

# The Business Finance Guide



## Peer-to-peer lending

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Peer to peer lending is an opportunity for businesses to access loans from online platforms, and can be used for working capital for growth or to finance expansion.

They are suitable for businesses that can demonstrate that they have credit-worthiness and a trading history. It is not suitable for start-ups. The main difference between a peer-to-peer loan and bank lending can be characterised as speed and convenience.

It is possible to apply for a peer-to-peer loan outside normal banking hours, and because they do not have the associated costs e.g. related to bank infrastructure, their rates tend to be highly competitive

A bank's approach to lending is typically quite formulaic and algorithmic, and therefore the loans that banks offer are not necessarily always based on credit worthiness. Peer-to-peer lending is therefore not solely about lending to people that banks have chosen to reject. For example, they may be used by a business that is not able to wait for the period of time it may take their bank to process a loan application

Peer to peer loans tend to be processed in a matter of days or weeks. There are a very significant number of peer-to-peer lending platforms emerging and the sector has been around for about 10 years, doubling year on year ever since the peer-to-peer finance association was established in 2010.

Peer-to-peer loans are offered as both secured and unsecured options.

Most peer-to-peer finance association platforms that offer loans are regulated by the financial conduct authority.

There are links to the peer-to-peer lending companies on the peer-to-peer lending association website.

The association is fully committed to transparency, and requires every platform to publish the information on every loan ever originated. Where a lender provides a significant amount of the loan capital, they may also want to meet with a representative from the business.

It is possible for further loan capital to be raised through peer-to-peer platforms, provided it is shown that it is affordable. Peer-to-peer lending platforms have seen an increasing number of businesses returning to secure additional capital.