

# Lending Works

## Key Lender Information

April 2020

The purpose of this **Key Lender Information** document is to focus your attention on some of the important things you should know before deciding to lend your money on the Lending Works platform.

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

### 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.

### WHAT WE DO

Lending Works operates a peer-to-peer lending platform which allows you as an investor to lend your money directly to borrowers using our platform. We will take all required steps to complete the loan. We will also service and manage the loan and collect and distribute repayments to you.

You can obtain further details of the services we will provide you as an investor in section 13 of our Lender Platform Terms and Conditions.

### THE NATURE OF YOUR INVESTMENT

You will be lending your money exclusively to UK consumers. All borrowers are subject to comprehensive checks before being approved and matched to investors. This includes credit checks with credit reference agencies, identity checks and creditworthiness and affordability assessments taking into account income and outgoings.

Your money will not be lent to businesses or in relation to property.

### WITH INVESTMENTS, 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.

Lending Works is authorised and regulated by the Financial Conduct Authority. However, peer-to-peer lending is not covered by the Financial Services Compensation Scheme (FSCS).

The Lending Works Shield is owned and managed by Lending Works Trustee Limited (the "**Trustee**"). The Lending Works Shield consists of a Contingency Fund, the intention of which is to compensate investors in the event of missed payments and defaults on their loans. The Lending Works Shield does not provide a guarantee against losses on your loans.

### OUR INVESTMENT PRODUCTS

Your money can be invested into one or both of our investment products – "**Flexible**" and "**Growth**".



## Flexible

This product is likely to be suitable for investors who are likely to need early access to their funds. With this product, you can:

- Invest in loans for terms from 2 months up to 5 years
- Sell your loans and withdraw cash with no early access fees, provided we can find new investors to purchase your loans
- Earn great returns whilst retaining flexible access to your investment

It's important to note that you will not be able to make any new lending offers for a period of 28 days after selling loans within this product

## Growth

This product is suitable for longer-term investors looking to maximise growth, who are not likely to need early access to their funds. With this product, you can:

- Invest in loans for terms from 2 months up to 5 years
- Earn a higher rate of return than the Flexible product
- Sell your loans and withdraw cash for a fee of 0.5% of the amount being sold. In addition, you may be required to sell loans at a discount if the interest rate on your loans is lower than the current lender rates. This is also subject to new investors being available to purchase your loans

More details about these products are set out in other sections of this document.

## HOW THE LOAN MATCHING PROCESS WORKS

To start lending you'll need to add funds to your Lending Works Account. You will then need to choose your investment product(s) before making a lending offer which we can match to creditworthy borrowers using the Lending Works Platform. To make a lending offer you will need to follow the designated process set out in your Lending Works Account.

We may allocate part or all of your lending offer to one or more individual borrowers. You may withdraw part or all of any lending offer before it has been allocated. Once allocated you cannot withdraw, and unless the borrower decides not to proceed with the loan, a loan agreement will be formed.

## YOU SHOULD ONLY MAKE LENDING OFFERS IF YOU INTEND TO BE BOUND BY THE RESULTING LOAN AGREEMENT(S)

We may in some instances match you to an existing borrower, where the lender under the loan agreement has used the Quick Withdraw facility. This will not impact your investment or how you lend your money. If the interest rate on the loan being assigned is less than that currently available on the website, you'll receive a one-off credit representing this difference in interest over the remaining term of the loan.

You can obtain further details of the lending process in the Help Centre in your Lending Works Account and in section 9 of our Lender Platform Terms and Conditions.

## LOAN INFORMATION

Details of your Loans can be found in your Lending Works Account.

You will not be lending with or to Lending Works but with other lenders on the Lending Works Platform. We will not identify you to borrowers or other lenders.

## YOU WILL BE ALLOCATED LOANS OVER DIFFERENT TERMS

You will not be able to choose which loan terms to lend on. We will make available loans with terms from 2 months to 5 years and we will allocate loans to you as they become available on the Lending Works Platform.



