

**\*\*\* P2P lending market on course to grow over 20% in 2017 \*\*\***

**Monday 2 October 2017**

As we enter into the final quarter of 2017, peer-to-peer lending is on track to be a record year for growth, exceeding 2016 by more than 20 per cent according to 4thWay’s latest analysis of the market.

**Lending in 2017 before end Q3 versus entire 2016** (1)

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| --- | --- | --- |
| **Platform** | **Total lent *so far* in 2017** (change vs *whole* of 2016) | **Total lent *in whole of* 2016** |
| Funding Circle | £865m (+40m) | £825m |
| Zopa | £710m (+£20m) | £690m |
| RateSetter | £455m (-£210m) | £665m |
| Octopus Choice | £100m (+£55m) | £45m |
| Assetz Capital | £65m (-£10m) | £75m |
| FundingSecure | £75m (+£10m) | £65m |
| ThinCats | £35m (-£30m) | £65m |
| Folk2Folk | £40m (-£10m) | £50m |
| Lending Works | £30m (+£10m) | £20m |
| MoneyThing | £30m (same) | £30m |
| Proplend | £15m (+£10m) | £5m |

The big platforms have been stymied this year by their extraordinarly slow progress in being approved by the FCA so that they can offer IFISAs, and Zopa has slowed its lending at the higher-risk end to dodge being swept up in the high-street banks’ personal lending bubble. Even so, all but perhaps RateSetter and ThinCats seem on target to easily beat lending in 2016 by a considerable margin, and six have done so already.

Despite the long-drawn out release of IFISAs, it looks like total lending in 2017 will be 20% to 30% higher than in 2016. In 2016, 39 platforms in the wider industry lent £3.16 billion (2).

**What do the big platforms look like in 2017?** (3)

|  |  |  |  |
| --- | --- | --- | --- |
| **Platform / description** | **Target, expected or actual net lending interest**  *Change on 15 months ago* | **Bad & late debts in past 2yrs**  *Suggestive risk by 4thWay’s standard measures* | **Substantial protections** |
| **Funding Circle**  Unsecured business loans | Up to 7.5%  *Up from 6.9%* | *39/1,000 loans*  *Suggestive of low to medium-risk business borrowers* | Emphasis on lower-risk borrowers  Borrowers pay up to 22%, giving adequate cover against risks |
| **Zopa**  Unsecured personal loans | Up to 4.5%  *Rates unchanged, but with some higher risk loans thrown in* | 38/1,000 loans  *Suggestive of low-risk individual borrowers* | Emphasis on lower-risk borrowers  12 years of data to aid borrower assessment, including through recessions  Borrowers pay up to 31%, giving adequate cover against risks |
| **RateSetter**  74% personal loans;  16% business loans;  10% property development loans | Top rate fluctuates between 4.5% and 5.9%  *Down from 6.0% to 6.8%* | 71/1,000 loans  Suggestive of medium-risk blended borrower types | Large reserve fund of up to 3.4% to cover expected losses  Emphasis on quality borrowers  Borrowers pay up to 22%, giving adequate cover against risks  Property developers and some businesses provide security |
| **ThinCats**  Business loans;  Short-term property (bridging) and development loans | 7%-8.5%  *Rates unchanged* | 112/1,000 (4)  Suggestive of high-risk blended borrower types (generally expect/demand great security or high interest rates and spread money across many loans) | Lenders receive up to 15% interest before bad debts, and approx 12% on average, which appears sufficient for the risks  Loans are secured, although quality of security on non-property loans is often unknown |
| **Lending Works**  Personal loans | Up to 5.5%  *Down from 6.1%* | 30/1,000 loans  *Suggestive of low-risk individual borrowers* | Reserve fund of up to 2.6% to cover expected losses  Lowest-risk borrowers only  Insurance to cover some bad debts when borrowers lose their jobs (most useful during recessions) |
| **Proplend**  Mortgages for tenanted residential and commercial properties | Up to 11.05%  *Up from 9.39%* | 0/1,000  Suggestive of very low-risk commercial landlord borrowers | All loans secured on real property with average 59% LTV. Maximum 50% LTV or less on senior debts  All properties receiving rent of at least 125% of the monthly mortgage payments  Borrowers pay some interest up front and held in reserve  Borrowers are highly experienced commercial landlords |

The high-quality, well-established platforms have matured. Interest rates have steadily come down over the past few years and they are now sensible, after being too high for the risks involved. Plus, while these platforms were unnecessarily selective of borrowers in their earlier years – they have now met in the middle.

Zopa’s, RateSetter’s, and Lending Works’ rates have all come down relative to the risks. Funding Circle’s returns have bounced up again, after some years of falling, but the silly returns investors saw initially are long gone.

Proplend, which is not as established as the others, has actually seen its interest rates go up even further as the property security for investors has also arguably got better. It seems that investors can get better risk-adjusted returns using a mix of well-established and nearly-established P2P lending platforms.

Neil Faulkner, Co-founder and Managing Director of 4thWay®, comments: *“Investors have started to learn that they do not need to earn sky high interest rates in peer-to-peer lending to cover the risks, because lending is intrinsically a relatively straightforward asset class, as money lenders have understood for hundreds of years.*

*“Even so, I urge investors not to use interest rates as a proxy for measuring risks. We sometimes see interest rates being too low for the risks involved, and very low rates can disguise high-risk investment propositions. The best defence for investors is to learn more about what they’re doing so they can draw up simple but sensible investing strategies to greatly reduce the risk of losing money.”*

**-ENDS-**

**Notes to Editors**

1. Data from 4thWay and the P2P lending platforms from 03/08/2017 and 23/09/2017.

List of the platforms in the wider industry that have lent the most in 2017 so far, excluding platforms, if any, that do not provide enough up-to-date data either to 4thWay or publicly, and invoice lending platforms due to the difficulties in ascertaining the real amount lent.

1. After 4thWay’s adjustments to data provided by platforms to improve accuracy.
2. Same list as in point 1, but excluding platforms that don’t provide all the data.
3. ThinCats does a lot of loans where the interest is rolled up to the end of the loan. This means that defaults and arrears are frequently not known for years. Therefore, we have used ThinCats entire history since 2012 to calculate the bad-debt rate, rather than the past two years.

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**About 4thWay**® **– P2P Lending Research Approved By Your Peers**

4thWay® is an independent research agency for the peer-to-peer lending market that helps investors make comparing the many risks of lending through each P2P lending company easier. We have a unique approach to researching opportunities in this sector, and provide unbiased P2P lending comparisons, calculated risk ratings, detailed company insight reports, as well as exclusive lending tips, all available at [4thWay.co.uk](http://www.4thway.co.uk/)

Our mission is to be the most trustworthy online community of P2P investors in the UK - which is why we hold ourselves accountable to our users, who govern us through a *Panel of Peers*, ensuring we always stay focused on individual lenders' interests in this thriving market.