

ARC Ratings, S.A. affirms LendInvest Limited's 'SQ1' Servicer Quality Rating, with stable outlook

London, 31 July 2020 - ARC Ratings, S.A. (ARC) has affirmed the SQ1 Servicer Quality rating accorded to LendInvest Limited, with stable outlook.

<u>SERVICER</u>	<u>RATING CLASS</u>	<u>RATING</u>	<u>OUTLOOK</u>	<u>NEXT REVIEW DATE</u>
LendInvest Limited	Primary Servicer	SQ1	Stable	2 August 2021

ORGANISATION UPDATE

LendInvest is a UK based platform for property finance, specialising in the UK residential property market. LendInvest is an online platform which allows individuals or corporate entities to take out loans towards bridging, development and buy-to-let (BTL) mortgages, as well as being an investment platform. LendInvest's total loan portfolio, including off balance sheet activities, has increased to GBP 1.26bn (31 March 2020) from GBP 788m (31 March 2019), of which 52.20% is short-term lending (development and bridging loans) and 47.80% is BTL lending.

The notable change over the last year is the introduction of a regulated bridging loan product in November 2019, which is LendInvest's first step into the regulated home loan market space, in line with its ambition of becoming a 'whole of market' lender. Furthermore, LendInvest completed its second securitisation from its BTL portfolio, Mortimer BTL 2020-1 PLC, in March 2020 (rated by Fitch and S&P). The portfolio securitised in Mortimer BTL 2020-1 PLC had an outstanding value at closing of GBP 285m, which has improved LendInvest's liquidity position.

The affirmation of the SQ1 rating is premised upon the fact that there have been no material changes in the overall servicing of the portfolio (debtor administration, policies and arrears management). Furthermore, the stable outlook reflects ARC's opinion that there will be no material changes in the performance or servicer capabilities in the short-term.

RATING RATIONALE

The Rating is based on the following key factors:

- **Management & Staffing:** LendInvest's co-founder and previous CEO, Christian Faes, transitioned into the role of Executive Chairman and handed over the day-to-day management of the business to Roderick Lockhart, who became CEO as of 13 January 2020. Mr Lockhart joined LendInvest in 2015 and has overseen LendInvest's RMBS securitisation issues as well as investments from large investment banks. Furthermore, Mr Lockhart was an existing member of LendInvest's senior management, which ARC considers to be vital in the transfer of leadership thereby providing continuity for the company. LendInvest's personnel responsible for managing the

servicing aspects of the company remains the same since ARC last reviewed the rating.

- **Systems & Controls:** The servicing systems and controls in place are unchanged from last year. ARC notes that the planned reviews of the servicing policies have been delayed due to Covid-19. However, ARC understands that no material amendments are being considered.
- **Debtor Administration:** LendInvest continues to have a contractual relationship with Pepper (UK) Limited ('Pepper UK') who undertake the capital and interest collections for development and bridging loans (combined 52.20% of the loan book as at 31 March 2020). However, if a loan falls into arrears LendInvest take over the servicing and as such the arrears management figures are because of LendInvest's intervention. The outbreak of Covid-19 has provided an additional opportunity for LendInvest to demonstrate its servicing capabilities, having assessed all forbearance applications (5.24%, by value, of LendInvest's BTL book were approved for forbearance measures), as opposed to approving all applications. LendInvest's ability and policy to review all of the forbearance applications supports the SQ1 rating accorded and reflects the standard expected from a servicer with the highest rating.
- **Arrears Management:** Whilst LendInvest's arrears and defaults by value have slightly deteriorated over the last year, the arrears rate by number has improved (the 2 and 3 months figures being 2.59% and 1.60% as at May 2020, in comparison to a 2019 peak of 4.76% and 3.10% respectively) and the defaults by number has experienced only a slight upward migration. Nevertheless, ARC notes that the cumulative loss rate has decreased over the last year and is currently 0.55% for bridging loans (decrease from 0.60%) and 0.09% for development loans (decrease from 0.11%).
- **Financial Strength:** LendInvest continued to grow over the last year with gross profit increasing to GBP 30.25m, as at 31 March 2020, from GBP 26.46m the previous year. Despite the aforementioned increase, the company reported a loss after tax of GBP 2.21m, due primarily to an exceptional cost incurred during the year of £2.2m relating to an aborted stock exchange listing. However, the group remains in a reasonable financial position, in ARC's opinion, given their available liquidity following the two securitisations of its buy-to-let portfolio. Furthermore, LendInvest is able to retain key staff members through the use of a share option scheme.

RELATED CRITERIA AND RESEARCH

ARC Ratings' Structured Finance Servicers Criteria (September 2019)

LendInvest Limited Servicer Quality Review Report 2020

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

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Note that ARC Ratings is not a legal, tax or financial adviser, and only provides an opinion of the origination and servicing practices of the servicer.

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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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