

ARC Ratings affirms LendInvest Limited SQ1 Servicer Quality Rating, with Stable Outlook

ORIGINATOR	ISSUE RATING
LendInvest	SQ1 Primary Servicer (SQ1, with stable outlook)
RATING DATE	
22 June 2018	

ARC Ratings, S.A. (ARC) has affirmed the public SQ1 Servicer Quality rating to LendInvest Limited. The public Servicer Quality rating accorded to LendInvest Limited (“LendInvest”) considers its capability to service its business and potential transactions.

Since launching in 2013, the company has recorded consecutive years of profitability, secured substantial investments from institutional investors, established itself as the largest online property marketplace in the UK and invested in expanding their workforce to match the growth of the business.

SUMMARY RATING RATIONALE

The rating is based on the following key factors:

- **General:** the primary servicer rating reflects LendInvest Limited’s (“LendInvest”) robust internal controls and systems, servicing experience in the real estate lending and collections industry, and recent financial performance.
- **Reliable Partners:** LendInvest is still successfully outsourcing all primary and some special servicing to Pepper UK, which is a market leading real estate servicer with good servicer quality ratings from both Fitch and S&P.
- **Back Up Servicer:** LendInvest has a cold back-up servicer that they can use to replace their own and Pepper UK’s services within 90 days.
- **Good servicer metrics:** LendInvest’s arrears rates, default rates and recovery rates are good and are either stable or improving.
- **Ownership:** LendInvest is still largely privately held, with 73% of the equity owned by senior management and over 6% distributed to staff. LendInvest also secured a substantial investment from Atomico, one of the largest European technology venture capital funds established and run by the founder of Skype; a testament to the skills and experience of the business.
- **Corporate governance and management:** LendInvest has strong corporate governance, with a high level of transparency, extensive systems and controls.
- **Robust internal control environment:** The company displays a strong debtor’s management capability, with strong

ICT systems and a proactive response to recovery. Loan files are regularly reviewed as well as policies and procedures being frequently updated.

- **Industry standard technology:** LendInvest currently employs an industry standard Customer Relationship Management platform delivered by a well-established provider of high-end software solutions aimed at financial Services Institutions. LendInvest has also developed a leading loan management software package for its Buy-to-Let loans. All systems are fully integrated with Pepper.
- **Data backup/disaster recovery:** The company operates a three-tiered backup system, using several well-known backup techniques as well as market-leading storage providers. LendInvest is committed to ensuring that systems and processes maintain pace with the high growth rate currently being experienced; for example, LendInvest has implemented a new Business Contingency Plan and undertakes comprehensive security reviews.
- **Due Diligence:** LendInvest has a rigorous, time-tested and well-structured process for evaluating client suitability. They also complete the onboarding process with speed and efficiency.
- **Financial condition:** LendInvest has seen rapid growth since its creation in 2013; this has been shown by strong financial performance over the last three years in particular. LendInvest appears to be in a good position to benefit from the expected future growth of alternative lending which makes up 25% of the UK's property lending market today, compared with just 5% 10 years ago. This has been due to increased publicity and investor awareness and anticipated favourable changes to regulation.

RATING LIMITATIONS

Ongoing Surveillance

Servicer ratings are long-term ratings that require an annual review to maintain them; these are conducted in order to enhance the active identification of latent issues that may affect the servicer's ratings.

Criteria Limitations

While servicers demonstrate and describe their technology, no independent tests are conducted to verify the functionality or interactivity of the servicing systems or their fitness for any specific purpose.

SUMMARY OF RATING METHODOLOGIES

ARC has applied its Global Structured Finance Rating Criteria in conjunction with its Global Structured Finance Rating Criteria (updated in September 2017) and its Collateralised Loan Obligation (CLO) Rating Criteria (updated in February 2018). These methodologies are freely available from www.arcratings.com.

THIS DISCLOSURE IS FOR INFORMATION PURPOSES ONLY AND SHOULD BE READ IN CONJUNCTION WITH THE RESPECTIVE RATING REPORT.

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

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