

Passive Portfolio Investment Criteria

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Overview

The Terms & Conditions define the “Passive Portfolio Investment Criteria” as the framework for the selection of Loan Parts by the Platform having regard to any product target rate, investment parameters, Risk Band and diversification objectives. This document outlines the Passive Portfolio Investment Criteria. Capitalised terms in this document, refer to defined terms in your Terms & Conditions with us.

The overall objective of the Passive Portfolio Investment Criteria is to manage a diverse allocation of risk within the Lender’s portfolio.

As part of the continual improvements on our Platform we will update the Passive Portfolio Investment Criteria from time to time. This document applies to our Growth and Income Accounts (and related ISA versions of each), and not to our Self Select Account.

Passive Portfolio Investment Criteria:

- Selection of Loan Parts
 - For available cash values of £20 or more, our Platform will consider:
 - (i) all Loan Parts that are listed for sale by other Lenders (“Secondary Market”) where the respective Borrower repayments are up to date
 - AND
 - (ii) new Loans accepting bids on our Loan Market (“Primary Market”),
 - Loan Parts will be purchased (or bid for) in £20 increments according to the following priority:
 1. Primary Market Loans accepting bids at or below the Passive Account Bidding Rates (noted below) and where the Lender has no live bids.
 2. Secondary Market Loans not held in the Lender’s Passive Account.
 3. Primary Market Loans where the Lender’s bids would result in them being under-exposed according to the Target Exposure criteria.
 4. Secondary Market loans where the Lender’s holdings result in the Lender being under-exposed according to the Target Exposure criteria.
 - Should no Loans be available to that Lender, no investment will be made, and funds will remain queued for investment. A new investment attempt will be made on the following day.
- Target Exposure Criteria:
 - The Target Exposure Criteria is the target maximum exposure a Lender would have to a Borrower, as a percentage of the money a Lender has invested in their Passive Account.
 - The Target Exposure Criteria is monitored daily and any issues identified will be addressed by AutoBalance (as described below).

- The diversification of Loan Parts within a Passive Account will follow target levels set out below. The Target Exposure Criteria will be applied as part of the Passive Account Investment Criteria. The Target Exposure percentages reflect the minimum Bid Amount of £20.

| Passive Account Value (Loans + Cash) | Target Exposure |
|--------------------------------------|-----------------|
| Under £1,000 | N/A |
| Over £1,000 but less than £2,000 | 2.0 % |
| Over £2,000 but less than £5,000 | 1.0 % |
| £5,000 and over | 0.5 % |

- If insufficient Loans are available on the Loan Market, Lenders may experience a short delay while portfolios are built over time with the overall objective of ensuring a diverse allocation of risk within a Passive Account.
- “AutoBalance”:
 As a function of the execution of the Passive Portfolio Investment Criteria, our Platform will, on a daily basis:
 - Identify Loan Parts where the Lender is over-exposed as a proportion of the value of their Passive Account (see Target Exposure Criteria above).
 - Identify 10% (or £20 if larger, up to a maximum amount of £50,000) of the most over-exposed Loan Parts that are sellable (as defined in Term 11 of your Terms & Conditions), and listing the over-exposed part of the Loan for sale on our Loan Market (this may result in Loan Parts being split to allow for the overexposed amount to be sold and the other amount to be retained).
 - Once Loan Parts are sold, on the following day:
 - i. any new loan parts identified from the above criteria, will be listed for sale;

AND

 - ii. any cash available from the proceeds of the sale will be used to purchase loans as per the Passive Portfolio Investment Criteria.
 - AutoBalance will not guarantee to replace Loan Parts with other similar priced Loan Parts, instead it will focus on minimising risk across the Passive Account as a whole through diversification.
 - The AutoBalance feature will be enabled by default for all Passive Accounts. It will operate in the following conditions:
 - The Passive Account is set to automatically re-invest repayments in Growth Accounts or Income Accounts.
 - The Passive Account is not actively selling Loan Parts to meet a cash reserve target (configurable by a Lender on the Platform) or if the account has been set to closed by the Lender.
 - The Lender has not disabled the AutoBalance option.
 - There is more than £1,000 in the Passive Account.
 - Lenders can disable the AutoBalance functionality at any time on the Platform at which point the AutoBalance process shall cease.

- Risk Bands:
 - Utilising LendingCrowd ExpertLender (in-house credit assessment tool), affordability models, and with reference to external agencies and databases, the LendingCrowd Credit Team assess each Loan Application and assign a Risk Band for each loan. Each Risk Band corresponds to permissible interest rates, shown below:

| Risk Band | Lower Limit | Upper Limit |
|------------------|--------------------|--------------------|
| A+ | 5.95% | 7.95% |
| A | 7.95% | 9.95% |
| B+ | 8.95% | 10.95% |
| B | 10.35% | 12.35% |
| C+ | 12.25% | 14.25% |

- Passive Account Bidding Rates:
 - As a function of the execution of the Passive Portfolio Investment Criteria, Bids will be placed according to the rates shown below. These rates have been set according to the average Borrower rate for each Risk Band on an annual basis. The rates will be reviewed every quarter.

| Risk Band | Bidding rate |
|------------------|---------------------|
| A+ | 7.1% |
| A | 8.6% |
| B+ | 9.7% |
| B | 10.9% |
| C+ | 12.9% |

- The Auction is a competitive process and therefore it is not guaranteed that a Bid placed will be successful. If the Lender is out-bid, no new bid will be made, and the Bid will be returned as available cash for new investments as per the Passive Account Investment Criteria.