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P2PFA STATEMENT IN RESPONSE TO FCA PROPOSALS FOR THE PEER-TO-PEER LENDING SECTOR

The Financial Conduct Authority (FCA) has today published the next stage of the post-implementation review of peer-to-peer lending regulation.

The FCA's focus on requirements for platform disclosures in terms of investor awareness of relevant risks and controls involved in their investment, and specific proposals on the rigour mandated for platform wind-down plans are welcome. Both were identified by the P2PFA in its submission to the regulator's call-for-input submitted in September 2016, including the priority afforded to protecting consumers and acting for retail investors.

Commenting on the proposals, the P2PFA Chair, Paul Smee commented: *'the Association has always maintained that all investors lending through a peer-to-peer lending platform need to be clear about the performance of the platforms on which they invest. That is why P2PFA members have set out and signed up to Operating Principles which give a gold standard for disclosure. We are pleased that the FCA's proposals endorse the idea of full disclosure'.*

He continued: *'There is a lot of detail in this document, and we will be working through its implications, to ensure that the eventual regime is practical, proportionate and allows for the development of a healthy and competitive market in peer-to-peer lending. Peer-to-peer lending needs to make its full contribution to the growth of the UK economy and we will be working to ensure that new regulatory requirements do not get in the way'.*

ENDS

Notes to Editors

1. Peer-to-peer lending – regulated by the Financial Conduct Authority since April 2014 – involves direct matching of funds between investors and borrowers through an on-line platform. Investors range from retail consumers to institutional investors as well as the government. Borrowers range from consumers, small businesses, property developers and buy-to-let. Peer-to-peer lending platforms match investors and borrowers directly for a fraction of the cost of traditional financial services entities, providing benefits to customers on both sides of the transaction.

2. The Peer-to-Peer Finance Association (P2PFA) was established in 2011 as a representative and self-regulatory body for debt-based peer-to-peer lending. The P2PFA seeks to inform and educate, promote high standards of business conduct, and work with policy-makers and regulators to ensure an effective regulatory regime. P2PFA members are required to meet robust standards for the transparent, fair and orderly operation of peer-to-peer lending. The member platforms are: Crowdstacker, Folk2Folk, Funding Circle, Landbay, Lending Works, Market Invoice, ThinCats and Zopa.
3. In its submission to the initial call for input as part of the post-implementation review of crowdfunding regulation, the P2PFA made the case for a proportionate and risk-based regulatory regime to require appropriate standards from peer-to-peer lending platforms whilst enabling the sector to develop its competitive prospectus in the broader financial services market. The P2PFA has been consistent in presenting the case for formal statutory regulation of the sector focused on the risks posed to retail investors and borrowers.
4. The P2PFA's priorities for the review, included in the response to the call-for-input, included: (a) reducing the risk of consumer confusion through the conflation of equity- and loan-based crowdfunding with the use of the overarching descriptor 'crowdfunding'; (b) prioritising consumer understanding, with clear and transparent information mandated about the costs and charges, as well as risks, to which investors are exposed – the P2PFA Operating Principles require this information to be provided in a clear and balanced way, though there is a degree of opacity in other parts of the retail financial services market; (c) differentiation between the regulatory regimes affecting peer-to-peer lending platforms and collective investment schemes; (d) that the risk of mis-interpretation and misunderstanding could be increased through participation in the Financial Services Compensation Scheme, implying that an investment is safer with some capital guarantees which would not apply; and (e) that where a platform operates a buffer fund, investors should have a clear understanding of the extent to which risk is being mitigated, for example, by publication of the coverage ratio by yearly cohort.

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