

Business Plan

Background

The business has been in operation for about 18 months and is a Peer to Peer lender.

We are a relatively newcomer to the market, we have a full understanding of many of our competitors offerings and aren't aware of any competitors that offers the full range of services that we offer.

Source of Business

Currently our customers come via introductions, which are IFA's or retailers. The types of business currently are buy back agreements, pledge agreements and commercial property loans.

Business Owners and Influencers

Peter Currie is the sole Director within the business he will be responsible for the complete overview of the business and how the processes work. Peter comes from an IT background enabling him to understand the IT requirements of the business.

Products & Services

Collateral (UK) Limited aims to attract lenders by offering a good rate of interest for investors with a low amount of risk. However all investors understand that there is a risk that they may not get their capital back in full.

For Borrowers, this cheaper source of capital than other bridging companies means that we can offer competitive rates in the market, usually beating the rates of bridge lenders, although we are not able to compete with banks.

We do not impose any guarantees on the loans we arrange, customers understand that the loans are secured on assets (be it a charge on a property or a pledge over a car) but that if the loan defaults and the asset cannot be sold for a price high enough to cover their loan value (or indeed the loan be unenforceable) then they may lose their capital, or a part thereof.

To mitigate this risk, we usually obtain third party valuations over the security being taken (so that the PI cover of the valuer should cover any shortfall) and we generally also obtain a personal guarantee from the borrower (or the Director of the company if lending is to a company).

Types of Loans

Collateral (UK) Limited aims to do a wide variety of loans against a wide range of asset classes with items of value, via Buy Back Agreements, Pledge Agreements or Loan Charge Agreements – please see the attached document written by our solicitors at Appendix 1

How we plan to meet the requirements of Article 36(H)

a) There is an electronic system already in existence (see brochure enclosed and attached Investor User Guide, which gives a brief overview of the Platform with screenshots)

- ~~enables both borrowers and~~ Collateral (UK) Ltd to upload loans to the electronic system
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- enables lenders to login in online and determine which types of loan that they wish to invest on based on the following criteria:
 - Collateral: Property 1st Charge or 2nd Charge, ~~Cars-vehicles~~ other (e.g. ~~fine wine~~ jewellery, watches, art, aircraft)
 - Duration: ranging from 1 month to ~~10~~ years
 - Geographical Location of Collateral: e.g. ~~Mainly UK, with a small percentage within UK, France and Spain~~ Europe and, Worldwide
 - Loan Size: ~~£1500k~~ to ~~£15~~m (this is the amount a lender can might invest on each loan)

(Borrowers must also set the above criteria before their loan can be put live on the system)

- enables investors to pledge money online

The online electronic system operates as follows:

- 1) A borrower submits a request online or offline for a loan
- 2) Documents and other information related to the borrower and that loan can be collected online or offline or using a combination of these methods such that Collateral (UK) Limited can determine whether it is a loan that is likely to be repaid and the collateral backing it is sufficient as well as whether it would be suitable for listing on the platform.
- 3) The internal and legal due diligence process commences and Collateral (UK) Limited solicitors generally draw up the relevant legal documents and liaise with the borrower's solicitors to ensure that legally binding documents are signed.
- 4) The borrower is informed whether the loan is 'pre-funded' and so will definitely or to be funded during via investments on the Platform, the listing process
- 5) The loan is listed on the platform. Lenders can use the search functionality to determine which loans they are interested in, look at the available documents and then if they wish, pledge transferring money to the loan signing the Lender Fact Sheet (online or offline) via bank transfer or online card payment into the Client Money Account.
- 6) The listing ends and if the loan has been funded by online pledges (or online pledges supplemented by offline pledges) ~~then~~ the money is collected from lenders by Collateral (UK) Limited and paid to the borrower and the loan completes.
- 7) Collateral (UK) Limited collects interest and principal from the borrower, takes its share and then passes the balance on to the lenders.

8) The Platform has the functionality of a secondary market, which allows lenders to sell all or part of their loan parts on the Platform to other lenders at any time.

