

Proplend Lenders' Risk Disclosure

Please read this section carefully. It discloses the key risks to which Proplend Lenders are exposed when undertaking peer-to-peer property lending, it is wise to gain a full understanding of the processes and the potential risks you face in making such loans.

Terms used in this risk statement are as defined in the [Proplend Members' Agreement](#).

ADVICE

Proplend does not offer advice or make recommendations. If you are in doubt as to whether lending via the Proplend platform is suitable for you, you should seek independent advice from a financial adviser or other professional.

RISK PRIORITY

Proplend enables you to make fixed rate loans to a Borrower secured over the Borrower's Property. The loans will be made under individual Loan Contracts directly between you and each Borrower. Proplend is not a party to those Loan Contracts, but agrees to administer them on the terms of the Members' Agreement. Loans Contracts will have different risks and interest rates according to their ranking (or Priority) in terms of Loan-to-Value.

CREDIT RISK - BORROWER DEFAULT

The main risk when lending money via Proplend is that the Borrower is unable to continue to make the interest payments when they fall due or to repay the loan principal amount when it falls due.

In order to minimise that risk:

- Proplend checks the creditworthiness of each Borrower;
- each Loan Contract is supported by an Interest Reserve (described below);
- certain Security Documents are entered into between Proplend Security Limited ("PSL") and the Borrower to secure the total amount repayable under the Loan Contracts against a Property owned by the Borrower; and
- we request certain Due Diligence Material, a Valuation, and a Certificate of Title, as specified in Clause 3 of the Members' Agreement in order to enable you to assess the risk that the security over the Property might not be adequate initially and/or in the future.

These steps help to reduce the risk of losing your capital, but do not completely eliminate the risk of losing your capital.

INTEREST RESERVE

The Borrower will pay the equivalent of either six (6) monthly, or two (2) quarterly, Repayments to be held by us in the Proplend Customer Funds Account. If the Borrower misses a Repayment,

you authorise us or a Collections Agency to attempt to collect the outstanding amount. In the meantime, we will credit you for the interest owed from the Interest Reserve, in accordance with the Priority. The Borrower must then top up the Interest Reserve.

The principal amount lent under each Loan Contract is repayable at the end of the Term.

SECURITY OVER THE BORROWER'S PROPERTY

The Loan Contracts themselves do not contain security provisions, but each Borrower (and, as appropriate, its shareholder(s)) and/or others) will separately agree with PSL certain Security Documents in relation to the Property in order to secure and/or guarantee Repayment of the Loans. PSL holds the benefit of such Security Documents in trust for each Lender.

As a minimum, the Security Documents will include a first-ranking legal charge over the Property, which is registered at the Land Registry. Depending on the type of loan requirement and the nature of the Borrower and its business, the Security Documents may also include a corporate debenture over the Borrower's other assets and/or a personal guarantee from the Borrower's director(s).

If a Borrower defaults, dies or cannot pay, PSL will commence recovery of the debt due under the Security Documents, and any sum recovered will be paid to the Lender, less any enforcement costs that could not also be recovered. This means that you are unlikely to lose the total principal amount you lend at Proplend, and your rate of return may also be protected.

PROPERTY VALUE RISK

Because the Security Documents create security over Property, if there were to be a dramatic downturn in the UK Commercial Property market, this could affect the Borrower's ability to repay the amounts due under the Loan Contracts in full.

We request certain Due Diligence Material, a Valuation, and a Certificate of Title, as specified in Clause 3 of the Members' Agreement in order to enable you to assess the risk that the security over the Property might not be adequate initially and/or in the future.

However, even if the value of the Property falls the Borrower could continue to pay the interest and the principal as it falls due.

Proplend operates a 'loan tranche' model which splits the Borrower's overall loan requirement into three tranches based on Loan to Value (LTV), up to a maximum of 75% of the LTV for each Property.

The higher the LTV tranche, the greater the interest rate the Lenders in that tranche may receive and the greater the 'capital risk' they are assuming. If the value of the Property falls, then the proceeds from the sale of the Property may not be sufficient to cover the whole of the amount outstanding under all the Borrower's Loan Contracts.

			Interest Rate	Risk
Tranche C	66-75% LTV	High Risk		
Tranche B	51-65% LTV	Medium Risk		
Tranche A	0-50% LTV	Low Risk		

When each Repayment under the Loan Contracts is made, under the Proplend Members' Agreement, the Lenders in Tranche A are entitled to receive repayment of their Loan Contracts first, then the Lenders in Tranche B and then the Lenders in Tranche C.

So if, for example, the Property had to be sold at a value 20% less than the original market value when the Loan Contracts were made, all Lenders would be repaid. But if the sale price was 30% below that original market value, then the Lenders in Tranche C might not be repaid in full, depending on how much is still outstanding under the Loan Contracts at that time.

FRAUD RISK

Before we allow each Borrower to list a Loan Request on the Service, we make certain identity, fraud and credit checks to minimise the risk of fraud, in addition to the Due Diligence Material, Valuation, and Certificate of Title, as specified in Clause 3 of the Members' Agreement.

RISK TO YOUR RETURNS

Your projected return is explained in each Loan Request, taking into account fees and expected default rates. We charge you a Lender Fee equivalent to 10% of the interest you receive in relation to your Loan Contracts. The actual default rate in each case might prove to be higher than estimated.

TAX

Income tax would likely be payable on interest received at your top marginal rate for the year in which the income is earned. However, the amount of income tax payable is dependent on your individual circumstances and may be subject to change in the future.

LIQUIDITY

Lenders who wish to exit their Loan Contracts before the Borrower is due to repay the full amount may offer to assign their Loan Contract(s) to another Lender via the Proplend Loan Exchange feature. However, it is possible that no other Lender may wish to buy the Loan Contract(s) as quickly as you wish them to, or at all.

OPERATOR INSOLVENCY

If Proplend were to become insolvent or stop trading for any reason, it could present some risk to you if Loan Contracts were not administered or Repayments were available to our creditors, so we have taken the following steps to protect you against these risks:

1. All customer money that is not lent out is held in a segregated client money account with Barclays Bank plc, which is administered according to the client money rules of the Financial Conduct Authority (“Proplend Customer Funds Account”);
2. The Security Document(s) agreed between each Borrower and PSL are held in trust by PSL for and on behalf of the Lenders to that Borrower;
3. We have made arrangements with a third party whereby it will take over the administration of the outstanding Loan Contracts in the event that Proplend is insolvent or ceases trading, to ensure that the Borrowers continue to make interest and capital payments as they fall due and the appropriate amounts are then distributed to you.

FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

All peer-to-peer lending platforms fall outside of the scope of the Financial Services Compensation Scheme (“FSCS”). This means that, should a peer-to-peer lending platform fail for any reason, those investing (lending) via the platform would have no recourse to the FSCS.