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Innovation in the IFISA transfer window

MICHAEL LLOYD | FEATURES IFISA | ASSETZ CAPITAL ATUKSHA POONWASSIE
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RATESETTER REBUILDINGSOCIETY SIMPLE CROWDFUNDING ZOPA |

Platforms are deploying a range of tactics to attract IFISA transfers during the Euros-esque ISA season. Michael Lloyd reports...

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The start of the new tax year is upon us, which means one thing – it's ISA season. For peer-to-peer lending platforms, this is the time to promote and receive transfer-ins for their Innovative Finance ISAs (IFISAs) and find out who will be crowned the year's IFISA champion.

In many ways, ISA season is the P2P version of the European championships. After a long year featuring transfers of players among football clubs and IFISA money among platforms, now is the time for the short and sweet, terrific tournament.

Platforms are deploying tactical innovations in the IFISA market, as exciting and varied as the skills of football players representing their countries. And similar to the Euros this summer, platforms are competing against each other – only for IFISA money rather than wins.

Like the heavyweights of the Euros – France, Belgium, and (dare I say it) England – the IFISA market has its own established leaders. For years, RateSetter was at the top of the table, but following its acquisition by Metro Bank last year, it has lost its spot. Instead, Assetz Capital is the favourite to win the most IFISA funds this year, largely thanks to the significant transfer-ins that it has received from RateSetter.

Read more: [P2P platforms expect more RateSetter transfers](#)

For investors, the focus this ISA season will be on what platforms are looking to do differently this year as the Covid-19 crisis looks to be nearing an end thanks to the vaccination roll-out.

Some platforms are looking to make changes to attract more IFISA money, deploying tactics such as extending their tax wrapper to cover more products, offering cashback incentives or embarking on affiliate marketing.

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Kuflink has been digitalising its IFISA transfer-in sign-up process and segregating the IFISA and self-invested personal pension wallets.

In March, Narinder Khattoare, chief executive of Kuflink, told *Peer2Peer Finance News* that the platform was looking at **implementing the tax wrapper on some of its manual, select invest deals** in a few weeks' time.

"It's something we'll be offering shortly after some lenders asked for it," he says.

"The key thing for us is to have that wrapper around individual deals on the select invest side after investors have been asking for it and having more deals available for people in the IFISA. "We average about 18 to 20 deals monthly and we're very active on what we want to offer."



Similarly, Simple Crowdfunding is conducting an internal review in which it is looking at extending its IFISA product range and is also "currently exploring new IFISA opportunities".

"We're working on things, but we can't talk about them yet," says Atuksha Poonwassie, managing director of Simple Crowdfunding.

“Ultimately the priority is the business operating and doing what it needs to do. There are still plans, things are taking a bit longer because the market is still a little weird.”

Elsewhere, Rebuildingsociety is undergoing an affiliate marketing programme with other websites to generate referrals to the platform’s IFISA, and Unbolted is offering a £50 cashback incentive on £1,000 invested through the ISA account with its sister company OnStep Homes.

JustUs is planning on launching P2P residential owner-occupied mortgages called the People’s Mortgage, which will be IFISA eligible, once it has secured the relevant permissions.

Meanwhile, sister company Moneybrain is soon launching an **auto-invest simplified IFISA**.

Lee Birkett, founder of eMoneyHub – the parent firm of both JustUs and Moneybrain – said that he hoped to have launched this simplified IFISA in February but was busy with the group’s future fund and Crowdcube fundraising campaigns, but plans to launch it soon.

However, other P2P platforms have indicated that they will not be changing their approach to promoting their IFISAs this year. This is for a range of reasons, such as being busy elsewhere or preferring not to make major changes amid economic uncertainty.

Read more: **Are retail investors being squeezed out of the IFISA market?**

And some platforms are simply satisfied with their current offering.

New research from *Peer2Peer Finance News* found that the **average target returns for IFISAs in March 2021 was a healthy 8.72 per cent**. According to our research, the average IFISA returns for 2020 were 9.04 per cent, while 2019 saw average returns of 8.45 per cent and 8.3 per cent in 2018.

This proves that IFISA investments have been able to hold their value, despite unprecedented economic volatility. No wonder so many platforms are in no rush to make changes.

LandlordInvest is one of these platforms that is happy with its current offering with chief executive Filip Karadaghi highlighting that transformation does not take centre stage during uncertain periods.

“We did not prioritise the innovation in the ISA product and as such we are happy with our current offering,” he says.

“It’s an uncertain environment and although innovation is not at the forefront, it’s marinating the core functions.”



IFISA innovation may have also stalled due to the lack of competition in the market. A handful of the biggest IFISA providers are out of action this year. These include: Zopa, which has closed new IFISA sign-ups and has fewer loans currently, Octopus Choice, which has permanently closed, The House Crowd, which entered into administration and Funding Circle and LendingCrowd, which have both temporarily paused retail lending while lending under the coronavirus business interruption loan scheme.

Furthermore, one of the largest IFISA providers – RateSetter – closed to retail investment following its Metro Bank acquisition and selling its P2P portfolio to the bank. This has left hundreds of millions of pounds of IFISA money up for grabs, with Assetz Capital and Folk2Folk just two of the beneficiaries of RateSetter transfers.

Folk2Folk has seen 65 per cent of its existing ISA customers coming from transfers-in, including investors from RateSetter, while Assetz Capital has reported that almost 60 per cent of its March transfers came from RateSetter.

“We’re certainly seeing substantial influxes of ISA money from RateSetter and the other two of the big players, Funding Circle and Zopa,” says Stuart Law, chief executive of Assetz Capital. But he added that the platform may have to “put the gates up at some point and limit investment coming in” if demand outstrips supply.

Read more: [How the pandemic has changed P2P lending](#)

Meanwhile, Karadaghi says that LandlordInvest has seen an increase in IFISA inflows recently from other P2P platforms and a few building societies, which shows increased risk willingness.

“The growth is still there,” he says.

“We saw a large transfer-out of cash ISAs previously but now we’re seeing a small trend of IFISA transfers in, showing that lenders are potentially prepared to take more risk.”

In the 2021/22 financial year, several more IFISA launches are expected, demonstrating that there is room for growth in the IFISA market. *Peer2Peer Finance News* understands that FutureBricks will launch its IFISA later this year, while Plend has also indicated that it will launch an IFISA before the end of 2021.

In the meantime, platforms are focused on boosting their transfers, retaining their investors and innovating where possible to ensure that their IFISA offerings remain attractive to retail investors. Platforms are hoping that – like the Euro 2020 tournament – the 2021 ISA season will make up for lost time and spark interest from investors after a challenging year.

Read more: [IFISAs maintain their value despite economic uncertainty](#)



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