Matching borrowers and lenders

Offline process:

Collateral (UK) Limited aims to meet every potential lender before allowing them to place money with ~~the Company~~ and doing loans through us. We also obtain KYC information (passport, utility bill and a bank statement). However the purpose of the meeting is much more than just obtaining the necessary information for the KYC checks. It is about building a rapport with the potential lender and understanding their background, their wealth and their appetite to risk.

Collateral (UK) Limited is not keen to allow lenders onto the platform who would potentially be putting a large proportion of their wealth into the platform, just in case some loans were to default and the lender would then be left in a precarious financial position. We also want to understand the repercussions for the lender if a loan was not to repay on time and enforcement action was required (or a loan extension) which meant the lender's money could not be returned to them on the loan end date. The Platform allows for lenders to opt in or out of renewals and extensions to existing loans.

In addition, ~~The lender Collateral (UK) Limited~~ ascertains what type of loans they ~~lender wishes~~ to ~~do fund~~ - this is generally categorised as follows:

Duration of loan

Size of loan

Whole loan or part of a loan

Type of loan

~~Loan~~

Once the lender's requirements are clearly defined, it then becomes possible to show lenders loans that that are likely to be interested in funding, and this is what Collateral (UK) Limited then does by entering the popular loan types on the Platform. ~~This usually commences with an email and is followed up by a conversation.~~ The lender might then ask to see certain documents (e.g. the valuation, the title plans, the loan agreement) before agreeing to participate in that loan and defining how much they wish to lend, although these are generally available to view once they have registered on the Platform.

~~Once a lender has agreed to lend, Collateral (UK) Limited requests they confirm this in writing - either by a specific email or by signing the "Lender Fact Sheet" and also confirms how much they wish to fund. Funds are then transferred to the Collateral (UK) Limited client account for onwards transmission to the firms solicitor in preparation for completion.~~

Online process

The Collateral (UK) Limited platform allows potential lenders to sign up online. Once signed up, the platform allows lenders to choose which kind of loans they wish to participate in by applying certain criteria. The typical criteria lenders will input include:

- a. Location (UK, France, Spain, Other)
- b. Amount (based on the amount they wish to invest)
- c. Type of loan (e.g. 1st charge, 2nd charge, Car loans, Other)
- d. Duration of the loan, (the time period they are willing to invest over)

~~Once the lenders have narrowed their search criteria, they will be presented with a list of loans.~~ Currently the platform is live with approximately 8 loans available for lenders/investors to consider. Lenders can then review documents that have been uploaded to the platform (such as a valuation of the collateral and a Lender Term sheet which set out the detailed terms of the loan). Should a lender then wish to proceed to pledge money to a loan, the platform has the functionality for them to pledge money.

~~Once a lender has pledged money to a loan, they would be requested to send us All KYC and AML checks are completed on registration via our 3rd party integrated software provided by Lexis nexis information and we would conduct any necessary anti money laundering checks on them before accepting money from them lenders to fund a loan.~~

Dealing with arrears

We fortunately have had ~~very few~~no customers who are in arrears. ~~However, if we do in future have borrowers who are in arrears, f~~Firstly we will call or email them, as it's ~~often may be the~~ case that they have forgotten to make a payment. If they have a more serious issue then we try to work with them to find a solution – this is often allowing the loan to be in 'default' and thus paying a higher interest rate while the borrower sorts out their issues. We are fortunate that we have not had to enforce any loan to date as there have always been good reasons for the borrower requiring an extension and the collateral has enough value to support a longer loan.

Current Position

Our current Loan Book consists is just under £500k based mostly on ~~non~~-UK property, jewellery, watches and Art.

Specifics about the business

Up to this point, the business has come under the corporate governance and supervision of the Office of Fair Trading (OFT). In meeting the challenges ahead, between now and authorisation, the firm has undertaken a comprehensive programme of preparation, and will have robust training and development procedures in place. To this end, the firm has engaged the compliance and business support services of Simply Biz Services plc, to assist and guide them.