

**Lender Terms and Conditions**

**Please note your capital is at risk and interest payments are not guaranteed**

By using the online platform at hnwlending.co.uk you agree to be bound by these terms and conditions

If you decide to become a Lender using the HNW Lending Service, you must comply with these terms and conditions. These terms and conditions should be read alongside, and are in addition to, our privacy policy.

These terms and conditions apply howsoever you decide to access the platform (including through HNW Lending Platform / website or through any mobile device application) and whether you are investing through HNW Lending Ltd – the FCA regulated peer to peer lender, or through HNW LoanCo Trust and HNW LoanCo Ltd which is a non-regulated entity.

Please read these terms and conditions carefully and print a copy for your future reference. By using the HNW Lending Service, you confirm that you have read, understood and agree to these terms and conditions and the privacy policy (each as amended from time to time) and where you're acting on behalf of an LLP, limited company or public body that they agree to these terms and conditions. If you do not agree to these terms and conditions, you must stop using the HNW Lending Service immediately although existing loans through the HNW Lending Service will still continue to be bound by these terms and conditions. As we do not give advice you may wish to discuss these terms and conditions and your loan selection with a professional adviser.

If you are using the HNW Lending Service, agreeing to these terms and conditions or entering into a Loan on behalf of an LLP, limited company, partnership, public body or other separate entity you warrant that you are duly authorised to act on its behalf.

HNW Lending Ltd is authorised and regulated by the Financial Conduct Authority under permission number 712956. HNW LoanCo Ltd and HNW LoanCo Trust are not authorised or regulated by the Financial Conduct Authority

Version issued 24 October 2022

**Contents**

1. Definition of Terms

2. The Agreement

3. The application process

4. The HNW Lending Service

5. The Loan Contract

6. Security

7. Your money

8. Withdrawal

9. Term of this Agreement and Loan duration

10. Fees

11. Valuations

12. Intermediaries

13. Late payments, security and Borrower default

14. Conflicts of interest

15. Variation and assignment

16. Third parties

17. Liability

18. Data protection

19. Notices

20. Complaints and Compensation

21. Interpretation

22. Risks and mitigations for lenders

Lending Agency Agreement

Appendix 1: Investment Instructions

Please read these Terms and Conditions carefully and keep them in a safe place for future reference.

**1. Definition of Terms**

1.1 In this Agreement, the following terms shall have the following meanings:

**"Account"** means the account we open for a Lender so they can view details of their outstanding Loans and the funds associated with that account which are held in HNW Lending’s client account and/or our solicitors or the Borrower solicitor's client account;

**“Agent”** means for regulated peer to peer loans: HNW Lending Ltd (or such other appropriately authorised person as we may appoint from time to time) in its capacity as security holder and agent on your behalf as appointed under the Lending Agency Agreement; or

for non-regulated loans: HNW LoanCo Ltd and HNW LoanCo Trust (or such other appropriately authorised person as we may appoint from time to time) in its capacity as security holder and agent on your behalf as appointed under the HNW LoanCo Trust

"**Borrower**" means a borrower under a Loan and/or the HNW Lending Service;

**“Borrower Facility Amount”** means the total amount the Borrower is requesting. Your Pledge can be for either this whole amount or part of this amount.

"**Collateral**" means the collateral as set out in the Security Agent Instruction or Investment Instruction;

"**default**" refers to when a Borrower has broken one of the terms of their Loan Agreement. In practice this is most commonly when interest is in arrears or when a Borrower has reached the end of their loan term without an extension being approved;

**"Fundraising Period"** means the period of time for which Lenders may make Pledges, beginning from when the Loan is featured on HNW Lending 's website or emailed to a Lender and ending when the deadline set by the HNW Lending Service (whether or not published) expires, if a deadline has been set;

"**HNW Lending**", “us”, “our” or “we” means either HNW Lending Ltd for regulated peer to peer loans and HNW LoanCo Ltd and HNW LoanCo Trust for non-regulated loans, as selected;

"**HNW Lending Service**" means the lending service provided by us to you pursuant to clause 4 and in accordance with the Agreement;

"**HNW Lending Platform**" means the online and /or offline platforms that HNW Lending operate to facilitate its lending services. In practice it is envisaged that both types of loans will be shown on the same website platform, albeit in a format that distinguishes non-regulated and regulated loans and prevents the Lenders from investing in loans not appropriate for them;

**“Instruction”** means either Investment Instructions or Security Agent Instruction as applicable

**"Intermediary"** means any adviser or other professional intermediary that may have directed you to the HNW Lending Service;

**"Lender", “you” or “your”** means someone using the HNW Lending Service as a lender rather than a borrower;

**“Investment Instructions”** means the document you provide to the Trust to confirm your Pledge for non-regulated loans – see Appendix 1;

**"Loan"** means various offers available of which you are able to Pledge for investment.

**"Loan Agreement"** means the standard form of loan agreement, which we will enter into with the Borrower;

**"Loan Amount"** means the amount which the Borrower has requested to borrow under a Loan;

**"Loan Commitment"** means the amount you commit to lend to a particular Loan by transferring monies to HNW Lending’s client account;

**"Loan Period"** means in respect of each Loan the period ending on the date by which that Loan must be repaid;

**"Nominated Account"** means the bank account notified by you to us (from time to time) pursuant to 3.4 as

the account into which you wish to receive payments from us;

**"Online Account"** means the online login you have at the HNW Lending Service website;

**"Pledge"** means the amount which you indicate to us that you wish to lend a particular Borrower, should your Pledge be accepted either by you subscribing for a Loan through the HNW Lending Platform or by you signing and returning a Security Agent Instruction or Investment Instruction in relation to that Borrower/Loan;

**"Property"** means the asset against which a Loan is secured, as described in the relevant Security Agent Instruction or Investment Instruction;

**“Trust”** means the HNW LoanCo Trust of which you shall become a beneficiary as defined within the Trust documents.

“**Secondary Market**” means the ability for Lenders to sell loans to other Lenders before a loan has repaid;

**"Security Agent"** means HNW Lending Ltd (or such other appropriately authorised person as we may appoint from time to time) in its capacity as security holder and Agent on your behalf as appointed by signing the Lending Agency Agreement

**"Security Agent Instruction"** means your instructions to us on the principal commercial terms to be incorporated in a peer-to-peer Loan Agreement; and

**"Working Day"** means a day other than a Saturday, Sunday or public holiday in England and Wales when

banks in London are open for business.

**2. The Agreement**

2.1 Our Agreement with you is constituted by these Terms and Conditions. The Agreement sets out the terms on which we will provide the HNW Lending Service to you as a Lender. The service is provided to you by us..

2.2 If you wish to use the HNW Lending Service and become a Lender, you must comply with these Terms and Conditions.

2.3 If any of these terms and conditions conflict with any term of the Loan Agreement, the Loan Agreement will take priority.

**3. The application process**

3.1 You will be required to register as a Lender through our website: [www.hnwlending.co.uk](http://www.hnwlending.co.uk) or by emailing us. We may accept or reject applications and/or Pledges in our absolute discretion.

*Registration*

3.2 Anybody can apply online for an Online Account. This gives access to a short summary of each of the Borrowers requesting Loans to which you may pledge money. You will be required to provide personal details, an email address and a password to create an Online Account. Our use of your personal details is subject to the terms of our Privacy Policy which is available on our website. If you do not wish to apply online we can transact without using an Online Account, and this is known as an Account. All Online Accounts will automatically have an Account as well.

3.2.1 To be a Lender, you must meet the following criteria:

(a) You must be an individual, LLP, limited company or public body;

(b) If you are lending in your capacity as an individual you must be over 18 years old;

(c) If you are lending in your capacity as an individual you must be a permanent resident of the UK (excluding the Channel Islands and the Isle of Man);

(d) if you are a limited company, you must be registered with Companies House and be incorporated within the United Kingdom (excluding the Channel Islands and the Isle of Man);

(e) If you are an LLP, you must have a permanent place of business in the UK (excluding the Channel Islands and the Isle of Man) and be registered with Companies House;

(f) If you are a public body, you must be registered or formed with the relevant authority in the UK (excluding the Channel Islands and Isle of Man);

(g) You must have, and maintain, a valid UK bank or building society account

Where a prospective Lender does not meet the criteria listed above, the investor may be otherwise permitted to become a Lender by written confirmation from HNW Lending .

3.2.2 As a Lender, you cannot also be a Borrower using the HNW Lending Service with loans outstanding, unless you have made us aware of this fact as this may mean that there are some loans where you are ineligible to be a Lender.

3.2.3 You warrant to HNW Lending that all information provided to us in the course of the registration and lending process is true and accurate in all respects. You will promptly update us if any of the information you provide to us changes.

3.2.4 For peer to peer regulated loans, you will be required to enter into a Lending Agency Agreement in which HNW Lending Ltd will be appointed to:-

* 1. enter into Loans upon receipt of signed Security Agent Instruction;
	2. receive payments in respect of either interest or capital or both due under the Loans;
	3. make payments in respect of either interest or capital or both due under the Loans;
	4. take steps to procure the payment of a debt under the Loans;
	5. exercise or enforce rights under the Loans on behalf of the Lender;
	6. hold any security provided under the Loan on behalf of the Lender;
	7. bring any claim against a professional, such as a professional negligence claim; and
	8. take any other actions agreed in writing between the Agent and Lender.

3.2.5 For non-regulated loans, you will be required to become a Beneficiary of the HNW LoanCo Trust whereby you shall appoint HNW LoanCo Limited to act as your trustee to:-

* 1. enter into Loans upon receipt of signed Investment Instruction;
	2. receive payments in respect of either interest or capital or both due under the Loans;
	3. make payments in respect of either interest or capital or both due under the Loans;
	4. take steps to procure the payment of a debt under the Loans;
	5. exercise or enforce rights under the Loans on behalf of the Lender;
	6. hold any security provided under the Loan on behalf of the Lender;
	7. bring any claim against a professional, such as a professional negligence claim; and
	8. take any other actions agreed in writing between the Agent and Lender.

3.2.5 There are no fees payable to be accepted as a Lender using the HNW Lending Service.

*Identification*

3.3 We will need to identify you before accepting a Pledge by conducting identity and fraud checks on you and (if you are a company) your directors and beneficial owners. If we cannot obtain adequate information from third party sources then we will ask you to send us copies of the relevant identification documents. If you do not provide all appropriate identification documents when requested then you will not be able to lend on the HNW Lending Service. We may accept or reject your application to become a Lender at our absolute discretion.

3.4 You must provide us with the account details of the bank account from which you intend to make and receive payments. Your Nominated Account must be in the same name as the person who is registered with us and must be held with a bank within the European Economic Area or such other jurisdiction as is acceptable to us. You may change your Nominated Account to another qualifying account by notice to us in writing.

*Making Pledges*

3.5 You will be able to view the available Borrowers requesting Loans once you log in to our website and set the criteria for the loans that interest you (such as the value of Loans you wish to make, length of loan, type of collateral, location of collateral, loan to value). You will then also be able to see the documents that have been uploaded to the website that relate to that Borrower. Alternatively, you can ask for this information to be emailed to you.

3.6 Once we have done our ‘know your customer checks’ you will be able to make Pledges to Borrowers. This is done by subscribing online. By prior arrangement we may also allow you to Pledge by filling out the relevant Instruction and signing and sending it to us. You will be able to increase your Pledge to a Borrower, should you wish to do so by signing a further Pledge. Should you make a Pledge after the Borrower Facility Amount has been reached, you will be placed on a waiting list for the Borrower. If you have made a Pledge before the Borrower Facility Amount is reached, but either the amount of your Pledge (when added to all sums already pledged) would exceed the Borrower Facility Amount) or you notify us that you wish to increase this Pledge after the Borrower Facility Amount was reached, the increased portion of your Pledge will be placed on the waiting list for the Borrower.

