

# Innovative Finance ISA Investor Key Information

April 2017

The purpose of this **ISA Investor Key Information** document is to focus your attention on some of the important things you should know before deciding to open a Lending Works ISA.

**This document does not form part of, and is not a replacement for, our ISA Terms and Conditions and our Lender Platform Terms and Conditions. You should read the ISA Terms and Conditions and Lender Platform Terms and Conditions in full before proceeding.**

This document should also be read in conjunction with our [Lender Key Information](#) document.

## Who we are

Lending Works Limited is a company incorporated and registered in England with company registration number 8302549 whose registered office is at 60 Gray's Inn Road, London, WC1X 8AQ.

We are authorised and regulated by the Financial Conduct Authority under firm reference number 723151. You can find more details about us on the [Financial Services Register](#).

We are also an ISA Manager approved by HM Revenue & Customs pursuant to the Individual Savings Accounts Regulations 1998 (ISA Regulations).

## What we do

Lending Works operates a peer-to-peer lending platform which allows you as a lender to lend your money directly to borrowers using our platform. We also take all required steps to complete, service and manage the loans, including collecting and distributing payments to you.

We also act as ISA Manager in relation to your ISA Account. This means we are permitted to place and hold your money within an Innovative Finance ISA, subject to the ISA subscription limits, provided you are entitled to open an Innovative Finance ISA with us.

## Innovative Finance ISA

ISA stands for "Individual Savings Account" ("**ISA**"). An ISA is a special type of account which acts as a "tax wrapper" around certain investments which allows any income and profits from those investments within the ISA to be free of income tax and capital gains tax.

There are three categories of ISA available to consumers in the UK: a Cash ISA, a Stocks & Shares ISA; and an Innovative Finance ISA.

Lending Works offers an Innovative Finance ISA ("**Lending Works ISA**"). This category of ISA allows any interest, gains and other income or profit from peer-to-peer loans facilitated through our platform to qualify for exemption from income and capital gains tax where these loans are made within a Lending Works ISA.

## **i** Opening a Lending Works ISA

Once you become a Member of the Lending Works Platform (by applying on our website and signing the Lender Platform Terms and Conditions), we will set up your lending account (“**Lending Works Account**”).

Your Lending Works Account can have two parts. The first part will be a standard (non-ISA) lending account (“**Classic Account**”), which you will be provided with automatically when you set up your Lending Works Account. You will also have the option of opening and activating the second part which will be a Lending Works ISA Account (“**ISA Account**”) within your Lending Works Account. To open your ISA Account, you will need to follow the process set out in your Lending Works Account. You will also need to sign our ISA Terms and Conditions and an ISA Declaration.

Please note: You do not have to open an ISA Account and can lend using just your Classic Account.

With the exception of how you place, transfer and withdraw funds, including limits on how much you can place in your ISA Account, all other operational elements in relation to lending, including making lending offers, entering into loan agreements and receiving repayments from borrowers, are the same for both your Classic Account and your ISA Account.

## **i** Funding your ISA Account

There are three ways in which you can add funds to your ISA Account:

1. By making an ISA subscription with Lending Works in the current tax year (“**Current Year ISA Subscription**”) – these can be referred to as “**New ISA Funds**”. The maximum amount of New ISA Funds you can place into an ISA for the 2017/2018 tax year is £20,000 (the “**Annual ISA Limit**”). This is discussed in more detail below.
2. By transferring a Current Year ISA Subscription from another ISA manager – these will be New ISA Funds you placed with another ISA manager and could be in any ISA category (Cash, Stocks & Shares or Innovative Finance). There are specific rules on how these can be transferred and used, as set out below. This transfer must be made between the two respective ISA Managers; **you must not attempt to make this transfer yourself.**
3. By transferring one or more ISA subscriptions from previous tax years together with any income generated on them (“**Previous Years ISA Subscriptions**”) from another ISA manager – these can be referred to as “**Old ISA Funds**”. These funds could be in any ISA category (Cash, Stocks & Shares or Innovative Finance). There is no limit to the amount of Old ISA Funds you can transfer. This transfer must be made between the two respective ISA Managers; **you must not attempt to make this transfer yourself.**

All amounts must be paid in pounds sterling (GBP). Foreign currencies cannot be used.

## **i** Tax years

The tax year begins on 6 April each year and ends on 5 April (inclusive) of the following year.

