RateSetter

Wind-down Plans

THE QUEEN'S AWARDS FOR ENTERPRISE: INNOVATION 2019

Last updated: December 2019

Wind-down Plans

Overview

RateSetter is pleased to have a sustainable business model that has consistently delivered value to its customers. We continue to invest in our systems and processes to build their resilience and sustainability. Nevertheless, as a responsible peer-to-peer platform, RateSetter also monitors its risks and develops contingency plans for a variety of scenarios, for example if the platform were to close to new business.

What would happen if RateSetter closed to new business?

If a decision were taken to stop accepting new business, RateSetter's Wind-down Plan ("WDP") would come into effect.

We have looked at options for how best to manage the platform to best protect customers' interests in this scenario. Importantly, we have decided that in these circumstances the WDP would be managed in-house by existing staff, systems and with the same regulatory rules and requirements that the platform currently operates within. This would allow RateSetter to use our product and platform expertise to maintain the quality of the execution of the plan, minimising risks that would arise if we were to transition operations to a third-party provider, and maximising outcomes for our customers.

In practice this would mean that we would stop accepting new funds at the start of the WDP, and no new loans would be written from that point. The loan portfolio would operate as normal with loans continuing to repay interest and capital, and investors would be able to withdraw funds once these funds become available. The Provision Fund would continue to operate as now. The wind-down team would manage the Provision Fund to maximise collections and recoveries through the WDP timescale.

Would there be any changes to the way my investments are managed?

In the event that RateSetter closed to new business then there are several steps it would or may have to take to ensure a fair outcome for all investors. The most important steps that may occur are:

- Management of sell-outs. In order to ensure that all investors can receive their capital and interest fairly it may be necessary for RateSetter to cease requests to sell-out of live loans – potentially for a short-period but possibly for the whole of the WDP. Excess sell-out requests can stop the market working optimally. All investors would still receive interest and capital payments and would be able to withdraw cash held in their holding account. The management of sell-outs would be reviewed frequently with the intention to normalise this process at the earliest opportunity.

- Wind-down Management Fee . In the event that RateSetter invokes its WDP, it may also levy a Wind-down Management Fee on all investors to ensure the successful management of the wind-down process. This fee would be charged against capital outstanding, up to 2% per annum, and would be deducted monthly. The fee may be netted-off against interest payments made to investors.

Would there be changes to the way my loans are managed?

No, if RateSetter closed to new business it would still manage all loans in line with their contractually agreed terms, including the collection of expected repayments. Of course, there is always a risk that borrowers may cease to repay their loans and therefore loan contracts may not run to their full term.

What happens if RateSetter were to go into administration?

If RateSetter were to enter administration, an administrator would take over the running of the platform.

The FCA (SYSC 4.1.8DBR) requires firms to have a Resolution Manual in place to assist an administrator taking over the running of the business. The Manual sets out how the platform works and what systems and people are required operationally to ensure the platform continues to operate and that service to investors and borrowers continues .

It is important to note that investors lend directly to borrowers, meaning that investors hold contracts directly with borrowers. These contracts continue to exist in the event of an administration of the platform. Also, any money from investors placed on the RateSetter platform but not lent out to borrowers is held in a segregated bank account. This separation of funds ensures client monies are easily identifiable by an administrator and are separate to any claim creditors may have on RateSetter's own assets.

Cash in the Provision Fund is also held in a separately identifiable account and therefore the administrator can identify and use these funds as originally intended.

It is possible that the administrator appointed may not be subject to the same regulatory regime and requirements as RateSetter. As a result, there is a possibility that any regulatory protections may be reduced or are no longer available.

Can I get further information?

Yes. If you would like further details of either our Wind-down Plan or our Resolution Manual, please email customer services at **invest@ratesetter.com**.