

Conflicts of Interest Policy

1. INTRODUCTION

As an FCA authorised firm, Lending Works is responsible for taking all reasonable steps to identify and manage any conflicts of interest that may arise within the business, in particular in relation to the operation of the Lending Works marketplace lending platform (the “**Platform**”). This includes conflicts between:

- (1) Lending Works, its employees or any third parties acting on its behalf and its customers; or
- (2) between customers of Lending Works.

By “customers” we mean both borrowers and lenders (“**Customers**”) using the Platform.

Lending Works is required to maintain and operate arrangements to prevent any conflicts of interest from giving rise to a material damage to the interests of its Customers.

We are also required to establish, implement and maintain an effective conflicts of interest policy. This document is our conflicts of interest policy (“**Conflicts Policy**”) in so far as it applies to the operation of the Platform.

Lending Works is fully committed to ensuring that it complies with all its legal and regulatory obligations and that Customers are always treated fairly. All Lending Works employees (and relevant third parties) must comply with this Conflicts Policy at all times. It is a requirement in the employment contract of every employee and any breach may lead to disciplinary proceedings, up to and including dismissal.

Employees who need to disclose a conflict of interest should follow the Lending Works *Internal Conflict Disclosure Procedure*.

2. IDENTIFYING CONFLICTS OF INTEREST

In identifying conflicts of interest, Lending Works will consider all of the factual circumstances.

A conflict of interest which may give rise to a material risk of damage to Customers’ interests may arise where either Lending Works or any of its outsourced service providers or any person linked by control to either of us (“relevant person”) is providing a service to Customers and either of us or any relevant person:

- could make a financial gain, or avoid a financial loss, at the expense of a Customer;
- has an interest in the outcome of a service provided to the Customer or of a transaction carried out on behalf of the Customer, which is distinct from the Customer’s interest in that outcome;
- has a financial or other incentive to favour the interest of one Customer or one group of Customers over the interests of another Customer or group of Customers;
- carry on the same business as a Customer using the Platform; or

- receives or will receive from a person other than the Customer, an inducement in relation to a service provided to the Customer, in the form of monies, goods or services, other than the standard commission or fee for that service.

Not all circumstances which appear to involve differing interests amongst the parties involved will constitute a conflict of interests. For example, the right of a lender under a loan agreement to receive capital and interest repayments does not conflict with the obligation of the borrower to pay these amounts even though their interests may appear to be different. These are in fact different rights and obligations attributed to each party under a common contractual agreement between the parties.

3. ACTUAL OR POTENTIAL CONFLICTS OF INTEREST WE HAVE IDENTIFIED

By the nature of the Platform, Lending Works provides services to both lenders and borrowers.

3.1 Borrowers

We will charge an Arrangement Fee to Borrowers for enabling them to borrow on the Platform which is clearly disclosed in all financial promotions, platform terms and conditions and pre-contract and loan documentation. A proportion of this Arrangement Fee may be transferred by Lending Works to the Lending Works Shield (managed by Lending Works Trustee Limited).

In some instances, we may levy an interest rate margin in respect of the loan agreement instead of, or in addition to, charging an Arrangement Fee (the margin is calculated as the difference between the interest rate payable by the Borrower as set out in the loan agreement and the interest rate payable to the lender).

Where a Borrower is borrowing to finance the purchase of goods or services via a Retailer (who has a separate arrangement with Lending Works), the Borrower may not be required to pay an Arrangement Fee, for example under an interest-free finance arrangement. In these circumstances a fee may instead be payable to Lending Works by the Retailer via a subsidy. This subsidy may also be used to pay the Lender the amount it would have received in interest had the loan been interest-bearing.

Where a prospective borrower is declined a loan on the Lending Works Platform, Lending Works may refer the borrower to one of its carefully selected credit broker partners or partner lenders. Lending Works may receive a commission from the credit broker or lender for this referral.

3.2 Lenders

We do not charge Lenders any fees for entering into loan agreements via the Platform.

Where a lender (Lender A) wishes to withdraw funds which are still on loan, Lending Works will attempt to find another lender(s) (Lender B) to whom Lender A's loan contracts can be assigned.

Under these circumstances the following charges may be levied:

- a fee payable to Lending Works of 0.6% of the amount Lender A wishes to withdraw (or £20, whichever is greater); and

- an interest rate shortfall charge (where applicable) payable by Lender A to Lender B, which is calculated as the difference between the amount of interest receivable at the rate of interest at which Lender A made the loan under the respective loan agreement(s) and the amount of interest receivable at the rate of interest which Lender B could achieve if entering into a loan agreement directly with a Borrower at the time of assignment.

Our rights and obligations in relation to such fees are as set out in the Lending Works Lender and Borrower platform terms and conditions and in addition for Borrowers as set out in the pre-contract and loan documentation

The Platform facilitates lending by both consumer and institutional lenders. In some cases, institutional lenders may request specific criteria under which they wish to lend. When considering any such criteria we shall take all reasonable steps to prevent any conflicts of interest between institutional and consumer lenders.

3.3 Lending Works acting as lender

Lending Works may act as lender under a loan agreement. Lending Works shall at all times ensure that any conflicts of interest are properly and effectively managed as set out in this Conflicts Policy and that both Lenders and Borrower are properly informed and treated fairly.

3.4 Employees

A conflict of interest may arise where an employee has a direct or indirect interest in a transaction or is connected to a Customer in any way (for example where an employee is a family member of a Customer or has a personal shareholding in a Customer's business).

We require all employees to disclose any connection which could, or could be seen to, have the effect of compromising the judgment of any employees. Employees are required to notify us of any material interests of this kind that they may have.

We do not pay employees any commission in relation to carrying on the business of Lending Works.

We do not allow employees to become a Customer of Lending Works.

3.5 Gifts and entertainment

Gifts and hospitality can lead to potential conflicts of interest. We have a strict policy regarding such issues and such items require sign off from Senior Management on a case by case basis.

4. MANAGING CONFLICTS OF INTEREST

It is Lending Works' policy to take all reasonable steps to maintain and operate effective organisational and administrative arrangements to identify and manage relevant conflicts and to prevent such conflicts from constituting or giving rise to a material risk of damage to the interests of our Customers.

Senior management within Lending Works are responsible for ensuring that the firm's systems, controls and procedures are adequate to identify and manage conflicts of interest.

The Compliance Department and Risk Department of the firm assists in the identification and monitoring of actual and potential conflicts of interest.

Lending Works has in place business-specific procedures that address the identification and management of actual and potential conflicts of interest that may arise in the course of the firm's business as well as providing training to ensure employees identify circumstances which give rise to a potential conflict of interest and to enable them to manage such conflicts.

We will monitor conflicts which arise.

5. DISCLOSURE OF CONFLICTS OF INTEREST AND CUSTOMER CONSENT

If we believe there is an actual or potential conflict of interest with a material and significant risk of damage to Customers which we cannot prevent, we will consider appropriate disclosure to our Customers. The aim of disclosure is to enable the Customer to make an informed decision in respect of the service before the service is commenced. We will always follow all requirements set out in the FCA Handbook (SYSC 10.1.8 R) when making this disclosure.

6. RECORDING CONFLICTS

We shall keep an adequate record of all activity where a conflict of interest giving rise to a material risk of damage to the interests of one or more Customers has arisen or, in the case of an ongoing service or activity, may arise.

7. FURTHER INFORMATION

We will review and update this Conflicts Policy as required. Questions regarding this policy should be emailed to cs@lendingworks.co.uk.