The current tax year is **2017/2018 (“Current Tax Year”)** which will run from 6 April 2017 to 5 April 2018. The next tax year will be 2018/19 beginning on 6 April 2018.

A “**Previous Tax Year**” is any tax year which is prior to the Current Tax Year.

In the Current Tax Year, you cannot add any more funds to a Previous Tax Year or a future tax year.

## **i** As with all forms of lending your capital is at risk

Lending money using a peer-to-peer lending platform should be treated as an investment and as with all investments, **your capital is at risk.**

There is no difference in the level of risk you are taking whether you lend using your Classic Account or your ISA Account.

Lending Works is authorised and regulated by the Financial Conduct Authority. However, we are not covered by the Financial Services Compensation Scheme (FSCS).

Whilst the Lending Works Shield provides you with some protection against borrower missed payments and defaults, **the Lending Works Shield is not a guarantee against losses on your loans.** There is no difference in the level of protection you will receive from the Lending Works Shield whether you lend using your Classic Account or your ISA Account.

## **i** “One ISA of each type per tax year” rule

In each tax year, you can place New ISA Funds into:

- ✓ one Cash ISA
- ✓ one Stocks & Shares ISA, and
- ✓ **one Innovative Finance ISA**

You cannot subscribe New ISA Funds to more than one Cash ISA, more than one Stocks & Shares ISA, or more than one Innovative Finance ISA in the same tax year.

You may however split your money between all three of these in any amount you choose (subject to the overall Annual ISA Limit).

This rule does not apply to Old ISA Funds. You can therefore place New ISA Funds in an Innovative Finance ISA with one peer-to-peer lending platform and Old ISA Funds in an Innovative Finance ISA with another peer-to-peer lending platform, all in the same tax year.

## Annual ISA Limit

The Annual ISA Limit for the Current Tax Year is £20,000.

You can put your entire Annual ISA Limit into any of the three categories of ISA (Cash, Stocks & Shares and Innovative Finance) or spread this amongst all three, but the total amount of New ISA Funds across all ISA categories must not exceed £20,000.

The Annual ISA Limit is reassessed annually and may change for future tax years.

The Annual ISA Limit is only relevant to New ISA Funds. There is no limit to how much you can place into a Lending Works ISA in relation to Old ISA Funds.

Income and profits (including interest) received on your loans do not count towards your Annual ISA Limit.

Any unused portion of your Annual ISA Limit cannot be carried forward to future years and will be lost at the start of the new tax year.

## Placing New ISA Funds

You can place New ISA Funds into your Lending Works ISA in the Current Tax Year by following the process set out in your Lending Works Account.

The total amount of New ISA Funds must not exceed the Annual ISA Limit. If you have also placed New ISA Funds with other ISA Managers in different ISA categories in the Current Tax Year, you will need to include these in your calculation when checking how much of your Annual ISA Limit you have used. You should not rely on the ISA limit calculator in your ISA Account as this may not necessarily take account of funds you have subscribed with other ISA Managers in the Current Tax Year.

## Transferring New ISA Funds and Old ISA Funds from another ISA manager

You can transfer ISA funds from your existing ISA(s) to your Lending Works ISA at any time.

### **New ISA Funds**

These are New ISA Funds you placed with another ISA Manager in the Current Tax Year.

These funds could have been placed with any ISA Manager in any ISA category. If these funds were placed with an ISA manager in an Innovative Finance ISA, you can still transfer these to Lending Works and you can add further Current Year ISA Subscriptions with us following transfer if you wish, subject to the Annual ISA Limit. **You cannot however then make any Current Year ISA Subscriptions to your old Innovative Finance ISA provider or any other Innovative Finance ISA provider following transfer (again this does not prevent you from making further Current Year ISA Subscriptions to Lending Works, subject to the overall Annual ISA Limit).**

If these funds were placed with an ISA manager in a different ISA category (namely a cash ISA or a stocks and shares ISA) following transfer to us, you can add further Current Year ISA Subscriptions with us if you wish, provided you have not used up your Annual ISA Limit and you may still be able to place further New ISA Funds with an ISA Manager in each of the two remaining ISA categories, again provided you have not used up your Annual ISA Limit.