## YOUR LOANS MAY HAVE DIFFERENT REPAYMENT PROFILES

Lending Works offers different types of loans with different repayment profiles. For example, you may be allocated:

- Loans with repayments of capital and interest each month; or
- Loans with monthly repayments of interest and repayment of capital at the end of the term

Your loan book summary within your Lending Works Account will include details of the repayment profile of your specific loans.

You can obtain further details of how repayments will be made in sections 16 and 19 of our Lender Platform Terms and Conditions.

## YOU MAY RECEIVE REPAYMENTS EARLIER THAN EXPECTED

Borrowers can make overpayments or settle their loans early at any time, without charge. This means you might receive your money back earlier than expected. You can either re-invest or withdraw these funds as they become available.

## LOAN REPAYMENTS SHOULD BE RE-INVESTED OR WITHDRAWN

You will receive regular repayments on your loans which will be repaid to your Lending Works Wallet by default. **Funds in your Wallet do not earn interest.**

You can either manually re-invest these repayments or use the Auto Lend facility in your Lending Works Account. Alternatively, you can withdraw these funds to your bank account or use our Auto Income facility and this will be done for you automatically.

For more details about these facilities please refer to the relevant sections in the Help Centre in your Lending Works Account. You can also find more information in sections 16, 17 and 18 of our Lender Platform Terms and Conditions.

## RE-INVESTING LOAN REPAYMENTS MAY EXTEND YOUR OVERALL INVESTMENT TERM

By re-investing repayments on your loans, you are agreeing to enter into new loan agreements. This may mean that your funds are on loan for longer than you had initially specified.

## YOUR FUNDS WILL BE HELD IN A SEGREGATED CLIENT ACCOUNT

Any funds you transfer into your Wallet and any repayments you receive from borrowers on any loans you have made will always be held by us in one or more segregated client bank accounts with a UK bank (currently NatWest Bank or Starling Bank, as applicable). These funds are ring-fenced from the day-to-day operations of Lending Works and cannot be used for any other purpose. We shall decide which of these banks to use for holding your funds and we may, in some circumstances, use both of these banks in combination. This will not change the level of protection of your funds.

## LIVING ABROAD

You can only open a Lending Works Account if you are resident in the UK.

If you are an existing customer and have moved abroad temporarily or permanently, you must immediately inform us of your home address abroad as we need to report the tax affairs of customers in some reportable jurisdictions to HM Revenue and Customs. We will request you to provide us with some important information. If you do not provide us with this information, we may be required to suspend your account until you do.

You can then continue to use your Lending Works Classic Account, but you must keep us updated of your residence and notify us immediately if and when you return to the UK.



If you reside in a “reportable jurisdiction” (as set out in legislation), we may need to supply information about your tax affairs to the UK HM Revenue and Customs (HMRC). If you have any questions about which country you are moving to, please get in touch with us.

If you move to the USA, we will no longer be able to provide you with our services and will close your account and transfer your funds back to you.

On your ISA account, the rules in relation to moving abroad are set out in our ISA Terms & Conditions.

## **YOU ARE RESPONSIBLE FOR PAYING ANY TAX DUE ON YOUR INTEREST**

It remains your responsibility to pay any tax due on interest received on loans you make using our platform. We will not deduct any tax from any interest or other sums paid to you.

Interest received by you may not be taxable if you are able to use your Personal Savings Allowance or invest within your Lending Works ISA. Further details about these can be found in our “Quick guide to paying tax on P2P income” which is available on our blog.

## **THE TAX TREATMENT DEPENDS ON YOUR INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE**

If you have any questions on taxation, you should seek advice from an independent financial or tax advisor.

## **WHAT RETURNS YOU CAN EXPECT**

The rate at which you select to lend when you make a lending offer (lender rate) is the **annualised expected rate of return** published on our website, which is based on the following:

- (a) It assumes that you will re-lend all repayments of capital and interest at the same rate and over the same term;
- (b) It assumes that any bad debt is covered by the Lending Works Shield;
- (c) It does not consider the impact of any tax payable on interest received;
- (d) It assumes you will hold relevant loans to maturity; and
- (e) It assumes there are no Lender Rate Adjustments (set out below).

