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Side by side investing

CONTRIBUTOR | FEATURES, IFISA, JOINT VENTURES AND PROMOTED CONTENT | KUFLINK, NARINDER KHATTOARE

Kuflink was one of the first P2P platforms to invest alongside its customers and is now reaping the rewards from offering low-risk investment opportunities, as chief executive Narinder Khattoare explains…

OVER THE PAST few years, low interest rates and rising inflation have turned a nation of savers into a nation of investors. According to recent statistics from UK Finance, just £322m was invested in cash ISAs in March 2018, down from £773m in March 2017. Meanwhile, the UK's peer-to-peer lenders are reporting record investment into their Innovative Finance ISA (IFISA) offerings, as once-conservative savers chase higher returns, even if they come with a little more risk.

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This trend has been particularly pronounced at P2P platform Kuflink. Earlier this year, the property lender reduced its own stake in its loans from 20 per cent to five per cent, in response to overwhelming investor demand.

“The loans were going on our platform and they were getting funded very quickly,” says Kuflink’s chief executive Narinder Khattoare.

According to Khattoare, retail investors are now looking for higher rates of return, and the current low interest environment is encouraging more and more people to consider alternative investments such as P2P lending.

“But with this comes risk,” he warns. “If somebody is paying you a higher rate, what are the risks involved with it? With cash ISAs, customers seem to like the Financial Services Compensation Scheme which covers any losses. P2P platforms don’t have that cover, but we do have provisions in place. With Kuflink, we have skin in the game where we’re lending alongside every single investor in our platform.”

Kuflink is on a mission to minimise risk to its investors. As well as having ‘skin in the game’ by making its own five per cent investments in each loan, Kuflink also offers a 15 per cent first loss cover. Furthermore, the platform will only invest in property-backed loans which have a maximum loan-to-value of 75 per cent. This means that the property market has to decline by more than 30 per cent before investors see any losses.

“We see these loans as relatively safe,” says Khattoare. “For us it’s all about investors being able to sleep at night knowing that their money is in a safe place. And that money is being deployed to loans that are backed by property.”

Khattoare says that the IFISA has been “brilliant” because it allows investors to deploy and diversify their funds. “Investors should always be diversifying their funds,” he says. “They should not only be deploying funds to one particular platform or one type of investment.”

Kuflink currently offers three types of property loans to investors: the 'select-invest' loan, where lenders can invest in individual loans to earn up to 7.2 per cent per annum; the 'auto-invest' loan, where investors choose between a one-year term paying 3.99 per cent, a three-year loan paying five per cent, and a five year loan paying 5.35 per cent; and an IFISA-ready version of the 'auto-invest' loan.

New customers can open the IFISA with as little as £100.

Since the platform was established in 2016, more than £19m has been traded, with not one single loss to its investors.

"Nobody on our platform has lost money to date," he says. "We've got a very thorough and rigorous underwriting process so any deal that goes into our platform has to go through two forms of underwriting and two Credit Committees."

If the base rate rises as expected, and cash ISA rates go up, it is this rigorous approach that will ensure that Kuflink remains attractive to savers and investors alike. The cash ISA is dead... long live the property backed IFISA.

Click here for more information on the opportunities offered by Kuflink.

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