However there is one transfer restriction you should know about. If you have already made Current Year ISA Subscriptions to another Innovative Finance ISA provider (which are not being transferred to us as above) you will **not** be able to transfer your Current Year ISA Subscriptions made to a Cash ISA or Stocks and Shares ISA) to us, as to do so would have the overall impact of breaching the One ISA-of Each Type-per Tax Year-Rule.

New ISA Funds can only be transferred in whole. This means you must transfer the full amount of New ISA Funds with your old ISA Manager, including all capital and interest. If some of this is tied up in investments, you will not be able to transfer this until the funds are returned in cash.

You must follow the transfer process set out in your ISA Account. This involves you requesting a transfer with us. We will then take the necessary steps to complete the transfer with your existing ISA Manager.

**You MUST NOT make this transfer yourself by withdrawing the funds and sending these to us. This could result in withdrawal of your funds from your ISA and loss of ISA tax benefits on those funds. If you are unsure, please contact us before you take any action.**

### Old ISA Funds

These are Old ISA Funds which you placed with another ISA Manager in Previous Tax Years and can be in any ISA category (Cash, Stocks & Shares or Innovative Finance). The funds must still be with an ISA Manager and have remained in an ISA throughout.

There is no limit to the amount you can transfer. You must follow the transfer process set out in your ISA Account. This involves you requesting a transfer with us. We will then take the necessary steps to complete the transfer with your existing ISA Manager.

**You MUST NOT make this transfer yourself by withdrawing the funds and sending these to us. This could result in withdrawal of your funds from your ISA and loss of ISA tax benefits on those funds. If you are unsure, please contact us before you take any action.**

New ISA Funds will become Old ISA Funds once the Current Tax Year (2017/18) ends and the next tax year (2018/19) begins, and so on.

### Transferring your Lending Works ISA to another ISA manager

You may transfer your Lending Works ISA to another ISA manager at any time, provided you satisfy the following conditions:

1. The funds are held in cash in your Lending Works ISA Wallet. If funds are still on loan under a loan agreement they cannot be transferred until they are repaid or cancelled using the “Quick Withdraw” facility; and
2. For New ISA Funds – these must be transferred in whole, i.e. the whole amount of New ISA Funds in your Lending Works ISA (including all capital and interest) must be held in cash in your Wallet before it can be transferred.

You should contact your new ISA manager and follow the transfer process provided by them. Your new ISA manager will contact us to complete the transfer process.

**You MUST NOT make this transfer yourself by withdrawing the funds and sending these to your new ISA manager. This could result in withdrawal of your funds from your ISA and loss of ISA tax benefits on those funds. If you are unsure, please contact us before you take any action.**

If we receive a transfer request from your new ISA manager, we will let you know that we have received this. If you made this request and are happy to continue you do not need to do anything else as we will complete this process for you.

**If you did not make the request or you have changed your mind you must let us know immediately by emailing or calling our Customer Services team.** Unless we hear from you within 3 days of this communication, we will proceed to complete the transfer by sending the required funds from your Lending Works ISA to the new ISA Manager. **Once we have done this, we will not be able to reverse this process and retrieve the funds from the new ISA manager.**

### **Withdrawing funds from your Lending Works ISA**

You can withdraw funds from your Lending Works ISA at any time, provided they are held in cash (i.e. not part of a lending offer which has been allocated to a borrower or on loan).

**There are negative tax consequences on withdrawal. If you withdraw funds from your Lending Works ISA, you will not be able to replace these again and you will lose any tax benefits on these funds.**

We do not offer a flexible ISA.

We will not charge you for withdrawing funds from your Lending Works ISA.

You may be able to use the “Quick Withdraw” facility to exit a loan agreement and return those funds to your Lending Works ISA Wallet. These funds can then be withdrawn as set out above. There are fees and charges applicable for using “Quick Withdraw”; see our Lending Platform Terms and Conditions for further details.

### **Paying in more than the Annual ISA Limit**

If you attempt to add new funds to your Lending Works ISA which, when applied to your account, would exceed the overall Annual ISA Limit of £20,000, we will place the excess above your Annual ISA Limit into your Classic Account. You can then either withdraw that amount from your Classic Account using the designated process or use that money to lend using your Classic Account. But remember if you have switched on the “auto-lend” facility in your Classic Account, any such funds placed in your Classic Account as a result of over-funding your ISA Account may be placed on loan very quickly.