## **OUR RATES ARE UPDATED WEEKLY**

Any lending offer you make will be at the latest interest rate available on the Lending Works website for the selected term.

Our interest rates are updated on a weekly basis so any repayments reinvested may be at a different rate. Any lending offers in an allocated status and existing loans made will not be affected by these weekly changes to our interest rates.

We will send you a weekly email notifying you of the rates for the coming week.

## **FUNDS NOT ON LOAN AND LOAN REPAYMENTS CAN BE WITHDRAWN AT ANY TIME**

Funds in your Wallet may be transferred back to your nominated bank account at any time using the designated process set out in your Lending Works Account.

Funds which are repaid under loan agreements will, unless you have activated the Auto Lend facility, be returned your Wallet and can therefore be transferred back to your nominated bank account. Alternatively, you can make further lending offers using these funds.

## **WE CANNOT GUARANTEE ACCESS TO YOUR FUNDS BEFORE THEY ARE FULLY REPAYED**

You have the ability to sell loans to other investors to access money on loan. We call this **Quick Withdraw**.



You can only sell loans if there is an available buyer on the Lending Works platform. This is not guaranteed by us. In the event that there is no available buyer, access to your funds will only be available as funds are repaid by the borrowers on your loans.

You will not be able to sell any loans that are currently in arrears, unless and until those loans are up-to-date and no longer in arrears. Alternatively, if a borrower under a loan cannot make good their missed payments and the status of the loan changes to default, the Lending Works Shield will attempt to make a payment to you of the outstanding principal balance and accrued interest on that loan. These funds will then be available for immediate withdrawal.

The sale price will be the amount outstanding. Funds held in the Growth product will incur a fee of 0.5% of the total amount sold. You may also be required to sell loans at a discount if the current Lending Works rates are higher than those on your contracts.

You will not be charged any fees for selling loans in the Flexible product, but you will then be restricted from making any new Lending Offers for a period of 28 days after selling loans within this product.

For further details about Quick Withdraw please see section 15 of the Lender Platform Terms and Conditions.

## **THE LENDING WORKS SHIELD DOES NOT PROVIDE A GUARANTEE AGAINST LOSSES**

The Lending Works Shield is an arrangement between us and Lending Works Trustee Limited (the “Trustee”) which is designed to provide consumer lenders with a high level of protection against borrower non-repayment.

The Lending Works Shield is owned and managed the Trustee. The Lending Works Shield consists of a Contingency Fund, the intention of which is to compensate investors in the event of borrower missed payments and defaults on their loans.

**The Lending Works Shield does not give you a right to a payment so you may not receive a pay-out even if you suffer loss. The Lending Works Trustee has absolute discretion as to the amount that may be paid, including making no payment at all. Therefore, investors should not rely on possible pay-outs from the Lending Works Shield when considering whether or how much to invest.**

## **LENDER RATE ADJUSTMENT**

We will constantly review the balance and status of the Contingency Fund. If, at any time, the Trustee finds that an annual cohort of Loans at that point in time is performing worse than expected and that the value of expected claims on the Lending Works Shield from that annual cohort of loans is greater than the value of its expected future income, an adjustment will be made to reduce the lender rate for that annual cohort. Such adjustments are reviewed and communicated to lenders by us on a quarterly basis.

If the Trustee finds that an annual cohort of loans is performing better than expected and that there is likely to be a residual balance after settling all claims, an adjustment will be made to increase the lender rate for that annual cohort up to a maximum of the original lender rate.

An annual cohort comprises all loans disbursed in a calendar year.

Further details about the Lender Rate Adjustment is set out in 19 of our Lender Platform Terms and Conditions.

## **INTEREST RATE TOP-UPS**

In the majority of cases, the interest rate receivable by you will be the same as, or lower than, the interest rate charged to and payable by the borrower, as set out in each of the loan agreements which are made from your lending offers.

