



Getting started as an investor

Welcome pack for investors



Funding Circle

Welcome to Funding Circle

You've just joined thousands of other investors who are earning a great return by lending to businesses across the UK. Your new account is set up and we're here to help you get started.

If you're the type of investor who loves to have control over what you do, then we're sure you're going to love Funding Circle. Equally, if you don't have the time to spend running your investment, then we have a tool that will help you run things in a quick and hassle-free way.

Use this guide to learn how to lend, find your way around your account and understand important information about lending through Funding Circle. Or, we can talk you through any area you're interested in - simply call us, or send us an email.

020 7401 9111

Monday – Friday, 9am - 6pm (exc. Bank Holidays)

contactus@fundingcircle.com

If you're unsure whether lending is right for you, you should seek independent financial advice before you start. Remember, as you're lending to businesses your capital is at risk.

3 KEY FACTS TO KNOW BEFORE YOU GET STARTED	4
YOUR NEW INVESTOR ACCOUNT	6
WHO AM I LENDING TO?	10
3 stage credit assessment process	
A simple risk grading system	
LENDING: GET STARTED	12
Lending: The Automatic way	
Lending: Hand-picking businesses	
RATES & FEES	18
INTEREST & TAX	19
ACCESSING YOUR MONEY	20
Selling loan parts	
Withdrawing money	
FURTHER INFORMATION	22

3 key facts to know before you get started

In this guide we'll take you through every aspect of lending, but before we get started, here are 3 key facts for you to know:

1 Loans are funded on the marketplace

As an investor, you participate by placing a 'bid' on a loan request. The bid is simply the amount of money you want to offer to lend to a business. The interest rate is set during our credit assessment process and will typically depend on the risk band and term of a loan. You can view the estimated return after fees and bad debts before placing a bid, but you should also consider any tax you may need to pay. Once you've placed a bid it can't be withdrawn.

2 Investors hold loan parts which can be bought and sold

If a business accepts their loan, all successful bids become what's known as 'loan parts'. A loan part is simply your share in the overall loan. They are typically repaid in monthly instalments so you can re-invest these repayments to maximise your return. Buying loan parts from other investors can be a quick and easy way of lending to hundreds of businesses as you don't have to wait for a business to accept their loan. If you want to sell your loan parts and access your money before the loan ends, you can use the 'sell' tab in your account.



Diversification is the best way to manage risk

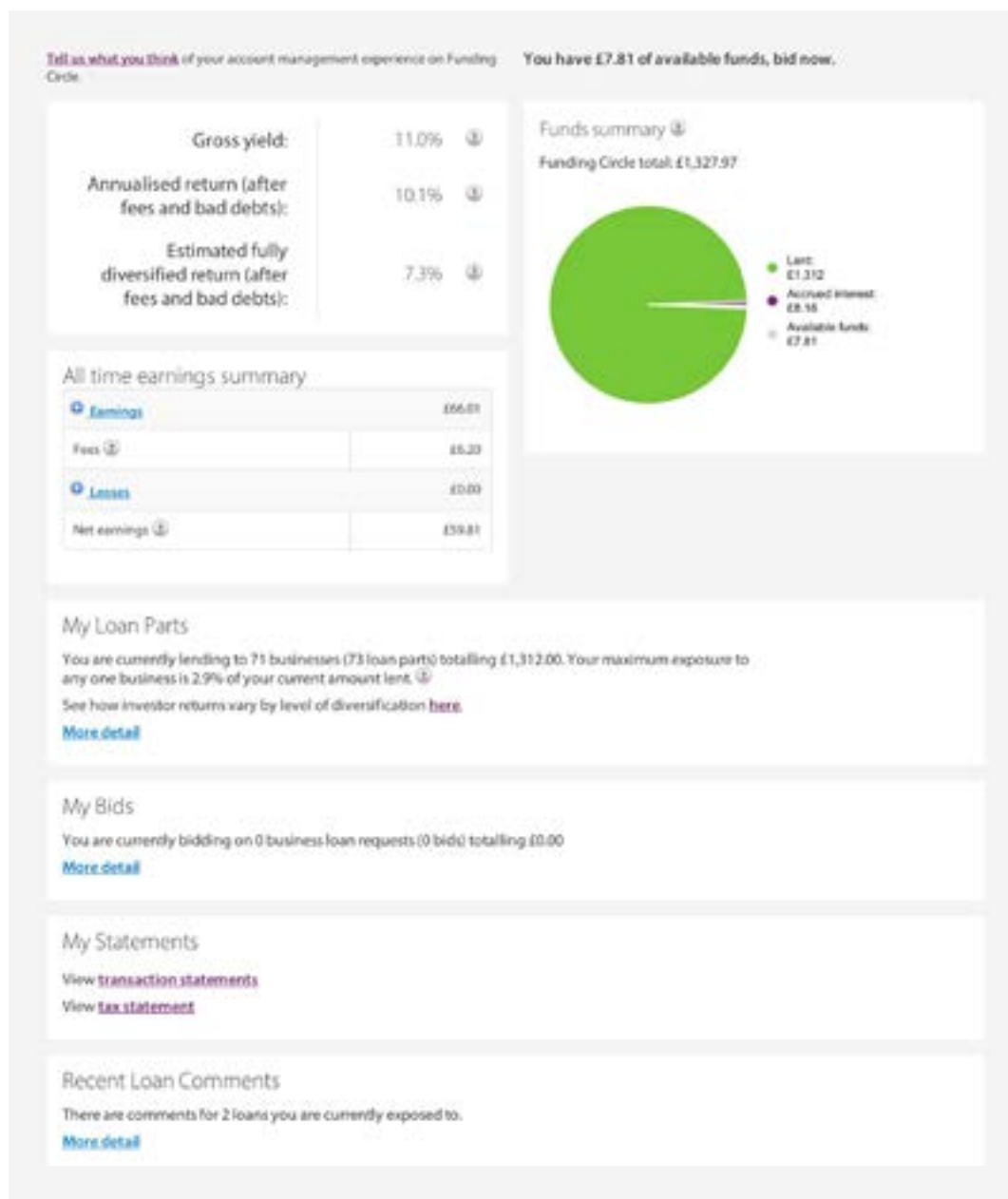
Every business has passed our rigorous credit assessment process but there may be cases where a business is unable to fully repay their loan.