If you attempt to transfer funds from another ISA manager which, when applied to your account, would exceed the overall Annual ISA Limit of £20,000, we will contact you and your existing ISA manager to make alternative arrangements.

### **Exceeding the Annual ISA Limit**

**It is your responsibility to ensure you do not exceed the Annual ISA Limit in any tax year. For the Current Tax Year this is £20,000.**

If you think you have exceeded the Annual ISA Limit you must contact us immediately. You should also contact HM Revenue & Customs (HMRC) using the ISA helpline on 0300 200 3312 and flag that you have exceeded the limit.

You may be required to pay tax on the amount exceeded at the tax rate that applies to you. You could also be liable for a penalty or other fines by HMRC in relation to the breach.

### **Transfer charges**

We will not charge you for transferring funds into your Lending Works ISA from another ISA manager, or to another ISA manager from your Lending Works ISA, but your new or existing ISA manager may apply their own charges for the transfer. You should check this before starting a transfer.

### **Tax benefits of an Innovative Finance ISA**

Lending within an Innovative Finance ISA will mean all interest received on your loans and any profits made through sale of your rights under a loan agreement will be exempt from income tax and capital gains tax.

**However, payment of tax depends on your personal circumstances and rules on payment of tax may change in the future. You should seek advice from an independent financial and/or tax advisor should you have concerns or questions about payment of tax before you open a Lending Works ISA.**

### **Tax returns and communication with HMRC**

As an ISA Manager, we will be required to report on the status of your ISA Account to HMRC at the end of each tax year. Other than reporting as set out above, we will not have any further involvement in your personal tax affairs.

**You are entirely responsible for the management of your tax affairs including making any returns, payments of tax and complying with any applicable laws and regulations. We will not be sending any returns or documents to HMRC on your behalf, nor paying any applicable tax from your ISA Account or Classic Account.**

If you are unsure about what returns or documents you need to file with HMRC, or by when these filings need to be made, you should seek advice from an independent financial and/or tax advisor or speak to HMRC directly.

### **Earning interest**

Funds held in your ISA Account Wallet will not earn interest.

You will only earn interest when these funds are on loan. You will need to make lending offers, either manually or using the “Auto Lend” facility, to enter into loan agreements.

### **Client money**

Like funds in your Classic Account, all funds in your ISA Account and any repayments you receive on any loans you have made will always be held by us in a segregated client bank

account with a major UK bank (currently NatWest). These funds are ring-fenced from the day-to-day operations of Lending Works and cannot be used for any other purpose.

### **Cancellation and termination**

You can cancel your ISA Account within the first 14 days starting with the day after you open your ISA Account. Any New ISA Funds you have placed in your ISA Account, either directly or via a transfer from an existing ISA, will be returned to you and will not count towards your Annual ISA Limit. Any Old ISA Funds transferred to us from another ISA manager will need to be transferred out to another ISA manager.

Provided this is satisfied, you will still be able to open another Innovative Finance ISA with us or another ISA manager, or alternatively a different type of ISA with another ISA provider. Your full Annual ISA Limit will remain.

**However, if, within the first 14 days of opening your ISA Account, any funds have been and remain allocated to a loan or are on loan under a loan agreement, you will lose this cancellation right. We will be unable to cancel your ISA Account until all funds have been removed, either by being withdrawn or by transferring to another ISA manager.**

After the cancellation period, you can still close your Lending Works ISA as set out in the ISA Terms and Conditions but you will not be able to benefit from the intact Annual ISA Limit for New ISA Funds.

### **Moving existing loans into your Lending Works ISA**

You cannot move an existing loan in your Classic Account into your ISA Account.

You can however use the “Quick Withdraw” facility to sell your rights under the loan agreement(s) to other lenders, then move the proceeds of sale from your Classic Account to your ISA Account and make new loans using these funds. As these funds will be classified as New ISA Funds, this will count towards your Annual ISA Limit. **The ability to use “Quick Withdraw” is dependent on the availability of lenders with suitable lending offers and this facility is not guaranteed.**

### **Borrower non-repayment**

Where a borrower fails to make a repayment under the loan agreement we will take all required steps to collect the repayments. **However, repayment from borrowers is not guaranteed.**

In most cases, this will not impact your return as the Lending Works Shield will step in and make the missed payments to you instead. Any funds we do recover from the borrower, in relation to which you have already received payment from the Lending Works Shield, will be paid back to the Lending Works Shield.