*Funding Pledges*

3.7 Loans will be allocated to Lenders on a first come, first served basis, by reference to the order in which the pledges are made or the signed Instruction are received. You will be notified if your Pledge is not accepted.

3.8 You will then have 3 working days from the date of us receiving your online Pledge or signed Instruction in which to transfer the funds into HNW Lending’s client account, as directed by us. The HNW Lending client account is a segregated client account currently held at Barclays Bank Plc. Funds deposited by you into HNW Lending's client account remain your money until lent to a Borrower in accordance with your instructions and will be identifiably separate to any other client funds. Similarly, we will promptly deposit in the HNW client account all funds received by a Borrower in respect of your Loan, save for any amounts due to us. You should ensure that you quote your surname and initials as well as your HNW Lending account number in the transfer details so that we can recognise your payment. Transfers will be deemed to be complete only when cleared funds are received into the relevant bank account.

3.9 If we have not received your funds within those 3 working days, your Pledge will lapse and you will be placed on the waiting list for the Borrower requesting Loans.

3.10 You may deposit monies in HNW Lending's client account (details of which will be provided to you) and you direct us to apply those funds to satisfy your Pledges. However such monies will not earn interest unless and until the money is drawn down.

*The waiting list*

3.11 If, within 3 working days of the Borrower Facility Amount being reached, there is a shortfall between the total amount of Pledges made and the total Loan Commitments received, Lenders will be given the opportunity to make up the shortfall by making a further Pledge.

3.12 If you transfer funds after the 3 working day period referred to in 3.8 or 3.11 or any portion of your Pledge is placed on the waiting list or if for any other reason some or all of your money is not accepted, we will notify you and seek your directions in respect of the uncommitted money. In the absence of instructions from you, the money will be retained in HNW Lending’s client account pending your future instructions. You may instruct us to return uncommitted money that is not subject to a Pledge to your Nominated Account at any time and we shall instruct our bank to transfer such monies (in accordance with your directions) on receipt of your instructions.

*Successful and unsuccessful fundraises*

3.13 If the Borrower requesting a Loan does not reach the Borrower Facility Amount or HNW Lending or the Borrower does not proceed to loan completion, the Borrower’s request will be withdrawn from the HNW Lending Platform and any Pledges which you have made will be cancelled and you will be notified accordingly.

3.14 Once you have advanced funds in respect of a Pledge which has been accepted you will not be entitled to a return of your funds otherwise than in accordance with the Loan Agreement. However, HNW Lending may be able to help you sell your Pledge to another Lender should you wish using the online Secondary Market.

**4. The HNW Lending Service**

4.1 HNW Lending enables you to lend to Borrowers via the HNW Lending Platform. In practical terms, lenders club together to make a loan direct to a borrower, so lenders lend direct to a borrower and not to HNW Lending.

4.2 Loans will be secured by collateral as set out in the Instruction. For property loans, this will normally be by a first legal charge or a second legal charge over a property. For non-property assets (eg cars, gems, fine wine) this will normally be via a pledge or chattels mortgage over the asset and the asset being taken from the Borrower and being stored in a third party storage facility under the control of HNW Lending as agent for you.

4.3 We have strict lending criteria and will carry out due diligence on behalf of Lenders in respect of all Borrower's requests for Loans before featuring them on the HNW Lending Platform. The loan risk is generally assessed by reference to the asset and loan to value, but we also take into account the credit risk of the borrower themselves. We aim to obtain a RICS ‘Red Book’ valuation for each property being used as collateral or a third party valuation for non-property assets and to upload this to the website. However this will not be obtained for all loans, especially where the loan to value is below 50%. In addition we will do a check to ensure that all borrowers are not bankrupt at the time money is lent to them as otherwise we judge that they are not eligible for a loan.

4.4 Each Lender must form their own opinion regarding the creditworthiness of a borrower and undertake their own research, analysis and assessment of each Borrower for each loan and, where appropriate, seek their own independent financial advice. If you require any document that is not uploaded to the HNW Lending Platform, then you may request this from us by email of for it to be uploaded to the HNW Lending Platform

4.5 If your Pledge is successful, we will make available to you copies of the executed documents pertaining to your Loan, once these have been executed by all parties, and in advance of any sums being drawn down, drafts of these documents

4.6 As part of the HNW Lending Service, we shall:

(a) carry out due diligence on all Borrowers requests for Loans prior to making them live on the HNW Lending Platform or accepting Instruction;

(b) provide full details of all Borrower requests for Loans made available for you to make Pledges against, including but not limited to, valuations, the Loan Agreement and the security documentation;

(c) enter into Loan Agreements with Borrowers as agent on your behalf on the terms of the Lending Agency Agreement and Loan Agreement provided;

(d) facilitate the payment and collection of sums due under or in connection with the Loan Agreements (including taking certain actions on behalf of Lenders upon a Borrower's default or if the Borrower becomes, or is likely to become, insolvent as set out in these terms and conditions);

(e) if necessary, act as Agent in order to take security on the Borrower's assets and attend to the recovery of any debts owing/sell the Property and distribute the proceeds as set out in the Loan Agreement. However, due to SIPP regulations, this will not extend to becoming a mortgagee in possession (as may be allowed in the security documentation). In these cases, HNW Lending as agent will appoint an LPA receiver to become mortgagee in possession;

(f) arrange for any capital and interest payments due under a Loan to be collected and paid to you when due; and

(h) report to you in accordance with this Agreement.

4.7 By transferring funds to us, which you may only do by bank transfer, you acknowledge and accept the terms of the Loan Agreement (as supplemental by the Instruction) and consent to HNW Lending entering into the Loan Agreement incorporating the terms of the Instruction as Agent on your behalf. Cash deposits are not accepted. It is important that you quote your HNW Lending account number and your surname and initials in the narrative. No interest will be earnt on funds held by HNW Lending until they are used to fund a loan.

4.8 HNW Lending does not provide any advice or recommendation to enter into a particular Loan. Lenders are hereby made aware that they might have to comply with the requirements of the CCA 1974 and CONC if they lend by way of business or in the course of a business, and that they might be subject to various obligations. Similarly if a Lender takes an assignment of a CCA regulated loan, then the Lender will become subject to those duties.

4.9 To ensure the continued administration of Loans in the event of our insolvency, we have put aside £50,000. This is to be used to ensure an orderly wind-down of the HNW Lending business and ensure all remaining loans can be serviced as required by an administrator or receiver during that wind-down process. This £50,000 will be topped-up in accordance with the FCA’s capital adequacy requirements as HNW Lending’s business grows. It should be noted that as HNW receives a profit share each time a loan is repaid in full, the party dealing with the wind-down would receive this fee instead and therefore would be incentivised to collect payments on behalf of Lenders and pass them on to Lenders.

4.10 In the event HNW Lending is wound up, HNW has arranged for a firm of licensed insolvency practitioners, CRG Financial Recovery Limited to ‘step into the shoes’ of the current Directors of HNW Lending so that the platform should continue to function as before and client money will remain protected in a FCA CASS-compliant client account. HNW has entered into an arrangement with 2 staff employed by an affiliate of this firm of LPA receivers such that they spend a number of hours each week working for HNW so that they are familiar with HNW’s systems and mode of operation such that they could step in and run the business if required. Their role at HNW involves liaison with the origination of loan agreements, interest collection and enforcement action so that they have experience in all aspects of HNWs business. You are entitled to know the name of this firm and this is available on request along with further details of our wind-down arrangements. In a wind-down situation as lenders are ‘clubbing together’ to lend direct to a borrower, they could choose to service and enforce a loan themselves or using another external provider, subject to liaising with the LPA receiver.

4.11 The FCA requires us to explain to lenders that there is a risk of the possibility that in the event of the platform’s failure:

• P2P agreements may cease to be managed and administered (essentially leaving investors to recover repayments directly from borrower(s))

• because of the specific provisions in article 36H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, any third party involved in the continued management and administration of the P2P agreements after the platform fails may not be subject to the same regulatory regime and requirements as the platform, and the resulting possibility that regulatory protections may be reduced or no longer available. A practical example of where regulatory protections might change is if the loan management service were to transfer to a firm that is not authorised as a P2P platform operator, but is authorised to carry on debt administration and debt collection. In this scenario, the client money rules would not apply and the conduct of business requirements would be different

• the likelihood is that the majority of balances due to the investor are repayments yet to be made by borrowers. Such future payments do not fall under the definition of client money. So if the platform fails a lender’s entitlement to any client money held by the platform would not include repayments that the platform has not yet received from borrowers

4.12 The HNW Lending Service can also be used to search for loans that are listed for sale by existing Lenders, which you can make a Pledge to purchase. This is known as the Secondary Market. Similarly you may contact us so that we can list one of your loan parts if you wish to sell it if you cannot do so yourself online.

4.13 HNW Lending operates a service whereby investors can diversify across a range of loans by investing in the “Auto\_Invest” facility.

* The Auto\_Invest facility is designed to give diversification and automatically re-invest interest and capital as well as provide an added layer of protection against losses.
* The loans in which it invests will all have a Director's first loss tranche in line with the remainder of the loan available for investment on the HNW Lending platform.
* There is one extra feature designed to help protect investors against interest or capital losses. The Auto\_Invest facility pays interest out at a slightly lower interest rate than some of the loans it invests in. For example, this facility could invest in a loan that pays investors an interest rate of 12%. This means that each quarter the interest surplus from some loans should accrue and this can be used to ‘plug any gaps’ where borrowers have paid interest late or any capital shortfalls, should they occur. This gives this facility an extra layer of protection that other loans do not have.

HNW Lending only runs one Auto\_Invest facility and this can invest in loans in any of the categories of borrower by credit risk. In addition, some of the loans in the Auto\_Invest facility may be in default at the time you invest in the Auto\_Invest facility.

4.14 Loans within the Auto\_Invest facility will be re-priced where appropriate in line with our re-pricing procedure such that where a lender is seeking to sell their investment in the Auto\_Invest facility, it is done at a fair and appropriate price

4.15 New loans can only be bought by the Auto\_Invest facility if they are in current or in 0-30 days arrears and available for purchase by other lenders on the platform and will be bought on the same terms as made available to other lenders. This is to protect investors against the risk that ‘bad’ loans are dumped into the Auto\_Invest facility. Loans will be chosen on the basis of the amount available (generally the larger the amount available for purchase, the more the Auto\_Invest facility will purchase) and date order (with loans that completed first being taken in preference). However this can be modified in order to ensure diversification within the Auto\_Invest facility and will be at the absolute discretion of the management of HNW Lending.

**5. The Loan Contract**

5.1 Once a loan request has met the Borrower Facility Amount, we will enter into a Loan to the Borrower on your behalf as your Agent with your pledge, in accordance with our terms and conditions, the relevant Instruction and the Loan Agreement. Your money is then transferred from your Account either directly to the Borrower or, more commonly, to HNW Lending's solicitors for onward transmission to the Borrower or its solicitor's client account.

5.2. The first time you Pledge money on a Loan or purchase a loan part you will be deemed to have accepted these terms and conditions. These terms and conditions may be changed from time to time insofar as they relate to Loans entered into after the date of such change and we encourage you to log into your account to review the current terms and conditions for each Loan prior to pledging money to it.

5.3 If you purchase a loan part from another Lender, we will procure the novation of the relevant Loan Agreement with the relevant Borrower to you subject to which your money will be transferred from your Account to the Account of the transferring Lender. These terms and conditions will apply to that part loan purchased from another Lender.