Diversification is the best way to manage your risk when lending to businesses, and we have an easy, automated tool to help you do this. Just look for Autobid on [page 12](#), which will lend to hundreds of businesses for you.

Your new investor account

Account Summary

Here you can keep track of your interest earned to date, the loans you're bidding on, the businesses you're lending to and much more.



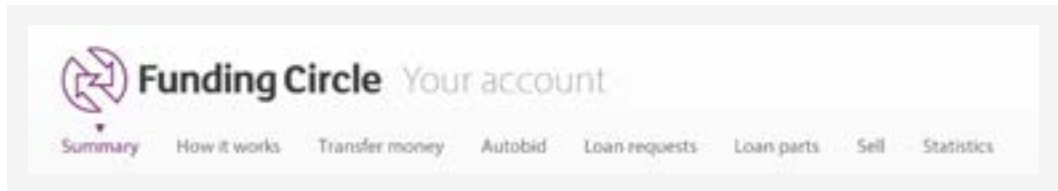
Here's a glossary of all the sections and what you can use them for:

The screenshot shows the investor dashboard with several callout boxes:

- Key performance details:** Use the ? for more information on how your returns are calculated. All returns are shown before tax. You can read more about tax treatment on [page 19](#).
- Funds summary:** See the real time update on your money, including amount in bids or lent out, and what's still available to lend. Any interest that is due to be paid in the next repayments is shown as accrued interest.
- All time earnings summary:** See total earnings (including interest, sale of loan parts to other investors, promotions) and any losses (due to loan defaults). Click on the + icon in each row to see a full breakdown.
- My loan parts:** See all of the businesses you're lending to. You can view these by business or by individual loan part.
- My bids:** See a summary of all of your current bids on loan requests.
- My statements:** Download your transaction history and tax statements here. You can change the date range to the months you require.
- Recent loan comments:** If a business you're lending to is late with its repayments, or has defaulted on their loan, we'll keep you updated here.

Using the tabs in your account

When you log into your account you'll see 8 tabs.



Here's what you can use them for:

Summary

A summary of your account, including interest earned to date.

How it works

Further information on how lending to businesses works.

Transfer money

Transfer funds in and out of your account. You can transfer in using:

- ✓ **UK debit card** – immediate transfer. £100 minimum transfer applies (this option is not available to investors lending through limited companies)
- ✓ **Bank transfer** – up to 3 working days. No minimum transfer

Autobid

An automatic way to lend to businesses. Simply set your preferences and let Autobid lend for you. For more information on how Autobid works, see Lending: the Automatic way.

