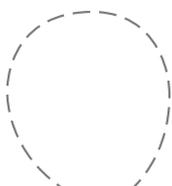


# RateSetter

## Investor key information

Understanding your investment



Effective: 3rd October 2019

# Understanding your investment

- ▶ You should read the following information and the Investor Terms ([available here](#)) 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 the RateSetter platform you are entering into credit agreements as a lender with one or more 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 as a notice in your online account.

- ▶ 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 of 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.

**The RateSetter Provision Fund**

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 make the repayment(s) to the you on behalf of the borrower.

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 (together with any interest and capital received from borrowers) is automatically reinvested into the product you have selected, either at the Going Rate or a rate you have selected. Your money will remain invested (matched or waiting to be matched to loan contracts) until you withdraw it.

You can change the rate of your reinvestments by logging in to your online account.

It is possible to release your investment and access your money, but this depends on other funds being available on the RateSetter market to take your place.

There is no fee to withdraw money invested in the Access product, but there is a fee which is linked to the Going Rate (shown on our website) to release investments in the Plus and Max products. This reflects the potentially higher returns in Plus and Max. The fee is equivalent to 30 days' interest charged at the Going Rate at the time of release for Plus, and 90 days' interest at the Going Rate at the time of release for Max. The amount of the fee will be displayed to you before you decide to release your investment.

In order to ensure fair usage, you cannot invest new funds into Access for 14 days after a request to release an investment in that product.

### **What will impact your return?**

The rates quoted on the RateSetter website for each product are based on reinvestment of borrower repayments at the same interest rate. If 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 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'll provide you with a tax statement but 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 investments 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.

Although we hope you will be happy with your RateSetter product(s), you can of course withdraw your funds (using the Release Investment function, which may incur a fee depending on the product you have) and close your account at any time.

### **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 your online account 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. If we make a change to the Going Rate, we'll tell you personally at least 14 days before making the change. If we make a change relating to RateSetter products or services that's for your benefit, we'll tell you within 30 days after the change takes place, either by contacting you personally or by publishing it on our blog or as a notice in your online account. For all other changes, we'll tell you personally at least 30 days before we make the change.

You can close your account or end this agreement at any time by informing us by email, telephone or post. 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 fees to release your investments.