5.4 Each time you purchase or sell a loan part, you will be asked to commit online using anInstruction and/or sign a sale form addressed to us which will detail the terms of your purchase or sale.

5.5 In all Loan Agreements and loan transfer documentation we will quote a Lender's address as being "c/o HNW Lending Ltd" or “c/o HNW LoanCo Ltd“ as appropriate and state HNW Lending's postal address. Each Lender agrees that all notices and communications given to it by a Borrower may be sent to HNW Lending on their behalf. We shall promptly on receipt of any notice served on us (as your agent) send a copy to you but only where we feel at our absolute discretion that this is necessary.

**6. Security**

6.1 Where the Instruction indicates that a Loan is to be secured, the security will be held in the name of the Agent. In the event that a Borrower fails to make a payment when due or defaults in meeting any material obligations of the Loan, you agree that in addition to us taking steps to collect the outstanding debt we may enforce any such security on your behalf.

6.2 You agree that HNW Lending will act on your behalf in respect of the Borrower's liabilities to you under each loan. All communications to a Borrower in connection with any such security will be made by us.

6.3 Where we have been provided with information by a relevant Borrower, we may provide to you as Lender certain information about the assets of that borrower and/or an asset register detailing such assets together with estimated forced re-sale value of such assets on enforcement. In such circumstances, any asset valuation provided will be indicative of the value of the asset or assets only and realisation on enforcement in connection with the sale of such asset or assets may be lower (or higher) than the value set out in the asset register.

6.4 We are irrevocably appointed by you to hold the assets charged under any security upon trust for you. From time to time the Agent may perform (before or after any enforcement under the terms of the security) all obligations, rights and benefits given to the Agent by any all assets security agreement, assignment, legal mortgage and/or chattels mortgage and by any future security that the Agent may take in respect of the debt due under the loan or under any document entered into pursuant to such all assets security agreement, assignments, legal mortgage, chattels mortgage and/or future security. The Agent shall have certain powers and discretions conferred upon trustees and may also rely on (i) any representation, notice or document believed by it to be genuine correct and appropriately authorised and (ii) any statement made by any director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

6.5 Where the Agent holds an all assets security agreement, an assignment, a legal mortgage or a chattels mortgage in respect of one or more loans or the liabilities of a particular borrower, that all assets, security agreement, assignment, legal mortgage or chattels mortgage will generally operate to secure all monies due from that Borrower to Lenders from time to time.

6.6 If the Agent is required to enforce any security agreement, and any proceeds of recovery become available (after allowing for all of the Agent's costs of enforcement), it is possible that the available proceeds will not be sufficient to discharge all obligations owed by the Borrower at that time to Lenders. If that is the case, then the Lenders shall only be entitled to recover their proportionate share of such recoveries. In addition, it is possible that there may be other creditors of the Borrower that have claims that may be recovered in priority to those of the Agent and the Lenders, so the existence of such an all assets security agreement, assignment, legal mortgage and/or chattels mortgage should not be considered to be a guarantee of certain repayment in the event of failure by the Borrower in meeting its payments.

6.7 You agree that the Agent shall be entitled to be repaid and reimbursed out of the proceeds of any recovery under any all assets security agreement, assignment, legal mortgage and/or chattels mortgage. HNW Lending will pay all reasonable costs incurred by or on behalf of the Agent in enforcing the security or in complying with any instructions from you in connection with any security agreement. You agree that HNW Lending will be entitled to first recover payment of such costs out of the proceeds of any recovery.

6.8 For regulated peer to peer loans, HNW Lending is required to give you a fair description of the likely actual return on your investment, taking into account fees, default rates and taxation. Therefore as well as the 'Interest Payable to the Lender' (or similar) box on each Security Agent Instruction, HNW Lending will display a further figure labelled “Likely Return” (or similar) which is HNW Lending’s best estimate of the likely return to lender taking into account past performance of other loans in that class including any shortfalls of interest or capital paid to lenders. For a basic rate taxpayer where 20% tax is deducted, a further fair description of the interest rate payable to lender would be the rate as displayed in the ‘Likely Return’ (or similar) box less a further 20% of that number for tax. For a higher rate taxpayer where 40% tax is deducted, a fair description of the interest rate payable to lender would be the rate as displayed in the ‘Likely Return’ (or similar) box less 40% of that number for tax. However it should be noted that HNW Lending Ltd is not required to deduct tax and so you will be paid the interest rate as per the 'Interest Payable to the Lender' (or similar) box on each Security Agent Instruction. We are not allowed to give tax advice, but in normal circumstances for individuals, you would put the interest income from HNW Lending on your tax return as “Gross interest income received” and pay tax on it at your marginal tax rate – so a tax payer paying tax at 20% would pay £20 in tax for every £100 of interest income received from HNW Lending and a 40% tax payer would pay £40 in tax for every £100 of interest income received. Normally any capital losses would be treated as netting off against interest received and so act to reduce your tax bill.

6.9 For regulated peer to peer loans, HNW Lending is required to give you a description of how loan risk is assessed, including a description of the criteria that must be met by the Borrower before HNW considers the eligible for a loan. This is a complicated process and full details are available in our document titled "Creditworthiness Assessment Procedure" which is available on request. However some of the most important points are as follows:

* we ensure that the commitments under the P2P agreement will not adversely impact the borrower's financial situation and do our best to ascertain that the borrower will be able make repayments as they fall due over the life of the agreement with the repayment strategy being realistic and achievable
* we ensure that the loan to value of the asset being offered as collateral meets our loan to value criteria and arrange for a suitable valuation as required to enable us to assess this
* where the loan is for business purposes, we collect sufficient evidence that the loan is indeed for business purposes
* we check that none of our 'red flags' that indicate that we will not lend are not present, for example where we suspect money-laundering may be involved

6.10 For regulated peer to peer loans, a creditworthiness assessment of the Borrower is carried out for each loan.

**7. Your money**

7.1 As set out in Clause 3, once we notify you that your Pledge has been successful, you will be required to transfer funds to HNW Lending’s client account. Details of the relevant accounts will be provided to you and may vary depending on the type of Loan. The names of the HNW Lending client account shall make it clear that the account is held for the benefit of the relevant Lender and that the monies in that account belong to the Lender and should not be paid out to general creditors of HNW Lending in the event of our insolvency.

7.2 We will claim and account for all repayments, interest and other payments or entitlements received and due to you and promptly upon receipt pay them into your Nominated Account. To the extent that any interest accrues on any money held by us, this will be retained by us.

7.3 The Instruction will set out how frequently interest is to be paid by the Borrower under the Loan. The rate of interest will also be set out in the Instruction as will any other payments due to Lenders. HNW Lending will transfer the relevant amounts received from Borrowers to your Account as soon as practicable after receipt. You can choose for HNW Lending to retain the amounts received in your Account or pay them to you. If you elect for these to be paid to you we will promptly instruct our bankers to transfer the relevant sums to your Nominated Accounts.

7.4 The amount of capital which you have lent will be repaid in full into your Account at the end of the Loan term as soon as practicable after receipt, provided the Borrower has repaid it to HNW Lending’s client account. You can choose for HNW Lending to retain these amounts in your Account or pay them to you.

7.5 There may be occasions where the Borrower has not made a payment as it falls due. Please refer to the clause Late payments, Security and Borrower default.

7.6 Payments of interest and capital will be made into your Account unless you direct us to pay them elsewhere or direct us to use them to fund future Pledges.

7.7 After termination of this Agreement, we will arrange for all sums held for you to be paid into your Nominated Account. If we are unable to trace you to make such payment within 6 years we may pay your money to a registered charity of our choosing.

7.8 At the expiry of the term of a Loan, the Borrower may choose to refinance by making another request for a loan or a loan extension. In the case of a new loan, we will contact you and ask if you wish to continue supporting the Borrower by making a Pledge to the new request. If you do choose to do so, and your capital has not already been repaid, you will not be required to fund this replacement Pledge. If your new Pledge is larger than the prospective redemption amount you will just be required to fund the additional funds required. If the borrower requests a loan extension, our general policy is to recommend a loan extension to investors if:

a) we do not believe the collateral has changed for the worse in any material way

b) interest payments are up to date

c) the borrower has had a history of paying interest pretty much on time

d) the reason for the loan extension makes sense

e) the exit strategy continues to make sense

Lenders will be asked to vote on whether they wish to accept the loan extension and if the majority of lenders (by value of their holding) accept the loan extension then the loan extension will be granted. Any lenders who voted against the extension will be bound by the loan extension but can then choose to sell their loan participation on the Secondary Market.

7.9 If you wish to change your Nominated Account, you may only do so to another account in your name with a credit institution based in the European Economic Area or such other jurisdiction as is acceptable to us. You will need to provide adequate third party proof to satisfy our anti-money laundering requirements before any sums are paid into your Nominated Account.

7.10 We will notify you if and to the extent that income tax is to be deducted from interest payments made to you by the Borrower in your account reports. It is your responsibility to account for any income tax and other personal taxes that may be payable to the appropriate authorities. Where we make a tax deduction (or any payment required in connection with that tax deduction) which is required under the relevant tax law, we will provide you with a certificate (or other reasonably satisfactory evidence) that such tax deduction has been made or an appropriate payment has been made to the relevant taxing authority.

7.11 HNW has elected to treat all client monies for all loans, including those related to business to business loans as client money as defined by the FCA and applies the FCA rules to its treatment of all client monies, including keeping all client monies in segregated client accounts. When a loan is about to start, funds move from HNW’s client account to a solicitor and then on to the borrower’s solicitor and then on to the borrower. When lender funds move from HNW’s client account to a solicitor’s client account they are no longer covered by HNW’s client money responsibilities but instead fall under the client money responsibility of the solicitor to whom they have been sent.



7.12 The waterfall of payments for interest payments will be as follows so long as the borrower is not in default or if payments being received are likely in HNW’s opinion to be sufficient to pay lenders’ interest in full:

1. Lenders interest
2. Directors First Loss interest

7.13 If the borrower is in default and if payments being received are unlikely in HNW’s opinion to be sufficient to pay lenders’ interest in full then HNW may cease paying interest to lenders. When / if the capital is returned to lenders the waterfall will be as follows:

1. Third party costs incurred by HNW to enforce the loan (such as solicitors, bailiffs, LPA receivers)
2. Capital for lenders on first loan (eg Salami 1)
3. Capital for First Loss Tranche on first loan (eg Salami 1)
4. Capital for lenders on second loan (eg Salami 2)
5. Capital for First Loss Tranche on second loan (eg Salami 2)
6. Repeat for any further loans if any are in existence (eg Salami 3, Salami 4)
7. HNW Arrangement fee
8. Interest for all lenders on Salami 1 (pro rata based on each lender’s proportion of the loan and includes First Loss Tranche)
9. Interest for all lenders on Salami 2 (pro rata based on each lender’s proportion of the loan and includes First Loss Tranche)
10. Repeat for any further loans if any are in existence (eg Salami 3, Salami 4)
11. HNW margin

7.14 If HNW is unable to pay interest in full to lenders then any existing interest paid to date to date will be cancelled (and replaced with the amount of interest that can be paid) on the day the capital repayment is credited. If there is a loss to capital then although the lender capital will be repaid in full a separate entry will be made on lender statements to show the amount of capital loss

7.15 In rare circumstances where there is a total loss of capital and interest, HNW reserves the right to claw back any interest that was paid to lenders before enforcement ceased. However, so that a lender’s account cannot become negative, this will be done as and when further interest or capital payments are due to that lender.

