

PRESS NOTICE

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P2PFA strengthens standards for Peer-to-Peer Lending

The P2PFA today announced revisions to the industry standards it sets for peer-to-peer lending platforms.

The new Operating Principles, which will come fully into force next April, include:

- enhancements to the full and comparable disclosure of bad debt and likely returns for investors;
- a ban on platforms borrowing or raising funds through their own platforms;
- robust credit risk management policy and practice;
- a requirement that retail lenders are not discriminated against in favour of wholesale lenders;
- transparency for investors so that they can see where their money is being lent;
- improved disclosures on liquidity risk and risk to capital;
- a requirement to match the term of a direct lending contract with the term of the loan that is agreed;
- platform governance requirements; and
- a commitment to undertake and publish assessments of platform resilience in stress scenarios

Launching the new Operating Principles, Christine Farnish, Independent Chair of the P2PFA said: 'as the largest and most significant part of the UK FinTech scene, peer-to-peer lending continues to grow apace. Our revised good practice standards, which will be followed by all P2PFA member platforms, are built around the principles of transparency, integrity, honesty and competence. Consumers can be confident that they will be able to make informed choices about lending or borrowing on P2PFA member platforms and that they will be treated fairly'.

Christine Farnish continued: 'The P2PFA will continue to lead good practice in this fast-developing market in order to ensure that consumers get a good deal. We believe that the changes to our Operating Principles – the P2PFA's good practice standards – announced today provide important consumer safeguards and will help to promote further trust and enhance confidence in peer-to-peer lending. Whilst our standards supplement and complement the statutory regulations already put in place by the Financial Conduct Authority, we believe it would

be helpful for the wider sector were some or all of these standards to be incorporated into the formal regulatory regime in due course’.

ENDS

Notes to Editors

1. The Peer-to-Peer Finance Association (P2PFA) was established in 2011 as a representative and self-regulatory body for debt-based peer-to-peer lending. The P2PFA seeks to inform and educate, promote high standards of business conduct, and work with policy-makers and regulators to ensure an effective regulatory regime. P2PFA members are required to meet robust standards for the transparent, fair and orderly operation of peer-to-peer lending. The member platforms are: Folk2Folk, Funding Circle, Landbay, Lending Works, Market Invoice, Thin Cats and Zopa.
2. The P2PFA first developed Operating Principles in 2011, and all member platforms are required to meet these standards. The original Operating Principles were revised in 2014, and have now been subject to further revision. The P2PFA’s Operating Principles will now be subject to annual review.
3. The new Operating Principles will be implemented in full by April 2018 in order to provide time to implement governance and resilience testing changes, with all other measures in force from January 2018.

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