

Investor Key Information

Understanding your investment

You should read the following information and the Investor Terms [\[insert link\]](#) carefully before making your investment. It is important that you understand the key product features and risks of your investment. **If you have any questions, please feel free to give us a call on 020 3142 6226.**

Investing through RateSetter

- By investing through RateSetter you are entering into credit agreements as a lender with one or a combination of individuals or businesses as the borrower(s).
- This is an investment product and is not a savings deposit.
- To invest through RateSetter, you must not be lending in the course of business.
- RateSetter manages a Provision Fund which is designed to give you efficient risk diversification and some degree of risk protection but it is not a guarantee and your capital is at risk.
- The overall level of investment risk is primarily affected by the strength of the Provision Fund and the lending carried out by RateSetter.
- As well as the Everyday Account, RateSetter offers an innovative finance ISA (the “**RateSetter ISA**”) which allows any interest from peer-to-peer loans facilitated through the RateSetter platform to qualify for exemption from income tax where these loans are made within a RateSetter ISA.

Types of lending and credit risk

- RateSetter facilitates loans to UK individuals and businesses – further detail is provided below. RateSetter provides information on the lending mix [here](#) and will inform you when material changes occur, including by posting information on the members’ area of the website.
 - Individual borrowers: Personal Loans, Retail Finance, Motor Finance
 - Business borrowers: Business Loans, Loans to residential Property Development companies, Motor Finance, loans to lending business (note, we no longer facilitate new loans to other lending businesses, but your money may be matched to an existing loan if another investor sells out of their loan contract)
- Our minimum requirements for borrowers vary according to the type of loan being offered but all decisions are based on risk assessments by our specialist underwriting teams. See below and further information is available [here](#).
- In the case of individual loan applicants, we:
 - conduct identity checks;

- analyse their credit history and score; and
- assess their ability to make repayments (affordability).
- For business loan applicants, we:
 - review the company's trading history and accounts;
 - assess the creditworthiness of the company directors and in some cases, require the directors or other third parties to give a personal guarantee; and
 - where appropriate, take other security, for example by putting a charge over the company's assets or requiring a cross-company guarantee.
- You may be matched to loans with differing repayment profiles, including loans that repay capital and/or interest across the life the loan or loans that repay capital and interest only at the end of the loan term.
- Total interest earned is made up of interest received and interest accrued. Interest received is the interest that has been repaid to you by the borrower(s) from any loan type. Interest accrued is interest that is building up on loan types where the borrower repays the interest and capital in a single payment at the end of the loan term. Once the borrower has repaid, interest accrued becomes interest received.
- You may also be allocated loans from the RateSetter secondary market, where a previous investor has decided to exit their loan contract or loan contracts early and you are replacing their funds on that contract.
- You should also carefully review past performance information which provides an indication of past and expected future performance of loans. Please see [here](#) for further information.

The RateSetter Provision Fund and arrears management

- RateSetter manages a Provision Fund which gives efficient diversification to investors and provides a degree of protection for investors against borrowers who do not pay sums due or are in arrears with payments.
- In cases where a borrower does not make a payment when due, the Provision Fund pays you on their behalf. We believe in treating all our customers fairly, both investors and borrowers, so we always do what we can to help borrowers who experience payment difficulties. If, despite our efforts, we cannot get the loan back on track, the Provision Fund will settle the loan with you in full or in part. You can then re-invest the settled funds in a new loan contract or withdraw the settled funds.
- RateSetter proactively manages the Provision Fund but it does not provide a guarantee and your capital is at risk.
- The Coverage Ratio is a key Provision Fund metric and it is important that you understand it. It is how we estimate the Provision Fund's ability to ensure investors get all their capital back, plus interest earned. It is calculated by dividing the size of the Provision Fund by Expected Losses. A 100% Coverage Ratio indicates that the Provision Fund should be able to

cover all expected claims; a Coverage Ratio greater than 100% means that all expected claims should be covered with money to spare.

- The Provision Fund will cover borrower defaults if there are sufficient funds available. In one exceptional case, RateSetter has intervened to cover the debt repayments of a borrower from its own company funds that would otherwise have been defaulted to the Provision Fund. Such an intervention will not happen again.
- If the Provision Fund has insufficient funds to cover borrower defaults (i.e. the Coverage Ratio has or is expected to drop below 100%) you may receive less interest than you expected, lose some or all of the capital you invested and / or it may take longer than expected for you to receive your money back.

Investment term and access to your funds

- Your investment is for the term of the loans you are matched with.
- The terms of the underlying loans may be longer or shorter than your requested investment term.
- You may be matched against loans from the RateSetter secondary market with considerably shorter terms than you have requested.
- As an investor you can request access to funds earlier than the underlying loan terms but that is dependent on other funds being available on the RateSetter market to take your place and therefore early access is not guaranteed.
- There may also be costs for exiting loan contracts early, depending on the product selected.
- In order to ensure fair usage, you cannot invest new funds for 14 days after a request to exit a Rolling Market loan contract early.
- When borrowers repay capital and interest due you have the option to re-invest funds. These funds will be matched with new loans and so your term for re-invested money will match the new loans, not your original investment term.
- If you have invested in the Rolling Market, any capital will always be re-invested in the Rolling Market. Interest can still be paid into the Holding Account, but if you opt to re-invest your interest, it must be in the Rolling Market.
- You can set the rate or opt for Market Rate on reinvestment of capital and interest in all RateSetter markets.

What will impact on your return?

- The rates quoted on the RateSetter website are based on re-investment of borrower repayments at the same interest rate. If market rates have changed since your original investment it will affect your overall return.
- RateSetter allows borrowers to repay all or part of a loan at any point. If early repayment occurs it will affect your overall return.

- RateSetter does not pay interest on any funds that are held in your RateSetter holding account, i.e. un-lent funds. You should either re-invest or withdraw funds that are unmatched for a significant period of time.
- You are responsible for paying any tax due on your investment. We do not deduct any tax.

What happens if RateSetter stops trading?

- RateSetter maintains a fully funded plan that is designed to allow the company to continue to administer existing loan contracts even if the company closes to new business. So, in the unlikely event of RateSetter ceasing to trade, your loan contract(s) will continue to be administered on your behalf.
- If you have a RateSetter ISA, in the event of RateSetter's insolvency, we will notify you of any right to transfer it to another ISA manager.

Can I cancel my investments?

- You can cancel your account with RateSetter within 14 days, beginning on the day after the date when your account was opened. You will lose this cancellation right once you have been matched to borrowers, simply as loan contracts are formed at that point.

Transparency – how we keep you informed about the risks

- We publish loan performance data online, as well as information about our Provision Fund and expected future performance. Via the members' site and monthly statements that all investors receive, we will also provide updates on factors that may impact your investment return or risk.
- Please note that historic information should not be used as the sole indicator of future performance.

Our relationship with you

- We may need to update our terms and conditions from time to time. When we do, we will notify you personally in advance, usually providing 30 days' notice.
- You can close your account or end this agreement at any time by informing us by email, telephone or post using the contact details set out in the Investor Terms. To close your account, you must first release your investments from all of your loans and withdraw any funds in your holding account. You may encounter Early Access fees to release your investments.