7.16 The amount of money for the waterfall is calculated by adding the sales proceeds of the collateral, all interest and other receipts from the borrower and the HNW arrangement fee

**8. Withdrawal / Selling loan parts**

8.1 Our Pledge system means that you will not be required to transfer funds until just before a Loan is made to a Borrower.

8.2 You should only make a Pledge to a Borrower where you intend to make a Loan. If you have made a Pledge but then decide that you do not wish to make a Loan to that particular Borrower, you should notify us as soon as possible, in order for us to find a Pledge from an alternative lender to ensure that the Borrower does not miss out on funding.

8.3 If you decide not to make a Loan after your Pledge has been accepted and we have notified you of this, you should let us know soon as possible.

8.4 If you do not honour your Pledge, we will take this into account in determining whether we continue to accept new Pledges from you. We aim to provide a degree of flexibility to Lenders who, with good reason, amend their Pledges before the Borrower Facility Amount has been met. However, we strongly discourage you from failing to fund a Pledge.

8.5 If you would like access to the money you have lent before it has been repaid, you may sell your loan parts to other Lenders using the Secondary Market on the website. Alternatively if you are unable to do this, then please contact HNW’s office by email so that the necessary form can be sent out to you. You will be asked to state how much of the loan you wish to sell and at what price. HNW will then communicate your sale request to other Lenders via it being listed on the ‘secondary market’ pages on the website and may also email specific lenders who might be interested. HNW will report back to you on the progress and confirm whether a sale has been concluded at the price set or whether you may need to adjust that price to achieve a sale.

8.6 Typically, other Lenders will expect a discount of 1% to 5% of the outstanding principal value of each Loan part that you decide to sell, although the discount could be higher, for example if the loan is in default or expected to go into default.

8.7 The sale price for Loan parts will be the outstanding principal amount lent plus the premium or discount you may choose to apply to the Loan parts plus any interest accrued but not yet paid into your Account in respect of the loan. You will be paid interest until the date of sale (subject to it being paid by the Borrower. After the sale date, interest will accrue to the purchasing Lender.

8.8 If you sell loan parts, the sale proceeds will be transferred to your Account from the buying Lender's Account after deduction of the HNW Lending loan part sale fee of 1.5%.

8.9 A sale is never guaranteed as this is dependent on whether another Lender wants to purchase the loan.

8.10 Should you wish to sell a loan part then by filling in the Sale Form you undertake to sell / assign your loan part to another lender at the price stated on that form unless you have withdrawn that request prior to the sale having taken place.

8.11 A buyer of a loan part will need to fill out the Instruction as normal but will be advised on this form of any discount being applied to the loan part being purchased. If there is no mention of a discount then the loan is being purchased at 100% of face value. In all other respects a pledge to purchase on the Secondary Market is the same as a pledge to a loan before the loan commences.

8.12 HNW Lending will monitor sales to ensure that if a buyer is buying into a loan with more than 0-30 days of default they are aware of the arrears and any enforcement action taken or likely to be taken so that they can make an informed choice as to whether they wish to proceed with the purchase. In practice that may mean that it is hard to sell a loan with more than 0-30 days arrears.

8.13 HNW Lending will not transfer a loan from one lender to another lender without involving either investor in that decision.

**9. Term of this Agreement and Loan duration**

9.1 This Agreement shall come into effect on the date you make a Pledge and will continue until either party notifies the other in writing that you are to be de-registered. Such notification will take immediate effect, subject to the terms of this clause.

9.2 This Agreement may not be terminated whilst you have Loans which are outstanding. Termination of this Agreement will not entitle you to withdraw from the Loans to which you are committed and you should therefore think carefully before making any Loan Commitments.

9.3 We will commit your money to Loans on the terms of the relevant Instruction and Loan Agreement. The Loan Agreement may be amended from time to time. The expected duration of the Loans will be set out in the Loan Agreement and the Instruction.

9.4 Borrowers sometimes need flexibility. For example in some cases the Loan Agreement may allow for further drawdowns, for example once certain milestones have been reached. These will be set out in the Instruction.

9.5 There is always a risk that a Borrower may take longer than the Loan Period to repay their loan and so your money may be committed for a longer period of time. If your money is committed to a Loan for longer than the Loan Period, you will continue to receive interest at the rate as specified in the Instruction after the expiry of the Loan Period. In our experience, the majority of Borrowers pay back late, so you should typically work on the basis that your funds could be committed for 6-12 months longer than the Loan Period.

9.6 A Borrower may seek to refinance through HNW Lending. We will contact existing Lenders to inform them of such an eventuality and give them an opportunity to partake in the refinancing. If existing Lenders wish to partake in this new lending, this may be done through re-cycling repayments of interest and capital as well as committing new funds to this new loan.

9.7 We may terminate your membership of the HNW Lending Platform and/or prevent you from applying to make new Loans at any time and at our sole discretion, including but not limited to, where:

(a) you breach the terms of the Agreement;

(b) we suspect that you have committed fraud, been involved in money laundering or other criminal activities or have used the HNW Lending Platform for any such purposes;

(c) you use the HNW Lending Platform in any way that causes, or is likely to cause, the HNW Lending Platform or access to it to be interrupted or damaged in any way;

(d) you send or use any material on the HNW Lending Platform that is illegal, offensive, abusive, indecent, defamatory, threatening or obscene, or in breach of copyright, trademark, confidence, privacy or any other right; or which consists of or contains software viruses;

(e) you use the HNW Lending Platform or any information accessible on or obtained from it for the purpose of soliciting any person or enticing any person away from HNW Lending;

(f) there is no activity in your Online Account or Account within a 12 month period and you have no Loan commitments outstanding.

9.8 We may:

(a) immediately and without notice where we believe it to be desirable for legal or regulatory reasons (for example if we suspect you of money laundering); or

(b) upon giving you at least 30 days' written notice for any other objective reason,

suspend your account and attempt to wind-down your existing Loans by novating your Loan Commitments to alternative Lenders.

9.9 Termination will not affect accrued rights or any contractual provision intended to survive termination.

**10. Fees**

10.1 Our fees are charged to Borrowers rather than to you as a Lender. The basis of charges made to the Borrower will be set out in the Loan Agreement. Typically HNW Lending receives some up-front fees from the Borrower, a share of the interest received throughout the period of the loan and early repayment charges if applicable. The up-front fees are used to pay solicitors costs and disbursements as well as broker commissions and an arrangement fee for HNW Lending.

10.2 HNW Lending does not charge any fees directly to you, other than as listed in this Section 10, so if we state on the Instruction that you will receive 10% interest per year, you will receive 10% interest per year (unless we are required to withhold any taxes or the Borrower fails to pay)

10.3 If you decide to sell a loan part, HNW Lending will also charge a Loan Part Sale Fee of 1.5% of the total outstanding principal value of each loan part sold. This will be deducted from the sum received from the buyer and the remainder credited to your Account.

10.4 If you transfer an ISA in whole or in part out of HNW Lending to another ISA provider, HNW Lending will charge a flat fee of £75 per transfer which will be deducted from the funds to be transferred.

10.5 If you request a transfer of cash from your account at HNW Lending to your own bank account of less that £500 then HNW Lending will charge a flat fee of £5 per transfer which will be deducted from the funds to be transferred. There are no fees for transfers above £500. There is also a charge of £5 per transfer for more than one transfer in any one calendar month unless the amount requested is over £10,000.

**11. Valuations**

11.1 The value of the Collateral against which each Loan is secured will normally be determined prior to the time of lending. This is to give guidance to Lenders that if a loan defaults how much the collateral might be expected to sell for so that Lenders can make their own assessment as to whether their capital and any interest arrears can be recovered.

11.2 For property loans, we will normally use prices supplied by a firm of surveyors with appropriate Professional Indemnity Cover with a reputable insurer. Where possible we aim to use a panel firm used by other property lenders who will have checked the Professional Indemnity cover is sufficient and will appoint a surveyor who lives within 25 miles of the property to be valued. If the Loan is being used to fund a development, we will also obtain updated property values and development reports during the term of the Loan, on the basis that the funds will be made available to the Borrower on completion of key stages of development of the property. We will not generally obtain updated property values during the loan period of any other property loans on the basis that Borrowers will be required to undertake not to carry out any works that may diminish the value of the property under the Loan Agreement. Any valuations will be made available to you.

11.3 If we believe that the overall market related to the asset (eg property or cars) has begun to fall or the value of the asset may have otherwise decreased, we will aim to undertake a valuation to determine whether the loan to value benchmark has been breached. If the loan to value benchmark has been breached and this breach is not cured by the Borrower (for example by repaying part of the loan to bring the loan to value down to within the benchmark), then HNW Lending is likely to put the Loan into default and start enforcement action.

11.4 For loans on other assets, we will normally use prices supplied by a third party valuer specialising in the valuation of that asset with appropriate Professional Indemnity Cover with a reputable insurer. We will not generally obtain updated values during the loan period unless there appears to be a material downward move in the marker for that asset that cause us concern as to whether the loan to value covenant set out in the Loan Agreement might be breached. Any valuations will be made available to you.

11.5 We will keep an account of:

(a) the number and value of Loans you have made and interest and capital received in that tax year (including outstanding and completed Loans);

(b) the duration, interest rate and the initial and outstanding loan amounts of each outstanding Loan;

(c) the loan term remaining on outstanding Loans;

(d) the total sums outstanding.

These will be available to you as and when requested

11.5 If requested, we will provide an annual statement of interest earned for tax purposes.

**12. Intermediaries**

12.1 Should you choose to employ the services of an Intermediary, your Intermediary is responsible for disclosing to you their fees that relate to the advice or service that they gave to you in respect of your lending activities and your decision to make a Loan.

12.2 We may pay a commission to your Intermediary but will disclose this to you should you request this.

**13. Late payments, security and Borrower default**

13.1 In the event of a Borrower default, HNW Lending will pay any required costs of enforcement up-front and then seek to recover them from the sale proceeds of the Collateral and the Borrower.

13.2 To the extent that HNW Lending has taken any fees or profit related to this Loan, HNW shall apply such funds first to pay the costs of enforcement and then to recompense Lenders if they have received back less than the initial value of their Loan

13.3 You agree that in some circumstances and depending on the type of Loan, it may be necessary for us to step in to protect your interests in relation to the Loan. There may be occasions where the Borrower has not made a payment as it falls due. However this is not always indicative that the Loan will not repay in full. For example, a property developer who is refurbishing a property to sell may have underestimated the time necessary to complete the refurbishment. HNW Lending will generally contact the Borrower about a month before the loan end date to discuss the situation and this should highlight any potential issues. HNW Lending will communicate issues to you, along with a recommended course of action and seek feedback from you where appropriate. As a result of this feedback the course of action may change. In general the courses of action available are:

(a) Take a partial repayment from the borrower to reduce the loan to value and agree a repayment plan for the remaining balance (normally at a higher interest rate)

(b) Allow the borrower a loan extension

(c) Take extra collateral (eg a charge over an additional asset)

(d) Commence steps to take possession of the asset in order to sell it

(e) Enforce the personal guarantee

The course of action chosen will generally be the one that HNW considers the most appropriate in the circumstances. However where a lender decision is felt necessary, such as for a formal loan extension, lenders will be emailed and asked to vote. The action taken will be that as voted on by the majority of lenders (based on % of the loan held) unless the debt collection agency appointed to enforce the loan feel that this course of action would prejudice the recovery of the loan.

