ARC Ratings, S.A. affirms the public, final ratings of 'AA(sf)' to the Class A and B Senior Notes issued by B-Consumer, with stable outlooks

London, 22 July 2020 - ARC Ratings, S.A. (ARC) has affirmed the final, long-term public ratings of 'AA(sf)' to the Class A and B Notes issued by B-Consumer, with stable outlooks.

ISSUER	ORIGINATOR	CLASS / TRANCHE	TRANCHE AMOUNT	RATING CLASS	RATING	OUTLOOK	NEXT REVIEW DATE
B-Consumer	Buy Way Personal Finance SA	Class A Notes	EUR 87.7m	ABS	'AA(sf)'	Stable	22 July 2021
B-Consumer	Buy Way Personal Finance SA	Class B Notes	EUR 5.8m	ABS	'AA(sf)'	Stable	22 July 2021

TRANSACTION OVERVIEW & CAPITAL STRUCTURE

Buy Way Personal Finance (BWPF) is a specialist consumer lender, providing financing facilities in retail stores through its network of partners in Belgium and Luxembourg, as well as through their own origination channels; through credit cards and other revolving credit facilities. BWPF sells the receivables, namely revolving credits and instalment loans, to B-Consumer who in turn funds the purchase via the issuance of notes. The note classes rated by ARC have current balances of EUR 87.7m and EUR 5.8m, with maximum funding percentages of 80% and 85%, for the Class A and Class B Notes respectively.

The portfolio of receivables has an outstanding principal balance of EUR 115.86m. In addition to reviewing the performance of the transaction over the preceding 12 months, the analysis conducted also considered the amendments which were executed on 17 July 2020. The transaction has a Final Maturity Date of 18 March 2034 and a Scheduled Amortisation Date that has been extended to 18 March 2021.

Key amendments made which ARC factored into its analysis, among others, include:

- Revolving Period Extension; from March 2020 to March 2021.
- Class A Maximum Programme Amount; from EUR 52m to EUR 141m.
- Class B Maximum Programme Amount; from EUR 4m to EUR 9m.
- Remaining Term > 60 Months of Instalment Loans; new limit at ≤60%.
- Remaining Term > 72 Months of Instalment Loans; new limit at ≤40%.
- 'Affordability Product'; new limit at ≤2%.
- Luxembourg Receivables; from ≤20% to ≤25%.
- Borrowers with O/S Principal Balance exceeding EUR 20,000; new limit at 10%.

RATING RATIONALE

- **Portfolio Composition:** As at the July 2020 Investor Report, the portfolio of receivables had an outstanding principal balance of EUR 115.86m, comprising of 79.97% Instalment Loans and 15.30% of Revolving Receivables (card & non-card). In addition, the portfolio had a weighted average monthly principal payment rate of 5.14% and a weighted average annualised yield of 7.35%
- **Affordability Product:** The introduction of the new 'Affordability' product presents an additional risk to the transaction given the lack of available historical data for this product. Nevertheless, as the same credit origination policies and systems are used in determining whether to lend, along with some similarities to Instalment Loans, ARC has applied additional stresses to the Instalment Loan statistical data in order to act as a conservative proxy for the new 'Affordability' product.
- **Servicing Ability:** The transaction's performance continues to be dependent on the ability of the Servicer (BWPF) and the Back-up Servicer to collect on the receivables. In light of Covid-19, the transaction has continued to perform in line with expectations with the delinquency rate remaining low at 0.97% as at the July 2020 Investor Report compared to 0.72% in February 2020 (representing a minor increase). Furthermore, the number of obligors who have been granted a payment holiday is low; this is in part to the regulations in Belgium determining what type of loans are eligible for a payment holiday (i.e. instalment loans only). Those with revolving credit facilities were not eligible to apply for a payment holiday, but eligible only to the postponement of the 'zeroing' date.
- **Capital Structure:** The amended capital structure introduced in the March amendments is rating neutral to the Class A and Class B Notes given that the maximum funding percentage remains unchanged at 80% for Class A and 85% for Class B; therefore continuing to guarantee a minimum level of credit enhancement in the form of subordination, 20% and 15% respectively, from the Class C Notes and the subordinated loan.
- **Additional Credit Enhancement:** The transaction benefits from a Reserve Account of 1% of the Outstanding Principal Balance of the Purchased Receivables (unchanged) and as at the July 2020 Investor Report stands at EUR 1.18m. In addition, the transaction benefits from a minimum Gross Express Spread ('GXS') covenant of 5%, as at July 2020 Investor Report 7.15%, thus providing additional credit enhancement.
- **Model Results:** ARC assumed a worst-case scenario for its cashflow model, with the level of defaults, principal repayments pre and post default, as well as interest payments all stressed in accordance with its methodologies. In all scenarios, the Class A and Class B Notes pass at a 'AA(sf)' rating level based on their varying forms of Credit Enhancement, namely subordination (20% and 15% for the Class A and Class B Notes respectively) as well as excess spread. The Notes also benefit from 'free collateral' as a result of the Target Deductions for excess concentrations; thereby providing further credit enhancement. The reason the Notes fall in the same rating band is that the difference in the available level of Credit Enhancement for each does not have a significant impact on the stresses each can take whilst still maintaining timely payment of interest and ultimate repayment of principal. Nevertheless, the Class B Note is slightly more sensitive to negative rating action in the future should the performance deteriorate.

SENSITIVITY ANALYSIS

In assessing the stability of the rating, ARC has performed a range of sensitivity analysis. The table below shows how an increase in the default base case would impact the transaction:

Sensitivity Analysis – Increase in base case Defaults		
	Class A	Class B
One notch downgrade	14.29%	13.45%
Two notch downgrade	21.21%	19.96%

As can be readily observed from the above, despite the irregular situation of both classes of notes falling in the 'AA(sf)' rating band, the Class B notes are slightly more susceptible to a downgrade given an increase in the default base case. This can be attributed to the reduced level of credit enhancement available to the Class B notes.

KEY TIPPING POINTS

Positive Turning Points

- Given the current market circumstances, ARC does not foresee the possibility of a rating upgrade.

Negative Turning Points

- Significant increase in the number of defaults that exceed the default base case.
- Decrease in the recoveries below the base case.

RELATED CRITERIA AND RESEARCH

ARC Ratings' Global Structured Finance Rating Criteria (September 2019)

ARC Ratings' Global Consumer ABS Criteria (September 2019)

B-Consumer SA Rating Report – Review (July 2020)

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

ARC Ratings, S.A.

11 Hollingworth Court
Turkey Mill, Ashford Road
Maidstone, Kent ME14 5PP
UNITED KINGDOM
Phone: +44 (0)1622 397350
E-mail: arcratings@arcratings.com
Site: www.arcratings.com

Key Contacts:

Ashley Thomas	Jake Shoer	Mark Vrdoljak	Philip Walsh
Senior Structured Finance Analyst	Structured Finance Analyst	Head of Structured Finance	Chief Ratings Officer
Lead Analyst	Back-up Analyst	& Panel Chairperson	
ashley.thomas@arcratings.com	jake.shoer@arcratings.com	mark.vrdoljak@arcratings.com	philip.walsh@arcratings.com

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