

Fixed Rate Q&A

Why are you making this change now?

We are focusing on how best to build Funding Circle to deliver a marketplace that works effectively for hundreds of thousands of people in the UK and internationally. This change will help us to continue to scale the business in a stable way and deliver a product which is better, easier and more efficient for the majority of our customers.

How will fixed interest rate loans work?

Loans will fill on a first-come, first-served basis. Once you bid there is no way other investors can knock your bid out with a lower interest rate, which means you don't have to bid multiple times on a loan. Subject to the business accepting the loan, your bid will be successful.

When will fixed interest rates launch on the marketplace?

Fixed interest rate loans will launch on the marketplace within the next month. We will provide further details about an exact launch date over the next few weeks.

What will the new fixed interest rates be?

Typically rates will be set depending on the risk band and the term of the loan. By participating, investors on the same loan will earn the same return as each other.

Here are the new fixed interest rates (before fees and estimated bad debts):

Term	A+	A	B	C	D	E
6-12 months	6.0%	9.0%	10.0%	11.3%	13.5%	17.4%
24-36 months	8.0%	9.2%	10.2%	11.6%	13.8%	17.7%
48-60 months	8.3%	9.5%	10.6%	11.9%	14.1%	18.1%
Funding Circle average rate ¹	8.6%	9.7%	10.7%	12.2%	13.4%	18.3%

Interest rates for property loans will be set on a case by case basis and will be clearly indicated on the individual loan request.

How are the interest rates set?

Fixed interest rates will be based on a number of inputs, including macroeconomic trends, expected loss rates, volatility of returns and comparisons with the wider market for pricing business loans.

Will fixed interest rates be subject to change like Minimum Bid Rates?

We will review fixed interest rates on a regular basis, like we currently do with Minimum Bid Rates. When there is any change to the fixed interest rates, investors will be notified on the day of change.

Will the overall expected return change?

With the new fixed interest rate structure that will be introduced, we expect the current estimated return after fees and bad debts to remain stable at approximately 7%.

Will fixed interest rates mean more businesses use Funding Circle?

Fixed interest rates for all loans will ensure we can help a wider variety of businesses. It is a very competitive market and certainty of cost is regularly cited as the most important factor by business owners.

Will I need to change my Autobid settings?

If you use Autobid to lend to businesses then you may wish to update your settings when fixed interest rates launch. Going forward:

1. Autobid will lend on all loans within risk bands you have selected. The gross interest rates stated above will apply for the majority of new loans, excluding property, where rates may vary.
2. Your current Autobid settings will remain in place for buying loan parts from other investors on the secondary market.

What impact will there be on the secondary market?

If you hold loan parts which are at lower rates than the new fixed interest rates, it may take you longer to sell them on the secondary market. To address this, we will be increasing the discount you can place on loan parts to 20% and enabling Autobid to purchase discounted loan parts.

¹ Average interest rate on 20/08/15 calculated from the last 100 loans, excluding property loans

How can I provide feedback?

There is a feedback form available at www.fundingcircle.com/uk/fixerate. We will provide responses to questions on the blog and in the next monthly newsletter.

We will also be hosting regular webinars in the run-up to the launch of fixed interest rate loans and a special investor evening on 17 September. If you would like to be part of any of these events, please email us at community@fundingcircle.com or call 0800 8404075.