It should therefore be noted that if one lender was to vote to commence enforcement action but the majority of lenders voted to allow the borrower a loan extension, then the borrower would be given a loan extension. The options then open to that lender would be either to accept the loan extension or to sell their participation on the Secondary Market

13.4 In the event that we determine that enforcement is required, HNW Lending will normally pay the cost of enforcement and will recover these from the redemption funds realised before lenders are then repaid. If HNW Lending is in wind-down, or for any other reason is not paying the costs of enforcement, then HNW will request funds from the lenders on that loan, pro rata to their holdings, to allow it to facilitate enforcement on their behalf, and if funds are not forthcoming then HNW Lending may look to seek litigation funding.

13.5 As a result of HNW Lending stepping in to ensure the repayment of a loan you may receive interest at a higher rate of interest. If this is the case, this will be set out in the Instruction

13.6 The Borrower's obligations under the Loan Agreement will normally be secured by a first legal charge or a second legal charge over a property. For non-property assets (eg cars, gems, fine wine) the security will normally be via a pledge or chattels mortgage over the asset and the asset being taken from the Borrower and being stored in a third party storage facility under the control of HNW Lending.

13.7 HNW Lending will normally also ask that a personal guarantee be provided by a director of the Borrower, if the Borrower is a company rather than an individual. Where the Borrower is an individual the Borrower is de facto giving a personal guarantee.

13.8 In the event that a Borrower fails to make a payment when due or defaults in meeting any material obligations of the Loan of which you have pledged, you hereby grant us authority to act as your agent and enforce the security for your benefit acting at our discretion. When this event takes place we will normally consult with you in respect of any actions we wish to take.

13.9 In the event of missed payments on a loan we will generally take the administrative steps set out below on your behalf, although we will determine in our discretion how best to pursue the debt in the circumstances so that we may act outside and/or ahead of the following process to pursue missed payments or loans (whether or not in formal default) where we consider this to be in the best interests of Lenders. We may recover our reasonable costs from any amounts recovered.

13.10 If the Borrower misses a payment or only partially pays the amount due to you, on the first such occasion we will generally contact the Borrower to inform them that we will reattempt to collect the outstanding payment. If our attempts to collect the payment fail on a second occasion without explanation within 5 working days, the Borrower's account will be treated as being overdue although we will continue to attempt to collect the funds.

13.11 If the Borrower fails to pay or only partially pays one or more instalments or if, in our reasonable opinion, the Borrower materially breaches any conditions of the Loan Agreement, such as the loan to value covenant, we may place the Loan into default and may, acting as the Agent attempt to collect the total Loan amount outstanding.

13.12 Where possible the charges of enforcement will be added to the Loan amount outstanding so as not to reduce the amount Lenders receive. The existence of the Loan Agreement should not be considered to be an absolute guarantee of certain repayment in the event of failure by the Borrower in meeting its payment obligations.

13.13 The Agent will have authority to instruct third parties, such as solicitors and LPA receivers, in order to pursue the debt. We will attempt to achieve maximum recovery for all affected Lenders, but may make such commercial judgements as we see fit to represent those interests, including accepting reduced payments, extending payment terms or selling the debt to a third party. We will normally liaise with you as one of the lenders throughout this process and take into account any feedback received

13.14 Where we have been provided with information about the assets of a Borrower, we may pass that information to you. This information may include indicative valuations and we will not be responsible for any discrepancy with the actual values which we are able to realise.

13.15 We may refer the missed payment(s) to a debt collections agency, who will attempt to collect the money on your and any other lenders’ behalf and you authorise us to use and pay such debt collections agency on your behalf.

13.16 We will keep you up to date with the progress of efforts to collect missed payments and to recover defaulted debt via regular postings on the HNW website. We may also provide further updates by email should lenders have specific queries. We are mindful that some information may be of benefit to borrowers and so information provided to lenders may be limited and HNW’s decision as to what information to disclose will be final.

**14. Conflicts of interest**

14.1 This clause constitutes our conflicts policy. In the event that any conflicts arise which we could not effectively manage, we would not be in a position to provide our services to you.

14.2 As well as acting for you as a Lender, we act for Borrowers, who pay our fees. We owe obligations to treat Borrowers fairly and encourage responsible borrowing. Our primary obligation in the event of a Borrower default is owed to you as one of the Lenders in order to ensure recovery of sums due and owing, but we will take Borrower circumstances into account where strict enforcement of the Loan Agreement would produce an unfair or disproportionate result.

14.3 We will seek to serve the interests of all Lenders equally, but where Lenders' interests diverge, it may be possible for individual lenders to pursue their rights directly against Borrowers.

14.4 You agree that we or any of our associates may effect transactions for you in which we or an associate has directly or indirectly a material interest or a relationship of any description with another party which involves or may involve a potential conflict with our duty to you. In particular, we or our associates may lend to Borrowers.

14.5 Subject to the terms of this conflicts policy neither we nor any of our associates shall be required to account to you for any profit, commission or remuneration made or received from or by reason of such transactions. It is possible that the entities which you may lend to deal or co-invest with entities in which HNW Lending, its associates or their clients have a financial interest or to which HNW Lending or its associates provide services. Such interests may include, without limitation, loans, equity investments, debt securities and/or our interest as a service provider. Dealings may include the provision of credit facilities on preferred or subordinated terms. Accordingly, we or any member of our group (including any associate) may be entitled to gains, profits or fees from or in relation to such companies and entities.

**15. Variation and assignment**

15.1 We may, at any time, change the terms of the Agreement by giving you written notice or by posting the new terms and conditions on the website. Such amendment will take effect on the date specified in the written notice or on the date uploaded to the website. For the avoidance of doubt, these changes may impact our fees and charges or the level of service provided.

15.2 We may amend these terms if we believe it necessary in order to respond proportionally to changes in law and regulations.

15.3 We may also amend the terms of the Agreement to reflect changes to our systems, administrative processes and procedures, market practice or client requirements and to reflect other legitimate cost increases (or reductions) associated with providing services to you.

15.4 You will be given at least 30 days’ notice in respect of any changes to this Agreement that are not in your favour or required or desirable in order to comply with legal or regulatory requirements, unless the specific circumstances require a shorter or longer period. Any amendments will comply with any applicable laws and regulations.

**16. Third parties**

16.1 Any of our functions under the Agreement may be delegated to an associate or competent (and if relevant, appropriately regulated) third party of our choosing to perform such functions. We may appoint other members of our group who are suitably qualified to provide advisory services to us in respect of your money and the loans entered into. We may also delegate to other members of our group who are suitably qualified. We will give you written notice of any such delegation which involves the exercise of our discretionary loan management powers and will not, without your consent in writing, delegate the whole or substantially the whole of such powers to a third party unless it is an LPA receiver. We will act in good faith and with due diligence in the selection, use and monitoring of third party agents and delegates. We will use reasonable skill and care in our selection, monitoring and use of agents.

16.2 Collections can be outsourced by the Agent to any third party.

16.3 By entering into a loan commitment the Lender confirms that it is not connected to the Borrower in any way with reference to the HMRC connected parties rules.

16.4 Lenders are not to discuss loans or borrower cases on public forums as this may prejudice enforcement actions and so act against the best interests of Lenders. Lenders are reminded that they have a legal duty not to reveal information that will help identify individual Borrowers.

**17. Liability**

17.1 We shall not be liable to you for any loss or damage which you may suffer as a result of being a Lender, except where such loss or damage arises from our breach of these terms and conditions or was caused by negligence, misrepresentation, wilful default or fraud by us or our employees. We are not responsible for misrepresentation or any breach of these terms and conditions arising from circumstances outside our reasonable control. Our total liability to you in connection with these terms and conditions, your membership of HNW Lending and your use of the services provided via the platform shall not exceed the lower of (i) amount of money you have lent giving rise to the liability and (ii) £10,000.

17.2 Nothing in these terms and conditions shall limit our liability for personal injury or death caused by our negligence, fraud, nor for any other liability the exclusion or limitation of which is not permitted by applicable law or regulation.

17.3 You agree and acknowledge that we shall take on no liabilities, obligations or rights under the Loan Agreement as a result of our authority to act on your behalf and you agree that you will continue to be solely liable for and responsible for the rights and obligations under the Loan Agreement and any amended Loan Agreement.

17.4 We shall not be obliged to pay on to you Loan repayments, interest or other sums due to you from Borrowers or other third parties unless we have received them.

17.5 HNW Lending uses its own internal guidelines and policies when assessing applications but has complete discretion as to whether to allow you to be a Lender. If we cannot get adequate information from third party sources, then we will ask you to send us copies of the relevant passports or other identification documents plus a utility bill and anything else that we may require. If you do not provide all appropriate identification documents you will not be able to become a Lender. We may suspend or place limitations on your Online Account and/or your Account at any time if we believe it is appropriate in order to comply with our legal obligations. For more details about how we use your information, please refer to our privacy policy.

17.6.4 We do not provide tax or investment advice. If you are unsure about the tax or investment implications of the HNW Lending Service, you should seek advice from an appropriately-qualified adviser. It is your responsibility to account for any income tax or other taxes that may be payable to the appropriate authorities.

17.7 We shall not be responsible for any losses to the extent arising from any information provided by you being untrue, inaccurate or incomplete. You agree that HNW Lending is giving no undertaking and making no warranty or representation, as to the ability of borrowers to pay, and their credit risk, and that we are in no way liable for the debts of borrowers. You acknowledge that you are pledging and lending entirely at your own risk.

17.8 We shall not be responsible for any losses to the extent arising from any information provided by the Borrower being untrue, inaccurate or incomplete.

17.9 We shall not be liable for any consequential, indirect, special, incidental, punitive or exemplary loss, liability or cost which you may suffer or incur arising out of our acts or omissions regardless of how that loss, liability or cost is caused and regardless of whether it was foreseeable or not.

17.10 We make no representation or warranty as to the accuracy of the documents made available to you, nor whether the information is up to date or error free.

17.11 We do not guarantee that there will be sufficient bids to fully fund the Borrower Facility Amount and allow your funds to be lent out or that there will be sufficient Borrowers for you to lend to.

17.12 HNW Lending accepts no responsibility and disclaims all liability for any information about a Borrower made available to prospective Lenders through the HNW Lending Platform. HNW Lending may from time to time, but accepts no obligation to, update or amend at any time Borrower's information (including between when the loan request is first made and when it is entered into, and during the term of any loan).

17.13 While HNW Lending believes that access to the assets of a Borrower can provide additional comfort as to the likelihood of repayment, HNW Lending accepts no additional responsibility for the likelihood of a Borrower meeting its financial obligations to Lenders through the HNW Lending Service in circumstances where such recourse to the assets of the Borrower is available.

17.14 We will act in good faith and with due diligence in providing the HNW Lending Service in accordance with the Agreement. We accept responsibility for loss to you only to the extent that such loss is due to our negligence, our wilful default or our fraud. For the avoidance of doubt, nothing in these terms or the Agreement shall exclude or restrict any liability we have to you under UK law.

17.15 Your username, password and Unique Identification Number are how we identify you, and so you must keep them secure at all times. You are responsible for all information and activity on the HNW Lending Platform by anyone using your username and password whether or not authorised by you. If you authorise an employee, sub-contractor or agent to use your Account you will be responsible for their activity on the platform. Any breach of security, loss, theft or unauthorised use of username, password or security information must be notified to us immediately. You agree not to adapt or circumvent the systems in place in connection with the platform, nor access our systems other than by using the credentials assigned to you and by following the instructions that we have provided for that type of connection. We reserve the right not to act on your instructions where we suspect that the person logged into your Online Account is not you or we suspect illegal or fraudulent activity or unauthorised use.

17.16 HNW Lending reserves the right to place any restriction or condition on which Borrowers you may Lend to and/or the maximum or minimum amount a single Lender is permitted to pledge and lend to a particular Borrower (or in aggregate across the HNW Lending Platform generally). We reserve the right to withdraw listed Borrower request for loans, at any time for any reason. We may also change the minimum and maximum amounts that you can bid.