The Lending Works Shield is an arrangement between us and Lending Works Trustee Limited which is designed to provide consumer lenders with a high level of protection against borrower non-repayment. **However, the Lending Works Shield is not a guarantee against borrower non-repayment.**

If you do not receive repayment from a borrower and the Lending Works Shield is unable to make payment to you in respect of that missed payment, you may lose some or all of your



capital and interest. **In respect of that loan, your Annual ISA Limit will still be used but you will receive no income or profit which will be exempt from taxation.**

### **Moving abroad**

You may still be able to keep your Lending Works ISA and any income generated will remain within your Lending Works ISA. You cannot however add any New ISA Funds to your Lending Works ISA, transfer any New ISA Funds to us from another ISA Manager, or transfer Old ISA Funds to us, until you return to the UK

You must let us know immediately if you will be moving abroad for 3 months or more.

### **Bankruptcy**

If you are made bankrupt, you must let us know immediately and provide us with a copy of the bankruptcy order made by the court. We may also receive this directly from the court or Official Receiver but you should always let us know by contacting our Customer Service team.

We may suspend your ISA Account and not allow you to access this account or carry out any actions. You will not lose any tax benefits you have already received but you may not be able to receive any further tax benefits. As the funds in your ISA Account may be owed to the Official Receiver and Trustee in Bankruptcy, we will take further instructions from them as to how to manage your ISA Account. This will also impact your Classic Account. Your membership of the Lending Works Platform may also need to be terminated.

### **If Lending Works ceased trading**

In the unlikely event that the Lending Works platform were to fail or cease operating for any reason, including Lending Works becoming insolvent as a firm, responsibility for management, servicing and collection of all outstanding loans would be transferred to a third party back-up service provider with whom we have in place a back-up servicing arrangement.

Our obligations as an ISA Manager would also be performed by a third party back-up ISA manager with whom we have in place a back-up arrangement, although this may be the same firm carrying out back-up servicing as set out above.

Your loan agreements will remain enforceable and you will not lose the ISA status of funds in your ISA Account.

You can obtain further details of our third party back-up service arrangements in section 27 of our [Lender Platform Terms and Conditions](#) or by contacting our Customer Service team.

### **Personal Savings Allowance**

If you are a basic rate taxpayer you will be able to earn up to £1,000 per annum in savings income, including interest from peer-to-peer loans, tax-free. Higher rate taxpayers will be able to earn up to £500 tax-free. This is called the Personal Savings Allowance (“PSA”).

If you are an additional rate tax payer, the Personal Savings Allowance will not apply to you.

The PSA is not dependent on, or connected to, your ISA Account. You may use the PSA in relation to income received from your Classic Account, alongside and at the same time as

your ISA Account. The PSA is also impacted by other savings income you may receive such as interest on a bank savings account.

You should seek advice from an independent financial and/or tax advisor should you have concerns or questions about the PSA.

### **Managing conflicts of interest**

How we manage conflicts of interest is set out in our Conflicts of Interest Policy, which can be found [here](#).

### **We're here to help**

If you're unsure about anything, you can find lots of useful information on our website:

- [ISA section of our Help Centre](#)
- [ISA Terms and Conditions](#)
- [Lender Platform Terms and Conditions](#)
- [Lender Platform Key Information](#)

Still confused? Feel free to contact our friendly Customer Service team. Call us on 020 7096 8512 or email us at [cs@lendingworks.co.uk](mailto:cs@lendingworks.co.uk).

### **Complaints**

If you want to make a complaint about Lending Works or any loan agreement, you can e-mail us at [cs@lendingworks.co.uk](mailto:cs@lendingworks.co.uk) with brief details of your complaint and your Lending Works Membership Number.

For full details of our complaints procedure including how we deal with your complaint, please visit [www.lendingworks.co.uk/complaints](http://www.lendingworks.co.uk/complaints).

If we cannot resolve your complaint within 8 weeks of receiving your complaint, you have the right to refer your complaint to the [Financial Ombudsman Service](#). We will provide you with further details about this both when we acknowledge your complaint and we we provide you with our final response to your complaint.

### **Contacting HMRC**

If you need to contact HMRC, the number for the HMRC helpline is 0300 200 3312.