Outcomes Statement

Year End December 2021

Introduction

In accordance with COBS 18.12.23 R, Lendwise publishes an outcomes statement in order to present actual and expected default rates by risk category. This document also provides a summary of the assumptions used in determining expected future defaults rates.

Reporting Year: 2021	
Expected default rate	Actual Default rate
5.0%	1.83%

As at 31 December 2021	
Aggregate balance in default	£320,000
Aggregate recoveries	£34,639

*: Amounts and calculations relate to the aggregate loan book balances and defaults as at 31/12/2021.

During the year, we continued to see the impact of the COVID-19 pandemic on some of our borrowers. Our policy is to exercise every effort to critically examine all requests for forbearance from borrowers considering the consequences caused by the pandemic. When considering such requests we take due regard to the duty of care owed to the lenders of these loans. Our overarching principle is to achieve the fairest possible outcome for both borrowers and lenders with all aspects of FCA guidance in consideration.

Continuing impact of COVID-19 on borrowers

Whilst COVID-19 had an impact in 2020, the majority of the impact was managed in 2021. During 2021 there were 14 borrowers with a total loan value of £170,469.97 who qualified and received forbearance as a result of COVID-19. As of 31/12/2021, there were 4 borrowers with a total value of loans of £35,694.85 who were on an active payment holiday or some other form of payment forbearance.

Expected future default rates

The default amounts shown in the table above also include certain loans that have been categorised as defaults due to surpassing 90 days in arrears but are repaying and we envisage a material recovery in amounts albeit over a longer than envisaged time horizon.

There are also certain borrowers that have missed one or more payments without previously notifying us of payment difficulties or establishing contact to request forbearance or responding to our attempts to engage with them. Whilst our credit collection team is constantly working on trying to communicate with them and work out a mutually beneficial solution, we also have to anticipate that a certain number of them will eventually default on their loans.

In order to determine expected future default rates, we have developed a model that takes into account the above factors when forecasting these. As COVID-19 leaves us with an exceptionally unusual economic environment we are continuing to enhance our modelling as more data becomes available.

Methodology, assumptions and caveats

- We are now in the fourth year of our operation with still, relatively little data in relation to repayments and defaults and although more than 75% of our loans are now in repayment, we still have not had loans completing their lifetime and this creates difficulty in making reliable estimates.
- As we continue to grow, more loans start reaching the repayment phase enlarging the size of the available data we have for analysis.
- The analysis of results from past experience are used to enhance our loan application underwriting towards improving the quality of loans originated and reduce default rates accordingly.

- Default recoveries are factored in the calculation of actual default rate and in expected default rates, as a result.
- The expected annual default rate is reviewed on a quarterly basis to reflect the most recent performance of the portfolio as well as the macroeconomic conditions in the economy.

The next outcomes statement in relation to 2022 will be published no later than 30 April 2023