17.17 Calculations we may provide on the platform of the likely rate of return on loans are for guidance purposes only and are not guaranteed.

17.18 The information on the platform does not constitute advice, recommendation or an endorsement of loan requests or Borrowers. The information is not intended to be relied upon as a sole basis for deciding whether or not to lend to a particular Borrower.

17.19 We do not guarantee that loan parts listed for sale will be bought by other investors or the time it will take to withdraw funds from HNW Lending by selling loan parts.

17.20 Where HNW Lending has implemented any form of personal guarantee in support of a loan on your behalf as a Lender, you accept that the enforceability of such personal guarantee shall be subject to normal legal risks and limitations.

17.21 The HNW Lending Service is not intended or designed to be used, nor does HNW Lending permit it to be used, as a vehicle for generating loan assets (or purchasing interests in loan assets) as part of a Lender's (or a member of a Lender's group's) securitisation or fund-raising strategy, and shall not be used as such by any Lender or a member of a Lender's group without the prior written consent of HNW Lending (such consent may be withheld at HNW Lending's absolute discretion).

17.22 The information provided by the HNW Lending Service is directed solely at and is for use solely by persons and organisations, including financial institutions, that meet the criteria set out in clause 3.2 above. The content provided through the platform is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to applicable law or regulation.

17.23 You are permitted to download and print content from this platform solely for your own personal use or in the course of your business to the extent required to use the services provided on this platform. HNW Lending supplied content must not be copied or reproduced, modified, redistributed, used or otherwise dealt with for any other reason without our express written consent.

17.24 We are not responsible for content downloaded or posted by investors or borrowers on the platform. We may edit certain content downloaded or posted on the platform in our discretion to clarify content or remove offensive material but are not obliged to do so.

17.25 We will endeavour to allow uninterrupted access to the platform, but access to the platform may be suspended, restricted or terminated at any time.

17.26 You agree to use the platform only for lawful purposes and in a way which does not infringe the rights of any anyone else or restrict or inhibit anyone else's use and enjoyment of the platform.

17.27 You agree not to use the HNW Lending platform or any information accessible on or obtained from it for the purpose of canvassing or soliciting any person or enticing any person away from HNW Lending.

17.28 You warrant that you have taken all reasonable precautions to ensure that any data you upload or otherwise submit to the platform is free from viruses and anything else which may have a contaminating or destructive effect on any part of the platform or any other technology.

17.29 The content and material available through the platform is for information purposes only and should not be regarded as an offer, solicitation, invitation, advice or recommendation to buy or sell investments, securities or any other financial services or banking product. If you are unsure about whether a product is suitable you should contact an independent financial adviser.

17.30 You are responsible for all costs incurred by you in accessing the platform.

17.31 We accept no responsibility or liability for your use of content on the platform and such use is entirely at your own risk. While we take reasonable precautions to prevent the existence of computer viruses or other malicious programs on the platform, we accept no liability for them if they do exist. It is your responsibility to use, update and maintain appropriate antivirus software on your computer.

17.32 Information transmitted via our systems will pass over public telecommunications networks. We accept no liability if communications sent via the platform are intercepted by third parties or incorrectly delivered or not delivered.

17.33 The platform may contain links to websites. We accept no responsibility or liability for any material supplied by or contained on any third party website which is linked from or to the platform, or any use of personal data by such third party.

**18. Data protection**

18.1 You will be required to provide personal details and a password to register as a Lender. These registration details and password are unique to your individual Online Account and are not transferable.

18.2 Your registration details and password are how we identify you and so you must keep them secure at all times. You are responsible for all information and activity on the HNW Lending Platform by anyone using your details. If you authorise an agent, family member, employee or sub-contractor to use your Online Account, you will be responsible for their activity on the account. Any breach of security, loss, theft or unauthorised use of your security details must be notified to us immediately. We reserve the right not to act on your instructions where we suspect that the person logged into your Online Account is not you or we suspect illegal or fraudulent activity or unauthorised use.

18.3 You agree not to adapt or circumvent the systems in place in connection with the HNW Lending Platform, nor access our systems other than by using the credentials assigned to you and by following the instructions that we have provided for that type of connection.

18.4 Our use of your data will be subject to our Privacy Policy.

18.5 We will carry out identity checks on you and by providing us with any personal details or any details of your business, you authorise us to carry out checks using credit reference agencies unless you notify us in writing otherwise.

**19. Notices**

19.1 We may send any communications to you at the email address which you provide to us on the Online Service or to any updated email address that you may notify to us in writing from time to time. Any original documents will be sent to the last postal address you have notified to us.

19.2 You may communicate with us by email at info@hnwlending.co.uk. If we require information to be sent to us by post, this should be sent to: 72 Charlotte Street, London W1T 4QQ. Notice sent by first class post to such address is deemed to have arrived on the second business Day after posting. Notice sent by email is deemed to be delivered immediately (or on the next business Day if sent after 5pm on a business Day or on a non-business Day). We do not accept hand delivered notices and require that all notices sent by post are also sent by email. Our telephone number is: 0203 488 0184 or as advertised on our website. Telephone calls may be recorded or monitored for our mutual protection.

**20. Complaints and Compensation**

20.1 We endeavour to deliver a first-class service to our clients, but we recognise that there may be occasions when we fail to meet your expectations. If you have a complaint, then you can contact us by phone, by post or by email as displayed on our website [www.hnwlending.co.uk](http://www.hnwlending.co.uk) You may also have rights to refer unresolved complaints to the Financial Ombudsman Service. Further details are available from the Financial Ombudsman Service at www.financial-ombudsman.org.uk. You may request a copy of our complaints-handling procedure at any time.

20.2 The Financial Services Compensation Scheme will not apply to HNW Lending, although your money will be held in bank accounts with external credit institutions and subject to separate protections, as set out in clause 20.3.

20.3 If the credit institution (e.g. bank or building society) holding your un-committed money in HNW Lending’s client account becomes insolvent, you may be able to claim compensation from the Financial Services Compensation Scheme. In such an event, we will inform you of the identity of the credit institution to enable you to pursue such claim. The maximum amount of compensation in respect of a UK credit institution is £85,000. Further details are available from the Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY / 0800 678 1100 or email enquiries@fscs.org.uk or www.fscs.org.uk.

**21. Interpretation**

21.1 The Agreement shall be governed by, and construed in accordance with, the laws of England and Wales, and the appropriate Court of Law in England is to have non-exclusive jurisdiction in relation to all matters, claims and disputes arising out of or in connection with the Agreement. No other documentation or literature can be used as part of the Agreement.

21.2 It is not intended that any term contained in this Agreement shall be enforceable, whether by virtue of Contracts (Rights of Third Parties) Act 1999, common law or otherwise, by any person who is not a party to this Agreement save that third parties referred to in it may rely on any authority granted to them under this Agreement, including the ability to accept our instructions to carry out functions on your behalf in accordance with this Agreement. Any group company of ours shall be entitled to enforce terms on our behalf.

21.3 If any part of the wording of these terms shall become or is declared to be illegal, invalid or unenforceable for any reason, such part or wording will be deleted and shall be divisible from the rest of these terms, which will continue in force.

21.4 Our failure to exercise or delay in exercising a right or remedy provided by these terms or by law does not constitute a waiver of other rights or remedies.

21.5 The Agreement is supplied in English, and we will only be required to communicate in English during the course of our relationship with you.

21.6 Where both the Borrower and the Lender are Muslim and bound by their religion not to pay or receive interest, a ‘Shaaria Agreement’ will be implemented, namely, that it will be deemed that half of the Lender’s Pledge is to be an interest-free loan with the remaining half being an ‘Investment’ with any returns being investment returns rather than interest. The term ‘Loan Agreement’ will refer to this ‘Shaaria Agreement', in accordance with the requirements of Islamic law. For the Investment, the Borrower will be the ‘Recipient’ of the investment and the Lender will be the ‘Investor’.

The economics of the Investment are such that the Investment will be expected to earn a double return such that the Lender’s overall return under the Shaaria Agreement would be the same as if the Pledge had been a normal Loan Agreement. The Investor agrees that any additional profit from the investment can be kept by the Recipient as payment for its efforts in looking after the Investment. This payment will never be less than £1. Should the returns on the Investment not be sufficient to pay the Investor as agreed above, the Recipient must inform the Investor in writing, by the end of the next calendar month. Failure to do so will be considered as an admission that there has been a profit of no less than the agreed return. The Recipient will not be entitled to claim that there were no profits or that the investment yielded less profits than the agreed amount to be paid to the Investor, without taking a ‘serious’ oath as specified in Islamic law, in an Islamic Court. The Recipient will similarly not be able to claim that part, or all, of the capital was lost unless testified by two witnesses who are deemed valid for these purposes by the Islamic court. All court or other costs related to these assertions of losses or reduced returns are to be borne by the Recipient alone. This paragraph applies to the capital sum invested as well as to all outstanding investment returns until these sums have been received by the Investor.

21.7 Where both the Borrower and the Lender are Jewish and bound by their religion not to pay or receive interest, an ‘Iska Agreement’ will be implemented, namely, that it will be deemed that half of the Lender’s Pledge is to be an interest-free loan with the remaining half being an ‘Investment’ with any returns being investment returns rather than interest. The term ‘Loan Agreement’ will refer to this 'Iska Agreement', in accordance with the requirements of Jewish law. For the Investment, the Borrower will be the ‘Recipient’ of the investment and the Lender will be the ‘Investor’.

The economics of the Investment are such that the Investment will be expected to earn a double return such that the Lender’s overall return under the Iska Agreement would be the same as if the Pledge had been a normal Loan Agreement. The Investor agrees that any additional profit from the investment can be kept by the Recipient as payment for its efforts in looking after the Investment. This payment will never be less than £1. Should the returns on the Investment not be sufficient to pay the Investor as agreed above, the Recipient must inform the Investor in writing, by the end of the next calendar month. Failure to do so will be considered as an admission that there has been a profit of no less than the agreed return. The Recipient will not be entitled to claim that there were no profits or that the investment yielded less profits than the agreed amount to be paid to the Investor, without taking a ‘serious’ oath as specified in Jewish law, in a Rabbinical Court. The Recipient will similarly not be able to claim that part, or all, of the capital was lost unless testified by two witnesses who are deemed valid for these purposes by the Rabbinical court. All court or other costs related to these assertions of losses or reduced returns are to be borne by the Recipient alone. This paragraph applies to the capital sum invested as well as to all outstanding investment returns until these sums have been received by the Investor. The ‘Iska Agreement’ can be found on www.hnwlending.co.uk/heteriska

**22. Risks and mitigations for lenders**

There are risks associated with taking out a Loan and HNW Lending cannot guarantee that every Lender will get all money lent back (plus the interest) at all times. A number of Loans have been in default and so it is important to understand all potential risks. Below are what we believe to be the risks lenders are taking and also the procedures HNW Lending has put in place to mitigate those risks for lenders

1) The property needs to be sold but sells for less than the loan value

First, there is a loan to value threshold calculation in all HNW Lending’s loan agreements. This means that if the asset value falls beyond a certain level, then HNW Lending has the right take possession of the property and sell it before the end of the loan.