Loan requests

See all loan requests that are currently on the marketplace in this tab. By clicking into the loan title, you'll be able to see the full details of each business which may help you choose which businesses you want to lend to. You also place bids here.

Loan parts

See all loan parts from existing loans that other investors are selling. You can review the list and buy loan parts here, which will help you quickly build a diversified portfolio.

Sell

If you want to sell some of your loan parts, choose between two options:

1. Choose an amount (£) you want to sell, and Autosale will select loan parts for you
2. Select individual loan parts

There are some restrictions on selling loan parts. See [page 20](#) on accessing your money for further information.

Statistics

You can view detailed marketplace activity including the current average return for investors and expected and current bad debt rates.



Quick tip:

Make sure you keep your profile section up to date in case we ever need to contact you about your account (to confirm a transfer for example). We'll either call you or send you an email.

How else will we contact you?

We also send weekly email newsletters, which you can opt-out of at any time by clicking 'unsubscribe'.

Who am I lending to?

At Funding Circle you can help a wide range of small businesses access the finance they need to grow. From butchers to bakers, shopkeepers and house builders; small business isn't small – it accounts for half of the UK's GDP¹ and 60% of private sector employment². By lending through Funding Circle you are supporting the backbone of the British economy.

You can currently find two types of loans on Funding Circle; small business and property finance. Every business that is listed on the marketplace has passed our rigorous credit assessment process. They are all established and creditworthy, however there are slight differences to how these loans work.

Small business loans

Business owners may need finance for many reasons, for example to expand their premises or hire new staff. They will typically have been trading for 10 years, and the loan will usually be covered by a [Personal Guarantee](#) from the directors or shareholders of the business. They will pay back their loan in monthly instalments of both principal (the original loan amount) and interest.



Pete from *Hackney Brewery* borrowed **£30,000** to buy a new fermenter

You can see more case studies on our [blog](#).

How are small business loans assessed?

Stage 1: Initial criteria check

- ✓ Minimum trading years: 2 years
- ✓ Minimum filed or formally prepared accounts: 1 year
- ✓ No outstanding County Court Judgements larger than £250
- ✓ Majority UK ownership and resident directors

Stage 2: Credit model check

Our model considers thousands of variables including company performance, credit history and existing loans and debts.

Stage 3: Manual assessment

A member of our credit assessment team reviews every application that reaches this stage, and decides whether to make them an offer.

A simple risk grading system

Every business that passes our credit assessment process is given a risk band to guide you on their relative strength, from A+ (representing the lowest risk) through to E. You can find out more about how we assess businesses on [our blog](#).

What are the risks of lending to small business loans?

As part of lending to businesses, there will be instances where a business cannot continue to repay their loan, which becomes a 'bad debt'. When this happens, our in-house collections team work to recover your money. We manage the recoveries process on your behalf, so you don't need to do anything and we'll keep you updated on our progress in the loan comments section in your account. You can read more about our collections process on [our blog](#).

We provide bad debt rates by the year loans are made, and update these regularly.

You can view our bad debt rates on our [statistics page](#).

Property finance loans

By helping experienced property professionals build new residential homes, refurbish existing properties or access short-term finance, you can support small housebuilders in bridging the housing shortage facing the UK.

All property finance loans are secured against an asset, which means if the borrower is unable to pay their loan, Funding Circle can enforce the security to repay investors. Unlike small business loans, investors will typically receive monthly instalments of interest, with the principal repaid at the end of the loan term when properties are sold.



To build 6 new family homes in Kent, *Cox Developments* borrowed **£1.7 million**

You can see more case studies on our blog.

How are property finance loans assessed?

Property loans listed on the Funding Circle marketplace will be assessed by our experienced property credit assessment team. Some of the key considerations when deciding whether a loan should be listed on the marketplace are:

- **Funding ratios** – We ensure that the value of the property that is used as security is higher than the value of the loan requested by the borrower (i.e. an appropriate Loan-to-value ratio). The borrower also needs to commit an appropriate amount of equity to the project, in case market conditions change.
- **Property fundamentals** – We assess whether the proposed property is the right fit for its location, has an appropriate sale price and the building costs/timings are suitable for the term of the loan.
- **Borrower track record** – We want to be comfortable that the borrower has successfully delivered similar projects in the past.

Like small business loans, property finance loans will be assigned a risk band, however the interest rate will be priced individually for each loan.

What are the risks of lending to property finance loans?

