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## Small is beautiful for retail P2P platforms

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*There is still a place for retail investors in peer-to-peer lending, as Kuflink explains...*

There has been plenty of speculation about the future of P2P finance, and in particular about the place of funding by private individuals.

Some of the major players including RateSetter, ThinCats and Funding Circle have scaled back or halted their retail channels, while Zopa has changed its model and successfully applied for and been granted a full banking licence, which suggests that it sees a future path that does not rely so heavily on individual investment.

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It can be argued that these players have decided that building a business that can both grow and remain reliant on funding from the public is not sustainable.

The desire for growth at any cost certainly led to the failure of ventures such as Lendy, where promises to investors of big returns led the company to fund projects that should not have been underwritten. A mismatch which demonstrated that they were unable to attract enough of the 'right' projects and found they had to fund more marginal deals in order to realise the investment returns they had promised.

Bringing savers/investors into close contact with commercial projects requiring investment was always going to be open to abuse or misinterpretation. In today's market, it is likely that larger platforms may not see a way of maintaining a significant growth curve, whilst managing the expectations of retail customers and the consequent concerns surrounding compliance of a large number of individual accounts.

From our perspective at Kuflink, our strategy has never been to grow a business to match a Funding Circle or RateSetter. Without the desire or necessity to rush for growth and run the risks that sent Lendy to the wall and led to customers losing money, we represent a common sense approach both in the scale of the business that retail funding can support and in the risk profile we are prepared to accept in relation to the returns that investors can expect.

A P2P platform like ours, staffed with a team of experts in commercial and residential property development with a deep understanding of its real value both before and after development has taken place, allows us to pick and choose the best projects to present to investors. The returns we quote are realistic and achievable but, equally importantly, to date no investor has, as yet, lost capital placing funds in any of the projects posted on our site.

There is a place for retail P2P investment, but it must be controllable, realistic in its claims and maintain the highest regard for understanding risk. There will always be a finite number of projects that will meet our criteria and that is why a successful

platform does not measure itself by how big it grows, but by meeting the expectations of its core customers – its investors.

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