

Peer-to-Peer Lending: UK

<https://marketpublishers.com/r/P8920652863EN.html>

Date: November 2016

Pages: 300

Price: US\$ 1,999.00 (Single User License)

ID: P8920652863EN

Abstracts

Peer2Peer lending in the UK provides an up to date and independent analysis of the launch, growth and potential of peer-to-peer lending in the UK. It examines how this once anti-bank offering is linking with banks to fund and sell on loans.

REPORT SUMMARY

Peer2peer lending is an increasingly popular way of financing projects, business ideas, and personal loans through small contributions from a large number of individuals, and the financial market.

This report looks at the history, background, potential, problems, and complex regulation, as well as profiles of over 50 UK peer-to-peer lending platforms. Peer2peer lending is still new and often misunderstood. Regulators are looking a lot closer at the industry and individual platforms, with most platforms still not fully authorised. Peer to peer lending will stimulate change and make business and personal lending quicker, simpler and more transparent.

Peer-to- peer platforms offer a range of models in how they work, whom they lend to and whom they get money from. It is highly unlikely that all those platforms now operating on interim authorisation will become fully authorised. So is it a great new boom industry with amazing prospects, or an annoying pest that the banks will destroy as soon as they can?

There is a real opportunity for collaboration between them and banks where they are not in competition with one another. A top peer2peer lender is planning to launch a peer2peerbank. Banks could buy lenders. A social lending platform is being launched.

KEY FINDINGS

By 2018 peer-to-peer lending in the UK could be worth over £5 billion, up from less than half a billion in 2013.

Not everything is as rosy as the industry cheerleaders may suggest, with several platforms closing, never opening or clearly designed to make quick money for owners. Over 50 platforms have closed or failed to launch in the UK. Over 50 platforms are active or preparing for launch, but only one in four are fully authorised by the FCA.

Over the next decade the peer-to-peer industry will grow rapidly and is part of the alternative finance movement that is forcing banks to change some of their ways. But make no mistake, banks are finding ways to make money from peer to peer platforms, such as buying up loan books or providing finance or entering into partnerships.

By 2020 it will be common for businesses and individual to connect with lenders via peer-to-peer websites and market wide platforms. It allows for the lending of money while bypassing traditional banks. Returns are financial, but investors also have the benefit of having contributed to the success of an idea they believe in.

Peer to peer lending is a new form of technology driven by a social model. Some platforms are well thought out, others are by techie dreamers with no understanding of regulation, law or banking.

The UK is the European leader in peer-to-peer lending, and on-going regulation has seen a weeding out of platforms. Some have gone broke, others closed, some taken over, and many just faded away.

Most peer2peer platforms are not a bank or other establishment business, so how do they work and how to they make money? Some could not exist without their links to banks and government, so can no longer claim to be alternative or anti-establishment.

FCA is struggling to keep up with regulation, and there is even a Bitcoin peer-to-peer lender over which FCA has no control, as it does not regulate alternative currencies.

REASONS TO BUY

The banking ecosystem is undergoing transformation and innovation like never before, and what we have seen is only the beginning. Peer to peer lending is part of a Fintech revolution that banks ignore at their peril.

Any organisation considering partnering with a peer2peer lender needs to understand the industry and what they may gain or risk.

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Saving Stream
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ThinCats

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