

Overdue loans default policy

A default loan

In finance, default is the inability to meet the legal obligations (or conditions) of a loan.

Lendy default policy

Our default policy sets out the principles that govern decisions made by the company on whether to default a loan or whether to grant some tolerance in circumstances where a loan is not repaid upon the original **repayment date** as stated in the loan agreement.

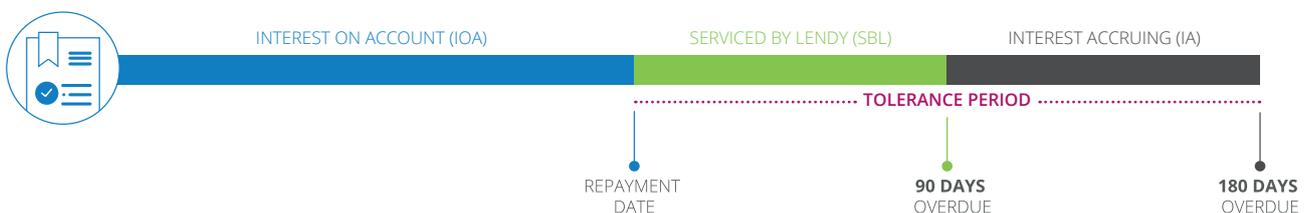
Lendy will default a loan when:

1. The redemption figure is not paid in full within a **Tolerance Period** of 180 days from the loan **repayment date**.
2. The borrower is unable to provide Lendy with **sufficient clarity** as to how the loan will be repaid within the **Tolerance Period**.
3. Upon the first working day, it remains outstanding outside of the **Tolerance Period**.

At our absolute discretion we will default a loan at any time throughout the **Tolerance Period**.

How will interest be paid?

4. For the first 90 days of the **Tolerance Period**, we will continue to pay interest due to investors out of our own funds.
5. After day 90 of the **Tolerance Period** investors will continue to accrue interest but interest will not be credited until, for example, the sale of the security completes. The final interest credit is dependent upon the amount of repayment that we are ultimately able to secure.

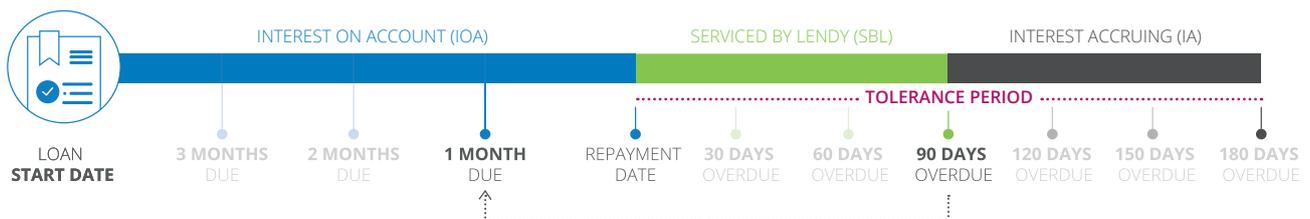


When we may extend a loan

6. At our discretion, a loan may be extended before or by the original **repayment date**.
7. When a loan is extended, the **repayment date** is renegotiated to extend the original loan term, with the **Tolerance Period** reset to start the day following the new **repayment date**.
8. A loan may only be extended whilst in the **Tolerance Period** from the borrower's cash if the borrower is able to pay to Lendy sufficient funds to cover:
 - 8a. All interest owed.
 - 8b. Sufficient interest at the standard rate to extend the loan term so that the date of the extension will be prior to the new **repayment date**.
9. A loan may only be extended whilst in the **Tolerance Period** from refinance on the platform if platform users are able to raise funds sufficient to cover:
 - 9a. All default interest owed.
 - 9b. Sufficient interest at the standard rate to extend the loan term so that the date of the extension will be ninety days prior to the new **repayment date**.

