Self Trading Explanatory Notes

Peer to Peer Lending - *'Crowdfunding'*

Peer to peer lending is an alternative method of using your pension savings to generate an income. Rather than investing in a particular share; fund; or company; or even a bank deposit account; you make your pension funds available to a Crowdfunding Organisation. The organisation in turn lends your money to unrelated individuals at a competitive market rate of interest. Those individuals repay the loan to the Crowdfunding company who in turn credit your account with an agreed return.

Specialist underwriting teams at the Peer-to-Peer lenders will assess all potential borrower applications against a stringent set of loan criteria, including credit reference agencies, and will rate them according to the risk they present. This can however lead to a false sense of security, and it should be remembered that this does not guarantee your investment is safe. There is still a possibility that the borrower may default which means that your money could still be at risk.

Peer-to-Peer Lenders most often describe their returns as 'Savings' and it does in fact look like a savings return. In truth, however, it is an investment, and although the FCA regulate the Crowdfunding Industry there is no FSCS safety net on which to rely. This is why most Crowdfunders will provide their own reserve fund, usually held in trust...just in case.

In the event that a borrower fails to meet their repayments the Peer-to-Peer lender does all the chasing - so you don't have to, but that doesn't mean your money is guaranteed. You could still lose some or all of your invested funds.

If you're looking for an alternative to traditional savings; it appeals to you; and you are willing to put money away for a longer term, then the best way is to start small by dipping your toe in the water.

It certainly makes sense to consider Peer-to-Peer Lending as part of your overall portfolio as the current rate of return is certainly much better than you could obtain in a deposit account at a high street bank or building society. While it can work well, it is important you understand the risks of this hybrid form of saving and investing before parting with your cash.

Start by using only a small amount of your pension savings until you're used to the system and remember that:

Crowdfunding does present a risk to your capital and is most definitely not a traditional savings plan.

As an investor, it's essential that you know your risk appetite. It's crucial to know how much of your money you could lose as well as the circumstances which could cause this to occur. If you are uncomfortable with the risks associated with this type of investment, remember there are always alternatives.

Please remember that all investments carry a degree of risk, some higher than others, which means that their value, and the income from them, can fall as well as rise. You, therefore, may not get back the full amount that you have invested and in some cases may lose your entire capital investment altogether.