

Second Charge Outcomes

2022



Introduction

The Outcomes Statement is a regulatory requirement by the Financial Conduct Authority (FCA), which came into effect on 9th December 2019. CrowdProperty will publish this every year within 4 months of the end of our financial year.

This statement is designed to show you the expected and actual default rate of all Peer-to-Peer (P2P) second charge loans available on the CrowdProperty platform over the last financial year, and also enables you to compare the advertised target interest rates with the actual returns achieved. All data is segmented into calendar year cohorts, this data continues to be published by 31st July of the end of the financial year in line with regulatory requirements.

CrowdProperty will disclose borrower default where: a) the borrower is unlikely to meet its obligations under the P2P agreement without the platform enforcing any relevant security interest; or b) the borrower is past the contractual due date by more than 180 days.

When you invest in P2P Property loans, there is always a possibility that some of them will not be repaid on time (a Default) or you might lose some or all of the money you invested (a Loss). It's important to note that a Default doesn't always mean that there will be a Loss.

Loan book performance

This table displays the advertised target interest rate against the actual return for all investment accounts for the calendar years up to 2024. As part of CrowdProperty Loan Agreements, penalty interest may be payable on loans that run late, which can provide a higher than targeted return if repaid. Due to the nature of property loans and the average length being longer than 12 months, performance is reported by calendar year.

In line with the new regulations, we are obliged to show our defaults as well as any assumptions used when determining a future potential default rate.

Year	Number of loans	Contract Rate	Actual Rate	Technical Defaults	Number of Recoveries	Number of loans losing any capital	Number of loans losing any interest
2020	1	15.00%	0%	1	0	0	0
2021	9	15.00%	15.00%	3	3	0	0
Cumulative	10	15.00%	15.00%	4	3	0	0

Crowd Property Ltd, 54 Hagley Road, Birmingham B16 8PE

CrowdProperty Ltd is a company registered in England, with its registered office at 54 Hagley Rd, Birmingham, B16 8PE (Company No. 08764786). CrowdProperty is registered with the Office of the Information Commissioner (Reg no. PZA047468). CrowdProperty is authorised and regulated by the Financial Conduct Authority registration number 723959.

Predicted and Actual Losses

To provide risk band segmentation we now use a combination of Project Risk Bands, which equate to LTGDV, and Borrower Credit Rating. These are combined into the following ratings:

Risk Band A ($\leq 50\%$ LTGDV)

Risk Band B ($50\% \leq 60\%$ LTGDV)

Risk Band C ($60\% \leq 65\%$ LTGDV)

Risk Band D ($65\% <$ LTGDV)

Risk Band E (Second Charge)

Credit Tier 1 – 4 is an assessment of the individual borrower or entity credit risk, this is based on the number and value of any CCJs, payment defaults and insolvency. Tier 1 is the lowest risk, with Tier 4 being the highest risk.

Credit Tier forms part of our credit assessment and primarily relates to creditworthiness of the borrowing entity, directors, and $>25\%$ shareholders, derived from company and personal searches.

If a Loan did not have a Credit Tier associated with it only the Risk Band will be shown.

For the cohorts below, only Risk Bands that have populations in the cohorts are shown. To aid in the comparisons a table is shown below with all possible bands.

Risk Band	Credit Tier			
	1	2	3	4
A	A1	A2	A3	A4
B	B1	B2	B3	B4
C	C1	C2	C3	C4
D	D1	D2	D3	D4
E	E1	E2	E3	E4

The following tables show how each band or tier has performed in each calendar year.

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2020

Risk Bands	Contract Rate	Expected Loss Rate	Expected Rate	Actual Rate	Actual Loss	Total Loans	Loans with Loss	Loans with no actual rate
E-1	15.00%	1.50%	13.50%	0%	£0	1	0	1
Total	15.00%	1.50%	13.50%	0%	£0	1	0	1

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2021

Risk Bands	Contract Rate	Expected Loss Rate	Expected Rate	Actual Rate	Actual Loss	Total Loans	Loans with Loss	Loans with no actual rate
E	15.00%	1.50%	13.50%	15.00%	0	4	0	3
E-1	15.00%	1.50%	13.50%	15.00%	0	5	0	2
Total	15.00%	1.50%	13.50%	15.00%	0	9	0	5

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Predicted Loss Methodology

As the tables show there is a variation in the predicted loss for each of the risk bands. As this is a prediction the assumptions as part of this method are listed below:

Based CrowdProperty's method of assessing loss, we assume that there is a greater probability of a defaulted loan with a higher LTGDV.

Probability of Default has historically been set to 1.5% across the Second Charge loan book, this over the years that CrowdProperty has operated this continues to hold true and the assumption is that this overall 1.5% will continue to be averaged over the life of the Second Charge loan book.

Given that the updates made this year have more granularity, the expected loss rate will be further examined in 2025 and updated as part of the 2026 Second Charge Outcomes Statement.