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2021

Calls re-emerge for standard P2P default definition

MARC SHOFFMAN | INDUSTRY NEWS NEWS | 36H GROUP ALISON HARWOOD DARREN WINFIELD DEFAQTO FUND OURSELVES KUFLINK NADEEM SIAM NARINDER KHATTOARE P2P INVESTING SUMMIT VARENGOLD BANK

Peer-to-peer lending platforms and regulators have been urged to put more effort into creating a standardised definition of when a loan is in default.

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Speaking at the P2P Investing Summit on Thursday, a virtual event hosted by *Peer2Peer Finance News* and *AngelNews*, Alison Harwood, head of the London branch of institutional investor Varengold Bank, said industry efforts for a standardised definition have not made much progress.

Read more: [P2P lending a 'key part of economic recovery](#)

“There are technicalities in a single standard definition,” she said.

“There are some set of definitions that could be used for example in the consumer lending space.

“It would be easy to have a definition to applied to all consumer loans but it gets a bit trickier in the property market as a borrower needs more time to exit a loan.”

The now-defunct trade body The Peer-to-Peer Finance Association had a [standardised default definition](#) for its members of 120 days but this isn't used by its replacement the 36H Group

“The industry itself has previously had some initiatives to look at standardised reporting forms and that seems to have fallen by the wayside,” Harwood said.

“This could be driven by the FCA.”

Platform bosses told the panel that default rates should be part of the due diligence undertaken by investors or advisers when assessing a platform but recognised this can be difficult to do across many different types of lenders.

Narinder Khattoare, chief executive of P2P property lender Kuflink, told the panel that investors should also check on the experience of a platform's founders, the lending track record and loans criteria

“The key thing for us is we only write a loan if we know we can exit,” he said.

“There are a lot of articles about how many loans a platform has done but how many actually come back or go into default or recovery?”

Khattoare said “skin in the game” was important as investors could be more confident if a platform was also putting their own money at risk.

This was echoed by Nadeem Siam, founder of consumer P2P lender Fund Ourselves, who added that investors should look at how opportunities are assessed.

He also suggested considering whether there are any provision funds to repay investors even if a loan fails.

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Siam added that investors should remember that P2P lending isn't a savings product and diversification is important.

Khattoare and Siam both suggested it was worth "dipping a toe" in with small amounts initially and then later increasing exposure.

Darren Winfield, insight consultant at analyst Defaqto told the panel that transparency and "skin in the game" were the most important factors that its users want to know about P2P lenders.

"Advisers using P2P lending want to know if the platform is also investing," he said.

"It gives an investor or adviser more confidence to put money in."

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