More information >>>

- Available cash is allocated to Tranche A investments only, with priority access to A for newly funding loans
- A minimum 5% pa return after fees and bad debt is targeted. It is the actual return from loans that is passed on
- Auto-Lend can be used for passive investment, or customised to conveniently ‘auto-bid’ on a Lender’s behalf
- A token-based queuing system allocates loan parts to eligible enabled accounts in turn - one part at a time