

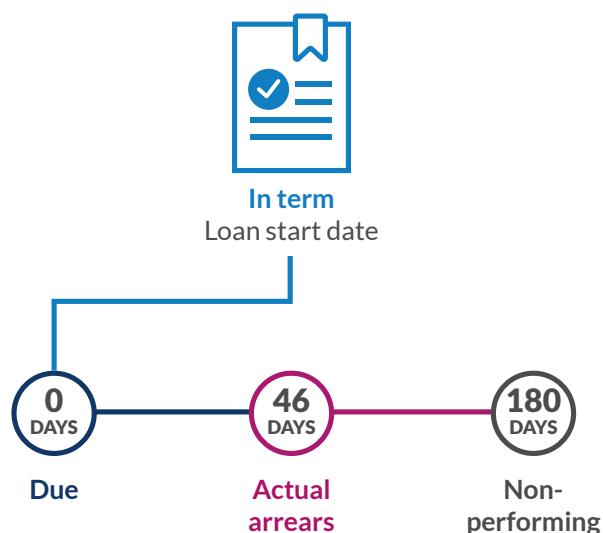
Collections & Recoveries policy

The purpose of this policy is to set out the action Lendy takes to encourage borrowers to repay their loans within term. This policy also serves to set out the action Lendy takes when a borrower is unable to repay their loan. This policy serves as a guide to action taken by Lendy's recoveries team, and the action taken on the platform directly impacting upon investor experience.

Lendy classifications of time periods

Lendy uses the P2PFA (Peer 2 Peer Finance Association) definitions to label and assess its loan book performance. The P2PFA is the industry body for the peer to peer lending sector and the standards they set reflect best practice in the industry. Lendy applies the following classifications to platform loans:

- **In term:** loans for which the due date has not passed.
- **Due:** loans for which the due date has passed but which are no more than 45 days past due.
- **Actual arrears:** loans which are more than 45 days past due but less than 180 days past due.
- **Non-performing:** loans which are 180 days or more past due.



In term

Loans in term are displayed under the “Live” loans tab and are available for trade on the secondary market (Available loans). Interest accrues on a daily basis and is paid to investors monthly.

Due loans

Once a loan becomes due, bonus accrual will begin to accrue on the loan. The loan will remain under the “Live” loans tab and will still be eligible for secondary market trading. Interest will continue to accrue in investors’ favour but monthly payments will cease.

Loans in actual arrears

Lendy applies the actual arrears label to loans that are over 45 days past due for the purposes of giving a fair representation of loan book performance to the highest standards in the industry. This classification is for this purpose only and the functionality of the loan is the same as loans under the “Due” classification.

Non-performing loans

Once a loan becomes 180 days past due it will be categorised as non-performing. The loan will no longer be displayed under the “Live” loans tab and instead will be listed under the “Non-performing” loans tab. Non-performing loans will be unable for trading on the secondary market. Bonus accrual will cease to accrue on overdue loans once they become non-performing, however interest will continue to accrue at the standard monthly rate against the loan, and be repayable upon successful recovery of the loan.

Extensions

It is the nature of bridging finance that due dates cannot be met with certainty. There is plenty of scope for delay such as a purchase being waylaid or approval for a vital planning permission taking longer than foreseen. This means that borrowers are not infrequently granted extensions to their loans made via the Lendy platform to prevent loans falling past due and to improve the position of Lendy investors who will continue to receive interest for the extended period.

Lendy is careful to ensure that in granting an extension it is not increasing the risk profile of a particular loan. When making an application for a loan to be extended case handlers must complete a credit application form detailing why, in their opinion, an extension should be granted but also flagging any relevant elements of the loans risk profile. This is submitted to Lendy’s Head of Credit who will then review the application.

The Head of Credit may determine that further information is required before a determination is reached and the extension approved. In some circumstances, the approval of an extension may be dependent upon special conditions such as the borrower making partial repayment or providing specific information by a set date.

All extensions must be approved by the Credit Committee which consists of:

- A Director
- The Head of Credit
- The Head of Legal
- The Head of Lending

Partial repayments

Where a borrower is unable to repay their loan in full but is able to repay their loan in part Lendy will encourage and incentivise a borrower to do this.

The key benefit to the partial repayment of a loan is that it enables the return of capital to platform investors and reduces the risk profile for the remaining capital by reduction to the loan to value ratio.

A secondary advantage to the partial repayment of a loan is that it places the borrower in a better position to extend their loan whilst realising their exit strategy enabling investors to continue to receive interest past the original due date.

Interest payments

Lendy holds interest on account for the term of a loan. Therefore, when a loan reaches its due date without being repaid or extended investors will cease to receive monthly interest payments. From the due date interest will begin to accrue in the borrower's favour. Lendy will seek to recover interest accrued in investors favour where there is a viable strategy to accomplish this. The recovery of accrued interest cannot be guaranteed.

Bonus accrual

Once a loan passes its due date default interest will begin to accrue on the loan. A portion of this default interest will accrue in the investors favour as bonus accrual. Bonus accrual is calculated on a daily basis at half the usual interest rate.