As property loans are secured, if the borrower is unable to repay we can enforce the security held and pay investors back with the sale proceeds. Although this can often result in a full recovery this can't be guaranteed, for example if market conditions change.

Most property loans repay on time, however delays can happen when building homes. These can be caused by bad weather, construction issues or the sales process taking longer than expected. You can read more on what happens when a property loan is late in our [FAQs](#), and a list of the key features and risks can be found [here](#).

Lending: Getting started

Decide which method of lending suits you best: either use Autobid, our automated lending tool, or choose the businesses yourself.

1. Lending: the Automatic way

Our Autobid tool suits investors who:

- ✓ Don't have a lot of time to spend selecting individual businesses
- ✓ Are happy to select businesses by risk band
- ✓ Want to lend to both new and existing loans, so they can quickly build

a **diversified portfolio**

What does diversification mean?

Diversification simply means spreading your lending across hundreds of different businesses, which means you have a small amount lent to each one (instead of a large amount to just a few). This becomes important when a business is not able to fully repay its loan as the impact on your overall return will be less. We've done some analysis on the benefits of diversification, and lending to 100+ businesses, which you can read about on our [statistics page](#).

e.g. You can lend as little as £20 per business, so by lending £2,000 in total, you can lend to 100 businesses and be diversified.

Set up your Autobid in minutes

Simply review the current rates and turn Autobid on.

The screenshot shows the 'Autobid Settings' page. At the top, it says 'Autobid making investing quick and easy'. Below that, it explains that the tool will spread money across many different businesses for diversification. It also mentions 'Advanced Settings' for customizing interest rates and risk bands. A table displays three key metrics: 'Maximum % of portfolio lent to one business?' at 1.0% (with a dropdown arrow and '(£20 - Approx)'), 'Available funds £' at £2,000, and 'Current estimated return %' at 7.0%. A blue 'Turn Autobid On' button is located at the bottom right. Two callout boxes are overlaid: one on the left with a '1' in a circle, pointing to the 1.0% setting, and one on the right with a '2' in a circle, pointing to the 'Turn Autobid On' button.

1 Diversify by setting the maximum percentage of your portfolio to lend to any business.

2 Click 'Turn Autobid On' and accept the T&Cs on the following page.

Interest rates for new loans may change from time to time. We will notify you when this happens as these changes could impact your lending decisions and criteria. We recommend reviewing the interest rates and your settings regularly.

Use Advanced Settings for more control

With Advanced Autobid you can select individual risk bands you want to lend to and choose the interest rates at which you want to buy loan parts at.

Here's how to select risk bands and change your secondary offer rate:

1. Select 'Advanced Settings'
2. If there are any risk bands you don't want to lend to, simply remove the tick from the check-box
3. Set the gross interest rate you want to buy loan parts at for each risk band and check the estimated return
4. Click 'Turn Autobid on'

Include	Risk Band	Est. Bad Debt	Primary Offer Rate	Primary Est. Return	Secondary Offer Rate	Secondary Est. Return
<input checked="" type="checkbox"/>	A+			6.5%	8.0%	4.4%
<input checked="" type="checkbox"/>	A			6.8%	9.0%	6.5%
<input checked="" type="checkbox"/>	B			7.1%	10.0%	6.7%
<input type="checkbox"/>		5.0%	14.0%			7.5%
<input type="checkbox"/>		8.0%	18.0%			8.4%

2. Lending: Hand-picking businesses

You can choose businesses to lend to by looking at the business details we provide. These include:

- › Risk band
- › Region
- › Sector
- › The business's financials
- › Reasons for the loan

This option suits investors who:

- ✓ Want to pick businesses based on a specific set of criteria
- ✓ Like to do their own independent assessment of the company's financials

Step 1. Set your criteria

Decide the criteria that's important to you in a business: for example, does it need to be in a specific risk band, from a certain region or sector? You can also look at performance in the company's financials, the purpose of the loan, or see what other investors are asking. All of this information and more is available on each business loan.

Step 2. Choose the businesses

Find businesses that match your criteria in the loan requests or loan parts sections of your account.


The screenshot shows the Funding Circle investor account dashboard. At the top, the logo and 'Your account' are visible. A navigation menu includes 'Summary', 'How it works', 'Transfer money', 'Autobid', 'Loan requests', 'Loan parts', 'Sell', and 'Statistics'. A callout box points to the 'Loan requests' menu item, stating: 'Loan Requests Choose from all businesses currently looking for a loan.' Another callout box points to the 'Loan parts' menu item, stating: 'Loan Parts Choose loan parts available to buy from other investors.' Below the navigation, there is a feedback prompt: 'Tell us what you think of your account management experience on Funding Circle.' and a balance indicator: 'You have £2.56'. A 'Gross yield' of 11.0% is also displayed.