For example, let us assume that HNW Lending organised a loan for £65,000 against a property worth £100,000. On day 1 of the loan, the loan is at 65% loan to value (£65,000/£100,000). The LTV threshold may be set at 70%, which means that if the value of the asset fell below £92,860 (£65,000/70%), then HNW Lending as agent for the lenders, would tell the borrower that the loan was in default and either ask for more collateral to be posted, some of the loan to be repaid, or would take steps to sell the asset. This means that the lenders do not need to wait until the end of the loan term, by which time the asset may have fallen below the loan value. Nevertheless, the risk remains that the asset may sell for below the value of the loan

Secondly, HNW Lending always asks for a personal guarantee from the borrower. This means that if the sale of the asset was not sufficient to repay the loan, then HNW Lending as agent for the lenders should be able to sue the individual on behalf of the lenders. However there is still a risk that the legal action against the Borrower fails or if the legal action is successful, the Borrower has insufficient assets

2) The valuation of the asset is incorrect

If the asset was to sell for materially below the asset valuation, and this is less than the outstanding loan amount and interest then the interest and capital on a loan may not be able to be repaid in full. However, if the asset was to sell for materially below the asset valuation, HNW Lending, on behalf of the lenders should have a legitimate claim against the third party valuer (and their insurers) for negligence. This means HNW Lending should recover the shortfall from the valuer (or their insurers) in order to pay this on to the lenders. All HNW Lending's valuers should have at least £1m of insurance cover per claim (or more if the loan is higher than £1m), however the risk remains that a legal action against a valuer may fail

3) The loan does not repay on time

Although a borrower commits to take out a loan for a specified period of time, such as 12 months, HNW Lending Ltd has found that relatively few borrowers pay back on time. In broad terms, HNW Lending Ltd have found that a minority of borrowers pay back early or within a few weeks of the expected repayment date. Many ask for loan extensions and about half enter into default (as defined by the FCA) and therefore debt collection action is required. Lenders should note that they will continue to accrue interest on loans that do not pay back on time and loans where debt collection action is instigated but that interest payments will generally not be paid on time and the return of capital will be delayed, often significantly, especially for loans where the collateral is not in the UK.

As decisions are taken by a majority (based on % of the loan held), it should be noted that if one lender was to vote to commence enforcement action but the majority of lenders voted to allow the borrower a loan extension, then the borrower would be given a loan extension. The options then open to that lender would be either to accept the loan extension or try to sell their participation on the secondary market

4) The loan documentation proves to be unenforceable

The loan documentation is drawn up by HNW Lending's solicitors. As a result, they give a representation before each loan is completed that they have fully reviewed the terms and conditions in the loan documentation and confirm that they enable interest collection, the loan principal to be collected and enforcement action to be taken against the borrower in the event of default.

This means that if HNW Lending as agent of the lenders cannot enforce the loan then there should be a valid claim of negligence against the solicitors and thus any shortfall should be able to be recovered from the solicitors (or their insurers) in order to pay this on to the lenders. All HNW Lending's solicitors have at least £1m of insurance cover per claim, however the risk remains that a legal action against a solicitor may fail

5) The loan does not comply with all applicable laws and regulations

The loan documentation is drawn up by HNW Lending's solicitors and they are responsible for ensuring that the loan complies with the provisions of the Financial Services and Markets Act 2000 and all of its secondary legislation, the Consumer Credit Act 1974 and Consumer Credit Act 2006 and any other relevant legislation (eg in relation to collective investment schemes). The solicitors also give an assurance to the lenders on each and every loan that HNW Lending as arranger and agent for the Lenders and the lenders themselves comply with all applicable regulations to enable them to enter into the transaction

This means that if HNW Lending or the Lenders do not comply with any applicable laws or regulations then there should be a valid claim of negligence against the solicitors. All HNW Lending's solicitors should have at least £1m of insurance cover per claim, however the risk remains that a legal action against a solicitor may fail

6) HNW Lending becomes insolvent or ceases trading

HNW Lending Ltd adheres to the Financial Conduct Authority requirements which includes having a wind-down plan and having a sum set aside to pay for this wind-down plan in the event of our insolvency or that we cease trading. All loans are protected by way of a charge on the property lent against or a pledge over an asset. Any receiver will see that a lender's loan is secured against the relevant asset and will work to repatriate the lenders money

In addition, HNW Lending Ltd has put arrangements in place to protect your money in the event of our insolvency including funds not committed to lending being held in a segregated client money trust account according to the rules of the Financial Conduct Authority. It should also be pointed out that the shareholders of HNW Lending Ltd also invest in most of the loans and so it would be in their interests as well to see an orderly winding-down of the business so that their shares of the loans were also repaid

HNW LoanCo Ltd and HNW LoanCo Trust has a similar wind down plan and funding in place to pay the Administrator or Receiver.

7) HNW Lending provisioning

HNW Lending holds a proportion of its fee and margin income so that if a borrower defaults and there is a shortfall (after selling the property and less all related enforcement costs), then any fees and margin income earnt by HNW Lending will be paid back to Lenders so that HNW Lending has made no profit on such a loan. This applies to both regulated peer to peer loans and non-regulated loans.

8) Other risk mitigations

There are further risk mitigation policies in place:

a) Before we advance a loan to a borrower we conduct comprehensive identity, fraud and anti-money laundering checks and perform due diligence on the underlying security asset, including a valuation. We assess the Borrower's credit history, level of assets and liabilities. If we find this to be deficient the loan will not proceed.

b) Money is only handled by HNW Lending's solicitors or in a FCA CASS compliant client account

c) HNW Lending holds unlent funds on lenders' behalves in trust in a segregated bank account with Barclays Bank PLC so they do not form part of our assets (and would not be available to our creditors in the event of our insolvency) or in solicitors client accounts which are similarly protected. The security charge over properties is also held in trust for the benefit of lenders.

d) HNW Lending have had many years experience in the lending business and therefore reject many opportunities that do not match our lending criteria

e) The Directors of HNW Lending offer to put their own money into every loan

f) Where HNW Lending arranges a loan on a property development, HNW Lending Ltd will employ (at the borrower's expense) third party monitoring surveyors who confirm the budgets are reasonable and that works have been completed prior to HNW issuing any stage payments

g) Where the asset is based overseas (eg a property in Spain), there is a risk of a fluctuation of the exchange rate which may affect the amount returned to lenders in sterling. HNW Lending Ltd looks to mitigate this by lending at significantly lower loan to values on overseas assets such that there is more of a buffer to cope with currency fluctuations as well as the significantly longer time it can take to enforce on overseas assets

h) Lenders investing in the Auto-Invest should be aware that they may be buying into loans that are already in default as they are buying into all the loans listed on the Auto\_Invest 'Loan Parts' page as HNW only operates one Auto\_Invest facility. However as we believe this risk is mitigated due to the greater diversification within the Auto\_invest feature

i) Lenders are lending on an individual loan basis and not in a 'fund'

Your Investment is not covered by the Financial Services Compensation Scheme (FSCS)

Investing in HNW Lending involves risk to your capital. If you suffer a loss, you are not entitled to compensation from the FSCS. Although HNW Lending Ltd is regulated by the Financial Conduct Authority (FCA), this does not mean that customers' funds are covered by the FSCS.

By signing below and/or by using the HNW Lending Platform, the Lender accepts these Lender Terms and Conditions, the Lending Agency Agreement and to become a beneficiary of the HNW LoanCo Trust and, if the account is an IF ISA account, the IF ISA Terms and Conditions.

If signing a hard copy then please sign below and email back to us

Signature: Date:

Print name:

**Lending Agency Agreement**

**Parties**

1. The Lender (Lender).
2. HNW Lending Limited, a company incorporated and registered in England and Wales with company number 08739427 whose registered office is at 72 Charlotte Street, London W1T 4QQ (Security Agent).

**Background**

The Lender is a Lender on the Security Agent’s Lending Platform and wishes to appoint the Security Agent as its Security Agent for the purposes of entering into and administering of their Loans, as defined below.

The Security Agent has agreed to hold the Collateral and the Personal Guarantee on trust for the Lender on the terms set out in this deed.

**Agreed terms**

**1 Definitions and interpretation**

The following definitions and rules of interpretation apply in this agreement.

## 1.1 Definitions:

Business Day**:** a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business.

**Collateral**: has the meaning set out in the relevant Loan Agreements

Commencement Date**:** as per the date on the cover page.

Control**:** the ability to direct the affairs of another, whether by virtue of the ownership of shares, contract or otherwise.

Lenders Terms and Conditions: The Terms and Conditions, as amended from time to time, according to which the Lender uses the Security Agents Lending Platform. Available at [www.hnwlending.co.uk/lender\_terms.php](http://www.hnwlending.co.uk/lender_terms.php)

Lending Platform: means the online and/or offline platforms that the Security Agent operates to facilitate its peer-to-peer lending services

**Loan Agreements:** the agreements from time to time to which the Lender is a party (as lender) which have been entered into in connection with loans arranged through the Security Agent’s Lending Platform.

Local Regulations**:** laws and regulations applicable to the Loans as may exist from time to time

Loans**:** The Loan Agreements of the Lender and which the Lender permits the Security Agent, by entering into this agreement, to enter and administer these Loans on their behalf in compliance with article 36H of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (RAO) more specifically described in Clause 2.1.

Personal Guarantee: the personal guarantees from time to time entered into in favour of the Security Trustee in connection with the Loan Agreements.

Investment Instructions: the document titled the same provided by the Security Agent to the Lender detailing the Lender’s instruction to enter into the loan and detailing any payments to the Security Agent.

**Trust Property:** means all right title and interest that may now or hereafter be given, mortgaged, charged or assigned in favour of the Security Agent by or pursuant to the Collateral and the Personal Guarantee.

## 1.2 Clause, Schedule and paragraph headings shall not affect the interpretation of this agreement.

## 1.3 A person includes a natural person, corporate or unincorporated body (whether or not having separate legal personality) and that person's personal representatives, successors and permitted assigns.

## 1.4 References to clauses and Schedules are to the clauses and Schedules of this agreement and references to paragraphs are to paragraphs of the relevant Schedule.

## 1.5 The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to this agreement includes the Schedules.

## 1.6 A reference to a company shall include any company, corporation or other body corporate, wherever and however incorporated or established.

## 1.7 Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

## 1.8 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

## 1.9 A reference to any party shall include that party's personal representatives, successors and permitted assigns.

## 1.10 A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

## 1.11 A reference to a statute or statutory provision shall include all subordinate legislation made from time to time.

## 1.12 A reference to writing or written includes faxes and email.

## 1.13 Any obligation on a party not to do something includes an obligation not to allow that thing to be done.

## 1.14 Any words following the terms including, include, in particular or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

**2 Appointment**

## 2.1 The Lender appoints the Security Agent as its Agent to:-

### a) enter into Loans upon receipt of signed Investment Instructions;

### b) receive payments in respect of either interest or capital or any other amounts payable by the borrower due under the Loans;

### c) make payments in respect of either interest or capital or both due under the Loans;

### d) take steps to procure the payment of a debt under the Loans;

### e) exercise or enforce rights under the Loans on behalf of the Lender;

### f) hold any security provided under the Loan on behalf of the Lender;

### g) bring any claim against a professional, such as a professional negligence claim;

### h) perform any other actions agreed in writing between the Security Agent and Lender.

**3 Declaration of Trust**

## 3.1 The Security Agent shall hold the Trust Property upon trust for the Lender, and the obligations, rights and benefits vested or to be vested in the Security Agent by the Collateral and the Personal Guarantee shall be performed and exercised in accordance with the instructions of the Lender and otherwise on the terms of this Deed.

## 3.2 Save as expressly provided to the contrary in the Lender’s Terms and Conditions, all monies from time to time received or recovered by the Security Agent under the Loan Agreement or in connection with the realisation of all or any part of the Collateral or Personal Guarantee shall be held by the Security Agent on trust for the Lender.

