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## Peering into the crystal ball: Industry predictions for 2021

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We find out what the peer-to-peer lending industry expects – and wants – to see in 2021...

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**Stuart Law, co-founder & chief executive, Assetz Capital**



**What predictions do you have for the P2P lending market this year?**

Retail investors will have a greater understanding of the risks involved. I think net balance investor demand will swing from tightly negative to positive and rise from there. Investors will decide there is nowhere better to put some of their money. The number of platforms will drop further, we saw a shake up this year with companies experiencing problems with their credit, money or funding or their cost of acquisition being too high. We will probably see an end of the shake up next year and I think appointed representatives will be found to be a bad idea for the sector.

Platforms with multiple funding sources will massively outgrow those that are just [retail] P2P funded. The gap will continue to widen substantially and create market scale efficiencies. That will make the bigger platforms even more efficient and competitive. I think we'll end up with a model of very large platforms with multiple funders, while pure P2P players will find a way to be profitable and compliant or disappear.

**Natasha Wear, chief executive P2P, Zopa**



**What predictions do you have for the P2P lending market this year?**

FCA lumps P2P lending in 1 products again

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2020 has been an extraordinary year and one that nobody could have predicted. In the world of P2P we are now a full year on from the FCA regulations having been put in place, bringing consumer confidence and further credibility to the industry.

One path to resilience was our diversification of funds, and this was seen industry wide as providers increasingly looked to combine retail, institutional, government backed schemes and bank licences – all enabling the industry to continue to lend when customers needed it most. Diversification is something we believe we will see more of as we enter the new year – you'll have heard the phrase don't put all your eggs in one basket – so if P2P providers want to keep their ships on an even keel then they too need to keep this in mind.

**Narinder Khattoare, chief executive, Kuflink**



**What predictions do you have for the P2P lending market this year?**

I think we will go back to pre-Covid levels as an industry after the first quarter next year. I think there will be fewer players in the industry and rightly so. It'll be a smaller community, but it will be a quality bunch of P2P lenders that are doing things right, offering realistic returns. Platforms can't sustain double digit returns as a business model.

**What is the biggest change you'd like to see in the sector?**

I'd just like to see more backing from government. I think that's key, getting the message out there that there are more avenues of investment. They introduced the Innovative Finance ISA themselves and it would go a long way for other people to know about it and that it comes from government.

**Brian Bartaby, co-founder & managing director, Proplend**



**What predictions do you have for the P2P lending market this year?**

The success of the 2021 P2P lending market will be determined by how quickly the economy can restart post-Covid. England recently emerged from lockdown two, depending on the success of the various vaccines we could either be entering a 'new normality' or retreating back into lockdown three or local tiered lockdowns.

I am very concerned about the current expected levels of defaults in bounce back loans and coronavirus business interruption loans (40 per cent plus) and the knock-on effects it will have for platforms which have facilitated these loans. Whilst they may offer government guarantees, the special servicing workload required before the government puts their hands in their pocket, will be a monumental task.

**What is the biggest change you'd like to see in the sector?**

Better P2P education from both the P2P industry, the financial industry, the media and the regulator about the benefits of P2P for both borrowers and lenders alike. Unfortunately for the past 18 months or so the industry has only produced negative news stories, deservedly so in some cases, but it would be nice to read some positive news stories from and about this sector.

**Mark Turner, managing director, regulatory consulting, Duff & Phelps**



**What predictions do you have for the P2P lending market this year?**

Assuming the vaccine is successful, then government support is likely to be slowly unwound so unfortunately it's likely some customers will feel some stress and therefore firms are going to have to handle that. I think firms that come out of the other side of this, having demonstrated that they have managed their portfolios well and generated good returns for their investors, will prove they are fundamentally good businesses that can thrive next year. There's no getting away from the fact there will be some economic pain next year, but a good business is a good business.

**What is the biggest change you'd like to see in the sector?**

Brexit won't necessarily have a massive direct impact on every firm but if the government is able to push through things like levelling up in the North of England and getting infrastructure spending rolling, I imagine there will be big opportunities for the sector to get involved directly and indirectly in some of those schemes.

**Mike Bristow, co-founder & chief executive, CrowdProperty**



**What predictions do you have for the P2P lending market this year?**

I think the strong platforms will thrive, especially those which have proven themselves over a meaningful period of time and have performed well during Covid-19. I think we'll see platforms disappear because they don't have the track record capital at a cost that's economic to maintain the platform. It'll be an ongoing maturing of the sector to a point where winners will emerge, and platforms will disappear. I think with the mid and large-sized platforms we'll start to see who's getting their economic model right and who is profitable. I think we're still going to see quite a lot of fallout from the impact of this year on underlying loanbooks.