Step 3. Bid or buy

Bid on new loans

Restaurant Expansion Expansion/growth (8022)
add to watch list

Key information
Business profile
Credit scores
Financial Summary
Questions & Answers
Requirements



£120,000

Rate: 10.4%

100%

The final 10% of this loan will be funded by the Government-backed British Business Bank programme. [Read more](#)

Borrower details

Borrower name
Business Limited

Business nature
Leisure & Hospitality

Region
London

Type
Limited Company

Years trading
13

Risk band¹
A

Estimated annual bad debt rate¹
1.5%

Loan details

Term
60 months

Loan purpose¹
Expansion/growth

Director guarantee¹
Loan guaranteed

Asset security¹
No asset security

< Back to listings

OFF
 Live updates (beta)

Bid summary
All bids
My bids (0)

Only 3 days 20 hr left

Auction ends: 03/10/2014 14:31

My live bid: £0.00

My average N/A rate:

Funds £7.81 available:

Amount

Rate

Bid

Rate	Amount	Status
12.6%	£3,560	❌
12.6%	£11,600	✅
12.5%	£13,120	✅
12.4%	£1,680	✅
12.3%	£1,280	✅
12.2%	£900	✅
12.1%	£280	✅

For new loan requests, place your bid by choosing the amount you want to lend. You'll also see the estimated return after fees and bad debts based on your bid.

Or, buy parts of existing loans

Loan details	Risk band	Repayments left	Parts available	My exposure	Rates available
7732 Property Development in Blackpool	A+	9	20		4.6 - 7.6%
7682 Property Development in Blackpool	A+	9	75		5.4 - 8.0%
12273 Property Development in Blackpool	A+	10	754		4.2 - 8.9%

Use the filters to search for loans that meet your criteria. For example, search by:

- › Risk band
- › Interest rate (gross return)
- › Sale price
- › Loan parts for businesses you're not already lending to

By clicking on the loan title, you'll see all of the loan parts available for a loan. You'll also see whether the seller has applied a 'premium' to the loan part. You can read more about premiums on [page 20](#), in Accessing your money.

Buyer Rate	Sale price	Premium	Buy
10.0%			Buy
10.0%			Buy
9.9%			Buy
9.9%	£20.67	£0.60 (3.0%)	Buy
9.9%	£20.45	£0.38 (1.9%)	Buy

Available balance: £7.81

My exposure to this loan: £0.00

My average rate on this loan: 0.0%

Repayments remaining: 60

Rates & Fees

Rates

Interest rates are set during our credit assessment process and are based on a number of factors including the risk band and the term of the loan. Gross interest rates start at 4.9%.

It's important to factor the following in when choosing which businesses lend to:

Risk: use our risk bands, business information and financials to make your own assessment of risk

Interest rates: see what the current fixed interest rates are on the statistics page (fundingcircle.com/statistics)

Estimated bad debt: Estimated bad debt: Use our estimates on the statistics page to help guide you

Fees: We have an annual servicing fee of 1%

Fees

We have a very simple fee structure:

- › **A 1% annual servicing fee** on the amount outstanding on any loan, payable on the capital only, not interest. It is included in the interest rate payable by the borrower and taken directly from their loan repayments. The servicing fee covers the costs of running the website and maintaining the loans. There are no fees charged for placing bids or on amounts that aren't lent out.
- › There's a **0.25% admin charge on any loan parts you sell**, based on the amount outstanding. If you don't sell any, then you don't pay.

That's it – no account fees, hidden charges or costs!

Where is my money held when it's not lent to businesses?

Any funds in your Funding Circle account which are not lent to businesses are held on trust in a segregated client account at Barclays Bank plc. This means your funds are treated as separate from Funding Circle's own accounts and are subject to internal control mechanisms and proper accounting procedures in accordance with the Client Money rules.

Interest & tax

Interest

The interest you earn is paid by businesses on a monthly basis. During the month, you accrue interest daily, which is shown in the summary section of your account as accrued interest.

What is negative interest?

When you buy loan parts from other investors, you pay them any accrued interest they've earned since the last repayment, which shows as 'negative interest' until that repayment comes in. This ensures that when you buy a loan part mid-way between repayments, the previous owner will earn the interest for the days before the sale, and you'll earn the interest for the days after the sale. It shows as negative interest because you've paid out for interest that is owing, but hasn't yet been paid by the business.