**4 Security Agent's obligations**

The Security Agent undertakes and agrees at all times during the term of this agreement:

## 4.1 To act towards the Lender conscientiously and in good faith and not to allow its interests to conflict with the duties that it owes to the Lender under this agreement and the general law.

## 4.2 To comply with all reasonable and lawful instructions of the Lender from time to time concerning the Loans, and generally to carry out its agency in such manner as it thinks best to promote the interest of the Lender.

## 4.3 To act in accordance with sound commercial principles in its actions (including as to assessing, and where appropriate obtaining independent assessments of, their creditworthiness) and to do nothing which the Lender considers could be prejudicial to its goodwill or commercial interests.

## 4.4 To describe itself in all dealings with the Loans as "Security Agent" of the Lender.

## 4.5 When acting as Security Agent in relation to Loans:

### a) enter into Loans upon receipt of signed Investment Instructions;

### b) receive payments in respect of either interest or capital or any other amounts payable by the borrower due under the Loans;

### c) make payments in respect of either interest or capital or any other amounts payable by the borrower due under the Loans;

### d) take steps to procure the payment of a debt under the Loans;

### e) hold any security provided under the Loan on behalf of the Lender;

### f) exercise or enforce rights under the Loans on behalf of the Lender;

### g) bring any claim against a professional, such as a professional negligence claim; and

### h) perform any other action agreed in writing between the Security Agent and the Lender

## 4.6 To maintain appropriate offices, administration facilities and systems as may be necessary for the effective performance of its duties under this agreement.

## 4.7 To inform the Lender where necessary of any complaint or after-sales enquiry concerning the Loans received by the Security Agent.

## 4.8 On behalf of the Lender to take part in any dispute or commence or defend any court or other dispute proceedings or settle or attempt to settle or make any admission concerning any such proceedings.

**5 Lender's undertakings**

The Lender undertakes and agrees with the Security Agent during the term of this agreement:

### a) To act at all times in its relations with the Security Agent dutifully and in good faith.

### b) Where appropriate, to inform the Security Agent within a reasonable time if any contract concluded on its behalf by the Security Agent will not be performed by it, and of the reason for such non-performance.

**6 Commission and payments**

## The Lender shall pay to the Security Agent the commission as detailed in the Investment Instructions for each individual Loan by means of the Security Agent deducting this amount from monies received from repayment of the Loan before accounting to the Lender.

**7 Compliance with laws and policies**

## Each party shall at its own expense comply with all laws and regulations relating to its activities under this agreement, as they may change from time to time, and with any conditions binding on it in any applicable licences, registrations, permits and approvals.

**8 Limitation of liability**

## 8.1 **Unlimited liability.** Nothing in this agreement shall limit or exclude the liability of either party for:

### a) Death or personal injury caused by its negligence, or the negligence of its employees, Security Agents or subcontractors (as applicable).

### b) Fraud or fraudulent misrepresentation.

### c) Any matter in respect of which it would be unlawful to exclude or restrict liability.

**9 Duration and termination**

## 9.1 This agreement shall commence on the Commencement Date. Unless terminated earlier in accordance with law or clause 0, it shall continue for as long as the Lender uses the Security Agent’s Lending Platform and for so long as any amounts remain outstanding under any loans advanced through the Lending Platform or until the Lender gives the Security Agent notice to terminate in accordance with clause 9.2 subject to the repayment of any Loans the Lender has outstanding having been completed.

## 9.2 Without affecting any other right or remedy available to it, the Lender may terminate this agreement with immediate effect if the Lender ceases to use the Security Agents Lending Platform so long as no amounts remain outstanding under any loans advanced through the Lending Platform.

**10 Consequences of termination**

## 10..1 Termination of this agreement shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the agreement which existed at or before the date of termination.

## 10.2 On termination of this agreement, the provisions of clause 0 shall continue in force in relation to all Loans where the Loan has been concluded before the date of termination.

**11 General**

## 11.1 **Force Majeure**. Neither party shall be in breach of this agreement nor liable for delay in performing, or failure to perform, any of its obligations under this agreement if such delay or failure result from events, circumstances or causes beyond its reasonable control. If the period of delay or non-performance continues for 3 months, the party not affected may terminate this agreement by giving written notice to the affected party.

## 11.2 **Assignment and other dealings.**

### a) The Security Agent shall not assign, transfer, charge, create a subagreement, declare a trust over or deal in any other manner with any or all of its rights and obligations under this agreement without the Lender’s prior written consent.

### b) The Lender shall not assign, transfer, charge, create a subagreement, declare a trust over or deal in any other manner with any or all of its rights and obligations under this agreement without the Lender’s prior written consent.

## 11.3 **Confidentiality.**

### a) Each party undertakes that it shall not at any time disclose to any person any confidential information concerning the business, affairs, customers, clients or suppliers of the other party, except as permitted by clause 11.3(b).

### b) Each party may disclose the other party's confidential information as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority.

### c) No party shall use any other party's confidential information for any purpose other than to perform its obligations under this agreement.

## 11.4 **Entire agreement**.

### a) This agreement, the Lender Terms and Conditions and the Investment Instructions constitutes the entire agreement between the parties and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.

### b) Each party agrees that it shall have no remedies in respect of any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement. Each party agrees that it shall have no claim for innocent or negligent misrepresentation based on any statement in this agreement.

## 11.5 **Variation.** No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

## 11.6 **Waiver.** A waiver of any right or remedy is only effective if given in writing and shall not be deemed a waiver of any subsequent breach or default. A delay or failure to exercise, or the single or partial exercise of, any right or remedy shall not:

### a) Waive that or any other right or remedy.

### b) Prevent or restrict the further exercise of that or any other right or remedy.

## 11.7 **Severance.** If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this agreement.

## 11.8 **Notices.**

### a) Any notice or other communication given to a party under or in connection with this agreement shall be in writing, addressed to that party at its registered office or such other address as that party may have specified to the other party in writing in accordance with this clause, and shall be delivered personally, or sent by pre-paid first class post or other next working day delivery service or commercial courier.

### b) A notice or other communication shall be deemed to have been received: if delivered personally, when left at the address referred to in clause the above clause 11.8(a) if sent by pre-paid first class post or other next working day delivery service, at 9.00 am on the second Business Day after posting; if delivered by commercial courier, on the date and at the time that the courier's delivery receipt is signed.

### c) The provisions of this clause shall not apply to the service of any proceedings or other documents in any legal action.

## 11.9 **Third party rights.** No one other than a party to this agreement, their successors and permitted assignees, shall have any right to enforce any of its terms.

## 11.10 **Governing law.** This agreement, and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims), shall be governed by, and construed in accordance with the law of England and Wales.

## 11.11 **Jurisdiction.** Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

**Appendix 1: Investment Instructions**

The process is as follows:

1. The Lender decides into which loan they would like to invest.
2. The Lender becomes a beneficiary of the HNW LoanCo Trust by giving their usual KYC information.
3. The Lender completes the Investment Instructions form (see below).
4. HNW Lending will enter the Lender’s details and the loan details into the schedule of beneficiaries and take funds into the HNW LoanCo Trust.
5. The Trustee of the Trust (who is also the shareholder of HNW LoanCo Ltd) will give a shareholders loan to HNW LoanCo Ltd to fulfil the loan agreement with the borrower.
6. HNW LoanCo Ltd lends funds to the borrower and collects interest and capital on the loan.
7. When the borrower pays, HNW LoanCo Ltd will send funds back to HNW LoanCo Trust to pay interest to the Lenders and repay the shareholders loan.
8. HNW LoanCo Trust will pay Lenders (who are the beneficiaries of the Trust) interest collected from the borrower and capital. In effect, the Trustee makes Trust payments to the beneficiaries in terms of their Investment Instructions.
9. Any surplus once Lenders have been repaid in full is HNW LoanCo’s profit.
10. After the loan has commenced, in order to allow ISA investors to invest in it, a part of the loan may be sold to an individual. If this happens, the part sold to the individual will become a regulated peer to peer loan and may be made available to investors on the platform.

Each Investment Instructions form will be submitted online via HNW Lending Ltd’s website and is actually a letter of wishes to the Trustees of HNW LoanCo Trust which is deemed to incorporate the following clauses even though each clause is not repeated on the online form as the form refers to these terms and conditions and requires you to confirm acceptance of them.

1. **Discretionary trust: general aim of this guidance**

The Lender has appointed the Directors of HNW Loan Co Ltd as trustees of HNW LoanCo Trust, which the trustees hold on discretionary trusts. The Lender is writing this letter so the trustees will know the Lender’s wishes and motivations in settling the Lender’s assets on trusts in this way. The Lender hopes the trustees will take these wishes into account and carry them out wherever possible.

This letter is intended as general guidance only. It does not create any obligation on the Trustees, nor does it give any beneficiary of HNW LoanCo Trust any rights. It does not curtail or override the discretionary powers given to you under the terms of the Trust. The Lender is confident that the trustees will exercise their discretions appropriately, in any given circumstance and in the light of their own views.

1. **Wishes about the primary beneficiary**

The Lender would like the trustees to use the Trust for the benefit of the Lender. The Lender’s overriding wish is that during the term of the Trust the assets settled be placed in the transaction named as detailed above my acceptance for the benefit of income or capital. The Lender hereby asks the trustees to use their discretion to provide it, including terminating the Trust if necessary.

This letter is confidential to the trustees of HNW LoanCo Trust.

The format of the online Investment Instructions will therefore be as follows:

## Loan Details: C\_Williams

|  |  |
| --- | --- |
| **Property** | Flat 6 Raeburn Court, Grace Field Gardens, London, SW16  |
| **Collateral** | First legal charge over property |
| **Location** | United Kingdom |
| **Total loan amount** | £315,000 |
| **Valuation** | £460,000 |
| **HNW Loan LTV** | 68.5% |
| **First Loss Tranche LTV** | 4.7% (7% of the HNW loan) |
| **Lender LTV** | 63.8% |
| **Start Date** | 23 May 2019 |
| **Target loan end date** | 30 Jul 2020 |
| **Loan period** | 6 months |
| **Purpose of loan** | To extend the lease and fund improvements  |
| **How loan is to be repaid** | Refinance once lease extension completed |
| **Interest payable to lender** | 8% p.a. |
| **Interest payment dates** | 30 days after loan start date and every 30 days thereafter |
| **Risk category** | C |
| **Likely Return** | 7.54% p.a. |
| **Risk Assessment** | Directors disqualification check, Check to see the borrower / guarantors not bankrupt, check valuation of property sufficient based on our LTV criteria, legal ownership and any title issues checked |
| **Loan in default** | No |
| **Monthly payment due from borrower** | £3,119 |

## Investment Instructions

### Please note your capital is at risk and interest payments are not guaranteed. Find out more here

|  |  |
| --- | --- |
| **Platform Lender** | LenderID number **– Lender Name** |
| **Investment Amount** |  |
| The Platform Lender wishes the Trustee to enter into a loan of £ to the Borrower based on the terms above and agrees to settle assets to the HNW LoanCo Trust by depositing this amount within 2 business days into the HNW Lending Ltd Client Account at Barclays Bank Plc, Sort code 20-74-63 Account number 03689875, if sufficient funds are not already held.This statement of wishes acknowledges that HNW LoanCo Trust has been appointed as a discretionary trust for the Platform Lender and the other terms and conditions as set out in the “Lender Terms and Conditions” as available [here](https://www.hnwlending.co.uk/lender_terms) and in particular Annex 1This loan is via HNW LoanCo Trust which is not authorised or regulated by the Financial Conduct Authority. |

|  |  |  |
| --- | --- | --- |
|   I agree to the [terms and conditions](https://www.hnwlending.co.uk/lender_terms) | Signed by  | Date |