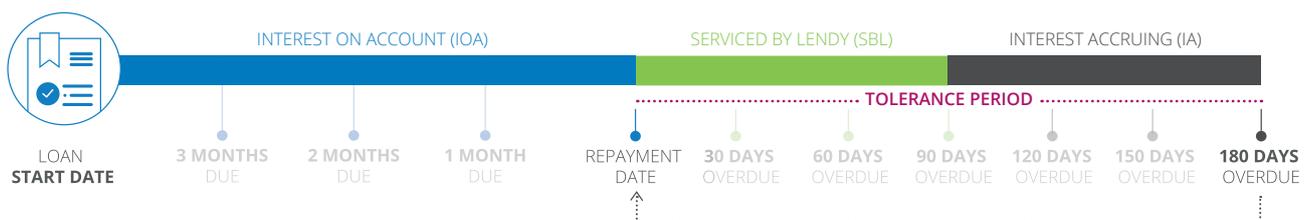
RESTRUCTURED EXTENSIONS

EXAMPLE 1



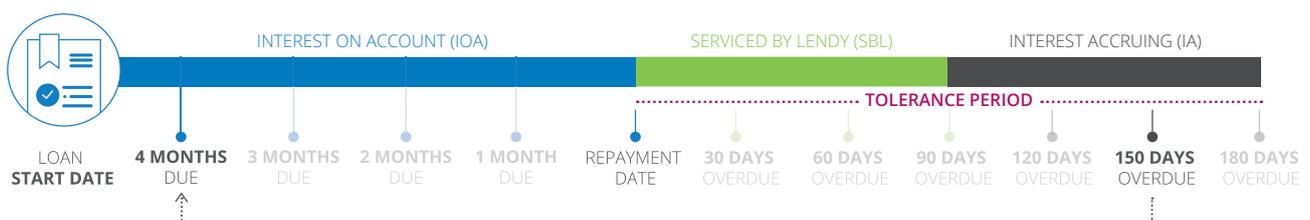
At day 90 overdue, client pays three months accrued and one month's interest.

EXAMPLE 2



At 180 days overdue (at default) client pays three months accrued and three months interest and moves back to **Repayment Date**.

EXAMPLE 3



At 150 days overdue, client will pay nine months of interest, to cover all months accrued (two months), the three months serviced by Lendy, and a remaining four months interest to move them back to Four Months Due.

What action do we take upon default?

10. Unless already appointed we would appoint a recovery agent as soon as is practicable.
11. We then consider all practical sales options to result in a **commercially viable outcome**, which may include auction or selling on the open market.
12. We may take any action we deem appropriate to ensure the repayment in part or in full of a defaulted loan.
13. Our **Credit Committee** may remove a loan from a default classification under exceptional circumstances where a borrower is able to provide **persuasive evidence** that they will repay the loan within the **Tolerance Period**.

How will you be kept informed?

14. When a loan enters the **Tolerance Period**, it will be marked "**SBL (Serviced by Lendy)**" on the platform within five working days.
15. When a loan passes Day 90 of the **Tolerance Period**, it will be marked "**IA (Interest Accruing)**" on the platform within five working days.
16. Where it becomes apparent to us that a Loan will not repay by the original or any other **repayment date** the platform shall be informed of this typically within five working days of this becoming apparent to us.
17. If our conclusion is that a loan will be repaid after entering the **Tolerance Period**, we will update the platform within five working days with an explanation of why the loan has not been defaulted (i.e. why there is **sufficient clarity** that the loan will be repaid within the **Tolerance Period**).
18. Whilst Loans are within the **Tolerance Period** they will remain available for sale and purchase on the Available Loans section of the platform.
19. We will indicate the interest status of a Loan once it is within the **Tolerance Period** (i.e. if interest is being serviced by Lendy or whether it is accruing) under the "%PA" column of each section of the platform within which the loan appears. All changes in status will be noted on the platform within five working days of the change.
20. Within five working days of a loan being defaulted it will be placed within the Default Loans section of the platform.
21. Loan parts from a defaulted loan will no longer be listed on the Available Loans section of the platform but will be available for sale and purchase on the Default Loans section of the platform.
22. An update will be posted on our platform within five working days of any exception to this policy being agreed.

Exceptions

23. Exceptions may be made to this policy where deemed appropriate by our **Credit Committee**.

Glossary

Commercially viable outcome - A sale of the property at the level of the debt that does not open the lenders up to any potential liability for a sale at an undervalue.

Credit Committee - A committee composed of three of any of the following: the Head of Legal, the Head of Lending, the Head of Credit and a Director.

IA (Interest Accruing) - Interest which is not credited monthly to investors but which is recorded as owing to investors.

IOA (Interest on account) - Lendy is holding interest paid upfront by the borrower on account in order to service investor's monthly interest.

Loan start date - The date on which the Borrower enters into the Loan Agreement and the Loan Term begins to run.

Persuasive evidence - Evidence that the borrower has a viable exit strategy, for instance an offer of finance.

Repayment date - The last day of the Loan Term on which all outstanding monies owed under the Loan Agreement should be paid by the Borrower.

Sufficient clarity - Not precisely a defined term but would refer to instances where the borrower has a means of seeking funds and is able to evidence this.

SBL (Serviced by Lendy) - A mark to signal that the loan has entered the Tolerance Period and that we are paying monthly interest out of our own funds.