Tax

The return you earn from lending to businesses is paid to you before any tax that is due is deducted. If you're lending as an individual income tax may be due. You should declare any interest and gains to the HM Revenue & Customs on a self-assessment tax return or inform your local tax office.

For more tax information and how peer-to-peer agreements are treated, please refer to our [help centre](#) or seek independent financial and tax advice.

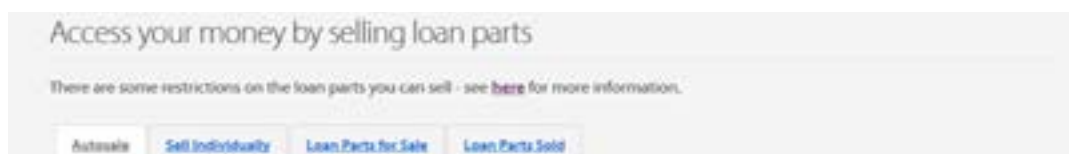
Accessing your money

You can sell your loan parts before the end of the loan term by using the Sell tab in your account. Some investors do this if they want to:

- › **Release funds** so they can bid on other loans
- › **Withdraw money** from their account
- › **Earn a profit** by selling a loan part at a premium

How to sell loan parts

Use the Sell tab in your account and choose from two sale methods:



1. Autosale: sell a portion of your account by setting the amount (£) you wish to sell.

2. Sell individually: choose the individual loan parts you want to sell. You can also add a premium to the cost, which simply means the new buyer will earn a lower rate of interest to the original rate you set when you placed your bid. As the original investor, you get to keep the difference.

Loan parts will be listed for sale for 14 days when other investors can review them, and if they don't sell within this period, you'll need to re-list them by using the sell tab.



Quick tip

There are some restrictions in place when selling loan parts. Only loan parts that are up to date with their repayments and have a risk band can be sold on to other investors.

Loan parts in defaulted loans cannot be sold.

It's also worth noting that your ability to sell your loans may be influenced by:

- › the interest rate it pays compared to other loans on the marketplace
- › the balance of investors looking to lend, and businesses looking to borrow

Selling loans at a premium or discount, how does this work?

If you sell a loan part at a premium, you can add a mark-up (of up to 3%) to the loan part.

Eg. If you sell a £100 loan part with a 3% premium added, it will cost £103 (plus any accrued interest). As a result, the new buyer's rate of return is slightly lower than the original rate you secured on the loan part. The premium is added to the cost of the loan part (ie, the principal outstanding and any accrued interest). As the seller, you receive one payment for this total cost (including the premium) and this is your final payment. You'll no longer receive interest once the loan part is sold.

Similarly, if you sell at a discount, you offer the loan part at a mark-down. As a result, the buyer will earn a higher rate than the original rate you secured on the loan part.

Withdrawing your money

You can transfer any funds not lent out to businesses to a UK bank account held in your name. Simply add bank account details to the Transfer out section of the Transfer money tab.

Once a bank account has been added, you can withdraw funds quickly and easily to the same bank account each time, without the need to enter your details.

If you have money lent to businesses, once you've sold these loan parts to other investors you can withdraw the funds using the same process.

Transfers take between 1 - 3 working days.



Quick tip

If we are unable to automatically verify your bank details we may ask you to send us recent bank statement to enable us to complete our verification process, so please add a bank account before you need to make a withdrawal.

Further information

Please visit our help centre for more details about the following:

- › [Our recoveries process](#)
- › [What would happen in the unlikely event that Funding Circle goes out of business](#)
- › [What does it mean to be a Retail Client](#)

We hope this guide has been useful and if you have any questions, we're always happy to help.

Search our help centre: <https://support.fundingcircle.com/home>

Email us: contactus@fundingcircle.com

Call us: 0207 401 9111 Monday – Friday, 9am – 6pm (exc. Bank Holidays)

Enjoy lending!

The Funding Circle team

Company Information

Investment through Funding Circle involves lending to small and medium sized businesses, so your investment can go down as well as up.

Funding Circle Limited is authorised and regulated by the Financial Conduct Authority under firm registration number 635439. Funding Circle is not covered by the Financial Services Compensation Scheme. Registered in England (Co. No. 06968588) with registered office at 71 Queen Victoria Street, London, EC4V 4AY.