**What is the biggest change you'd like to see in the sector?**

I still think it's unlikely, but the entire financial adviser market needs to wake up to P2P lending as part of a diversified asset class and certain areas of the pension market too which will take time. We have millions of pounds' worth of pension capital but it's not whole of market and the best platforms will be supported more and more by institutional funding lines. And again, that's good because of the economics of the sector and of the platforms that are good at doing what they do.

**Gillian Roche-Saunders, partner, Adempi Associates**



### **What predictions do you have for the P2P lending market this year?**

2021 is full of commercial and reputational opportunity for P2P. The search for yield will only increase, as will the search for lenders in a post-pandemic climate. P2P is the space that can deliver. Furthermore, if the industry can show it can conduct itself to high standards in such a climate, it will be well placed to turn that opportunity into a long-term success. Critical to this will be making the risk-reward profile of P2P clear to the investor, and as part of that highlighting the risk of increased defaults in a struggling economy.

### **What is the biggest change you'd like to see in the sector?**

If we're dreaming big, I'd look for increased harmonisation between the P2P and the debt-based crowdfunding sector so that the experience of the consumer is driven by the loan and isn't affected by the regime the platform facilitating that loan is subject to. I suspect there's been enough regulatory change in recent times, but with the FCA's plan to reimagine the consumer investments market, the new European regime for crowdfunding and increased freedom from MiFID following Brexit, 2021 could well be the moment that we see steps in that direction.

### **Atuksha Poonwassie, managing director, Simple Crowdfunding**



### **What predictions do you have for the P2P lending market this year?**

From an investment standpoint, projects will still take longer because there will be a knock-on effect on valuations and sales, especially in the property market, in terms of existing projects. So, I think they'll be a lag in that regard and that doesn't take into account any additional time that will be added due to Brexit. A lot of the building supply comes from Europe and there might be delays and costs. But it's all theoretical right now. From a finance standpoint of investment entering the UK from Europe, it'll be interesting to see what happens in terms of passporting and whether there will be temporary agreements in place.

**What is the biggest change you'd like to see in the sector?**

I'd like to see more support for the regulators' entities and also for the regulators to tackle the unauthorised rogue players.

**Mike Carter, head of platform lending, Innovate Finance**



**What predictions do you have for the P2P lending market this year?**

Demand for loans in 2021 will rebound as the economy recovers and I expect the P2P sector to benefit disproportionately from this. This is because there has been a significant behavioural shift in the digital purchasing of goods and services by both consumers and small- and medium-sized enterprises as a result of the Covid-19 crisis, which I don't expect to reverse, and the P2P sector is perfectly placed to meet that increased demand.

**What is the biggest change you'd like to see in the sector?**

I'd like to see wider acceptance of P2P as an asset class that offers steady, low volatile returns for a suitable investor.

**Andrew Holgate, chief executive, Equitivo**





**What predictions do you have for the P2P lending market this year?**

2021 will bring deeper and more scrutiny from the FCA. It has been caught out by several high-profile collapses and it will not want another one. The FCA has already been active with many lenders during the Covid-19 crisis and I think their work and stricter due diligence will increase.

The market has been rocked quite heavily by the collapses of platforms such as FundingSecure and Lendy. Then Covid kicked in, along with the implosion of the economy. During 2021, platforms have to stabilise, rationalise and become profitable businesses.

No P2P platform will be a unicorn, and in fact many won't achieve a £10m valuation. The truth is that scale only comes with institutional money and that generally leads to an exit of the market. Getting real growth from retail investment is extremely hard. But it also shows that market uncertainty and a sudden market shock such as Covid can quickly dry funds up. It shows that P2P remains a relatively small part of the financial services sector.

**Frank Wessely, partner at Quantuma**



**What predictions do you have for the P2P lending market this year?**

I think one thing we could see, and it depends a lot around Brexit, is greater visibility of European platforms in the UK P2P market. This is quite likely, as we are

already seeing more of them. I get the feeling platforms in Europe are looking at penetrating the UK market and I think we might see a gradual move towards that next year. UK platforms may well get a greater foothold in Europe too, but I have not seen much evidence of that. It would happen both ways but it's definitely subject to Brexit transitional arrangements.

### What is the biggest change you'd like to see in the sector?

The sector being given more of an opportunity to participate in the dispersing of funds in future government loan schemes, if appropriate.

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