However, in certain circumstances, your lending offer may be matched to a borrower under a loan agreement which has an interest rate which is less than the interest rate receivable by you. However, you will not lose out on any interest - in these cases, Lending Works will pay you any interest rate shortfall on each such agreement as interest falls due each month. We refer to this as an “Interest Rate Top-Up”.



Interest Rate Top-Ups will be applied automatically, and you do not have to take any action. All sums shown in your Lending Works Account as paid or due and payable in relation to each loan agreement will be shown as inclusive of any Interest Rate Top-Up.

## **WE'LL TAKE CARE OF ANY MISSED REPAYMENTS ON YOUR LOANS**

Where a borrower fails to make a repayment under the loan agreement, we will take all required steps to collect the repayments. This includes instructing an external debt collection firm to assist us.

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 to the Lending Works Shield.

## **WE PROVIDE LOTS OF INFORMATION AND STATISTICS TO HELP YOU MAKE INFORMED DECISIONS**

Check out our Statistics Pages which include all sorts of useful information about our lenders, borrowers, loans (including access to our full loan book) and past loan performance. You should consider any assumptions we have made when providing these statistics, which will be stated where relevant. **Please remember that past performance is not a reliable indicator of future results and forecasts are not a reliable indicator of future performance.**

## **WE WILL NOT CHARGE YOU FEES FOR INVESTING**

We will not charge you for membership of the Lending Works platform or for entering into loan agreements as lender.

We may however charge an arrangement fee to the borrower, which will also be financed under the loan agreement.

Alternatively, we may take an interest rate margin on the loan agreement. You will receive the interest rate set out on our website (lender rate), but the interest charged to the borrower under the loan agreement may be higher than the lender rate, providing us with an interest rate margin as our remuneration.

You may incur fees and charges if you wish to exit any loan agreements early, as set out in the Quick Withdraw section above.

You can obtain further details of our fees and charges in section 20 of our Lender Platform Terms and Conditions.

## **CANCELLATION AND TERMINATION**

You can cancel your membership of the Lending Works Platform, without giving us any reason, within 14 days beginning on the day after the date on which you become a member of the Lending Works Platform. You can do this via your Lending Works Account or by emailing [cs@lendingworks.co.uk](mailto:cs@lendingworks.co.uk). You will lose this cancellation right once you have made a lending offer which is allocated to a borrower.

You can terminate your membership at any time by giving us notice, provided you have no allocated lending offers and no loan agreements currently in force.

You can obtain further details about this and our right to terminate your membership, in section 25 of our Lender Platform Terms and Conditions.

## **WIND-DOWN ARRANGEMENTS**

If Lending Works were to either make a decision to wind-down all Investment Accounts or cease trading as a business entirely, for any reason, including if Lending Works were to become insolvent as a firm, we would carry out our comprehensive wind-down arrangements to ensure continued management, servicing and collection of outstanding loans. Our wind-down arrangements may result in a transfer of the management and servicing of Investment Accounts to a third-party back-up service provider with whom we have in place a back-up servicing arrangement, or alternatively Lending Works may continue to perform this role as part of a self-managed wind-down strategy.



Our back-up service provider is Target Servicing Limited. Target Servicing Limited is authorised and regulated by the Financial Conduct Authority.

You can obtain further details of our wind-down arrangements in section 28 of our Lender Platform Terms and Conditions.

## **INVESTING WITHIN AN ISA (THE “INNOVATIVE FINANCE ISA”)**

If you are entitled to open a Lending Works ISA, we will make this available through your Lending Works Account. Further information about our ISA is available on our website.

The Lending Works ISA is subject to a further set of ISA Terms and Conditions which you will need to agree to when setting up your ISA account.

## **MANAGING CONFLICTS OF INTEREST**

How we manage conflicts of interest is set out in our Conflicts of Interest Policy, which can be found on our website.

## **WE’RE HERE TO HELP**

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

- Investor FAQs
- Help Centre
- Lender Platform Terms and Conditions

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 when dealing with your complaint.