Where bonus accrual has accrued against a loan which is subsequently extended, it will in most cases be recuperated and paid to investors as part of the extension agreement reached with the borrower. However, the Credit Committee may differ from this policy if they deem this to be necessary.

The recovery of default interest and bonus accrual is not guaranteed.

Suspended loans

In line with our regulatory requirements, we will sometimes suspend the secondary market (Available loans) trading for loans which are in term or within the tolerance period when we receive, or become aware of, information which we consider to be material and which we think may significantly impact upon an investor's decision to purchase relevant loan parts on the secondary market (Available loans). Were this to occur we would give an ad-hoc update to investors outlining the situation. Trading of the loan on the secondary market would remain suspended until such time as our investigations convince us that the issue is immaterial, or where a full disclosure could be made to investors without prejudicing any recovery action against the borrower or the security property.

Please note that in the event of a suspension of secondary market trading, those with loans for sale on the secondary market at the point of suspension will not receive or accrue interest in line with our usual policy. Investors may therefore wish to cancel the sale of suspended loans.

In some circumstances, we may be limited to the level of information we are able to disclose. This may be because we are under a regulatory duty or under a legal obligation to withhold the information, or because the information is commercially sensitive and its full disclosure might be harmful to the interests of investors.

Priority of payments

Unless Lendy is receiving a payment from a borrower in connection with an extension, the funds forwarded by the borrower shall be put to the amounts owing with the following priority:

1. Capital (loan) amount
2. Interest accrued
3. Bonus accrual

Lendy will only take any portion of interest or fees owing to them once all of the above have been satisfied. Only once each tier has been fully satisfied will funds be put toward the next. E.g. the whole capital amount must be paid before funds are put towards interest accrued, and all interest accrued must be paid before funds are put towards bonus accrual.

Enforcement action

Appointment of LPA Receivers

Unfortunately, there will be some loans where the borrower is unable to repay their loan. Where this is the case Lendy will enforce lenders' rights under the loan agreement.

Lendy will appoint LPA receivers to take charge of and sell the property. Lendy appoints LPA receivers from top tier national firms, such as Allsop and Savilles, or regional firms with specialist knowledge. The LPA receiver will then devise a strategy, making use of their contacts and expertise, to dispose of the security property for the greatest value within an acceptable period of time.

When a property cannot achieve a satisfactory price on the open market it will be placed into auction (Allsop and Savilles run two of the largest property auctions and these are typically held bimonthly).

Lendy lends at a maximum LTV ratio of 70% so that the proceeds of sale of the security property should be sufficient to cover investor capital lent and other debt owed by the borrower to investors. However, there will be some instances where the proceeds of sale of the security property are insufficient to cover the total owing to investors. In these circumstances Lendy will pursue further recovery action.

Borrower's Liability and Personal Guarantees

The borrower will be liable under the loan agreement for all debt outstanding following the sale of the security property, as will any person who gives a personal guarantee against the loan.

Should a portion of the loan amount remain outstanding following the sale of the security property, Lendy will pursue the borrower and any personal guarantors for the outstanding amount.

Appointment of Administrator / Liquidator

If Lendy wish to either liquidate a company they will appoint an administrator or liquidator. The administrator / liquidator will then take charge of disposing of any assets belonging to the individual / company, the proceeds of this will then be passed on to the individual's / company's creditors in proportion to debts owed to them.

Lendy may also need to appoint an administrator if the property that the loan is secured against is used as part of a trading business.

Professional Indemnity Insurance

If Lendy are unable to recover the full loan amount from the disposal of the security property then this may stem from an error made by one of the third parties who advised Lendy in connection with the particular loan.

Third party advisers who act for Lendy must have professional indemnity insurance at least equal to the value of the loan. If the advice given is negligent, and this negligence impacts upon Lendy's ability to recover the full loan amount, then Lendy may be able to pursue a claim against the insurance carried by its third party.

Investor voting

In some circumstances Lendy will seek the opinion of the relevant investors on the recovery options available to it. Investor opinion will be sought in the form of a vote which will give investors the ability to select between two or more options. Please note that investor voting is not binding on the action taken by Lendy and is strictly for the purpose of measuring investor opinion.

Capital losses

Lendy will only declare a capital loss to have occurred in the event that a capital amount is still outstanding after all viable recovery options have been exhausted, and a determination has been made that the capital amount outstanding will not be covered by the Provision Fund.

Irrecoverable interest and/or bonus accrual

In line with the above, Lendy will only declare outstanding interest and/or bonus accrual to be irrecoverable once all viable recovery options have been exhausted, and a determination has been made that the outstanding interest and/or bonus accrual will not be covered by the provision fund.

Provision Fund

The Provision Fund is a discretionary fund which may be employed on an entirely discretionary basis in the event of a shortfall in capital, interest or bonus accrual following the exhaustion of all viable recovery options. The Provision Fund may be used to cover a shortfall in whole or in part and may not be used to cover a shortfall at all. Investors should not let the existence of the Provision Fund impact their investment decisions as it is entirely discretionary in nature and there is no obligation to cover shortfall in part of in full.

Contact us

If you wish to obtain information on an existing Lendy policy or would like to discuss anything, please contact:

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