

easyMoney
Living Will Summary
16.03.2022

Purpose

This document summarises easyMoney’s procedures to ensure the continued management and administration of loans in the event that we cease to operate the easyMoney website. We refer to these procedures as our “Living Will”. There are detailed calculations and systematic arrangements that sit behind the Living Will which are reviewed by our board on a regular basis and this summary has prepared specifically for the purposes of transparency to interested stakeholders.

The Living Will is primarily designed for the benefit of the lenders, but it is also important for borrowers to know how to continue to discharge their contractual obligations. The FCA’s requirements in this regard are set out in SYSC 4.1.8A-DD <https://www.handbook.fca.org.uk/handbook/SYSC/4/1.html>.

The key risks to lenders and borrowers in the event of our failure are that (1) money we receive on their behalf could be claimed by our creditors and (2) no-one will attend to the collection of repayments due to lenders. Our Client Money Policy is designed to safeguard against the risk in (1) and the procedures in this document are designed to safeguard against the risk in (2).

Arrangements to Ensure Orderly Wind-Down of Loan Book

In order to ensure the orderly wind-down of the loan book, it is important that we take action in advance of becoming insolvent. If we were to become insolvent, the ability to take management decisions will be taken out of our hands pursuant to insolvency law, which may entail the appointment of an insolvency practitioner to manage the company in the best interests of our creditors (who will have different interests to lenders and borrowers under P2P loans).

The Living Will involves assessing the following factors and assessing them on a regular basis as if a party to it:

- The identification of recognised “Trigger Events” for assessing whether to activate the Wind Down Plan passing responsibility for loan administration to the back-up servicer and/or restructuring our financial arrangements
- The identification of costs and revenue associated with loan administration to ensure the back-up servicer can continue to administer loans commercially
- The identification of non-financial resources (access to information including IT and banking systems, personnel including wind down co-ordinator and premises, contractual standing) the back-up servicer will require to administer loans

Each of these factors is considered separately below.

Wind Down Coordinator

Our in-house expertise means our own personnel are best placed to oversee the wind-down of our loan book. We have therefore made arrangements for the continued availability of our own relevant staff in the event of activation of this Living Will.

We have appointed one of our directors as our Wind Down Coordinator on the following basis:

- the director has been involved in the origination of all of the loans to date, so has in-depth knowledge of the borrowers and their circumstances
- the director understands the platform, how it operates and the programming, so he can assess which staff he needs to retain to keep the platform operating
- as an existing director, he is able to work under the FCA permissions currently in place to administer and collect debts due on all loan agreements and to operate the client money account

Trigger Event and Activation

The firm is requirement to maintain financial resources in excess of the FCA’s prudential requirements set out in the FCA Handbook. These are tests devised by the FCA to indicate the levels of financial resources P2P platform operators require as a buffer by reference to the volume of business they are conducting.

If the directors (who should consider the matter as a standing agenda item where cash reserves fall below the Cash Reserves Threshold, as defined below) have reason to believe there is a reasonable possibility of:

- the firm’s financial resources falling below the financial resources requirement; or
- the firm ceasing to be able to continue servicing loans; or
- the firm ceasing to have sufficient liquid reserves to pay its debts (including salaries) as they fall due,

this will constitute a “**Trigger Event**”.

There are various situations which could arise where the Board should actively be considering whether a Trigger Event has or might occur. Examples are:

1. General Economic climate at the time
2. Loss of key personnel
3. Fraud
4. Major systems malfunction
5. Lack of appetite for the product on offer
6. Potential liability under major court case
7. A serious regulatory investigation
8. Numerous claims arising from customer complaints
9. Major expenditure that will not yield cash inflows
10. Decision by Investors/board to liquidate the company for any reason

Financial Resources Required to Ensure Orderly Wind-Down

In order to ensure that the Firm has adequate liquid capital reserves, its policy is to hold cash in a ring-fenced account that it will not use for ordinary business expenditure. The level of cash in the account must at all times exceed the following amount:

- The firm’s financial resources requirement; PLUS
- The Net Wind Down Costs of a Worst Case Scenario Insolvent Wind Down (as defined in “Financial resources required for loan wind down” below).

This amount is the “Cash Reserves Threshold”. The firm may keep excess cash in the bank account in which the Cash Reserves Threshold is held, but if it dips below the threshold, this will constitute a Trigger Event.

Activation of Wind-Down Procedures

If a Trigger Event occurs, the directors must:

- Consider whether it is possible to immediately cut expenditure to ensure the firm can operate at a profit.
- Consider whether it is possible to imminently obtain an appropriate capital injection.
- Consider an immediate sale of some or all of the loan book.
- In considering these matters, the directors should arrange for the preparation of a month-by-month schedule of the revenue and costs involved in winding down the business, based on itemised costs and conservative estimates.

If the prospects of remedying the situation appear doubtful, the directors should take steps to wind down the business prior to insolvency, cease facilitating new loans and consider how to minimise ongoing expenditure associated with any ongoing activities, most notably including the administration and wind-down of the loan book (“Activation”).

The directors should notify the FCA of this event immediately. All staff must be notified, to ensure that they do not continue trading as usual: there is often an instinct to trade out of a bad situation, so staff must be told clearly if the decision has been reached to stop writing new business.

In order to reduce the likelihood of a Trigger Event, the directors should aim to ensure that regular revenue above a conservative loan-book size will exceed long-term fixed expenditure, so that fixed overheads are at a level, or can quickly be reduced to such a level, to ensure profitability on a run-down of the loan book. If the company becomes insolvent, the costs of appointing an insolvency practitioner are likely to be considerable and the decision as to whether it will be profitable to wind-down the loan book will rest with that insolvency practitioner, so avoidance of an insolvent wind-down through early planning will greatly enhance the prospects of our shareholders, creditors and clients alike.

Activation is potentially reversible. If we are able to resolve our financial resources deficiencies, we may, subject to any FCA objection, reverse the wind-down process and take back the administration of the loan book.

Non-Financial Resources required for Loan Wind-Down

The Wind Down Co-ordinator will need the following resources in order to wind-down the loan book:

Requirement	Current identified resource
Staff	The Wind Down Co-ordinator shall be required to assess the number of staff required to wind-down the loan book as part of Activation

Contractual entitlement to administer loans and enforce security	<ul style="list-style-type: none"> • easyMoney has all requisite authority to continue administering loans in the event of Activation • although it has no active plans to do so, easyMoney may confer contractual authority on any third party to enforce the terms of loan agreements, as provided for in the relevant contracts with lenders and borrowers
Access to IT systems	<ul style="list-style-type: none"> • The Wind Down Co-ordinator has existing access to all account details to view existing balances, amounts due and security held in respect of each lender and borrower
Access to client bank account	<ul style="list-style-type: none"> • The Wind Down Co-ordinator has existing access to all bank account details to view and provide payment instructions
Insolvency Practitioner access to information	<ul style="list-style-type: none"> • An insolvency practitioner will be able to retain the services of the Wind Down Co-ordinator and the Chief Technical Officer on their current remuneration rates for as long as it deems desirable to take over the wind down process, subject to the provisions of employment law • The Insolvency Practitioner will have access to easyMoney's P2P Resolution Manual to easily identify all materials and systems to administer and wind down the loan book