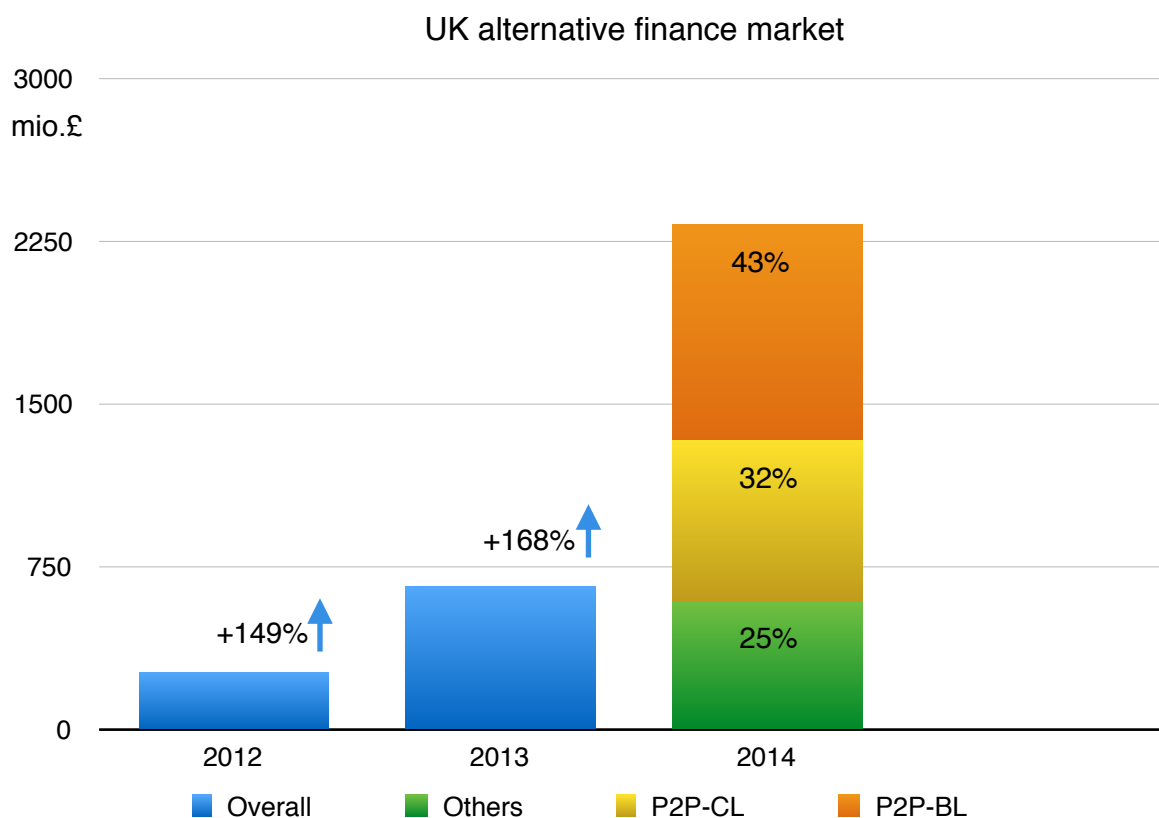


Where is the P2P lending sector in the UK heading?

The alternative finance market in the UK covers a range of different models with peer-to-peer business lending (P2P-BL) and peer-to-peer consumer lending (P2P-CL) making up the largest part of the market.



Source: Wardrop et al., 2015:37 (modified to show % of P2P lending)

The average growth rate over the period of 2012 to 2014 was 253% for P2P-BL and 113% for P2P-CL (idem). In Q1 to Q3 of 2014, P2P-CL platforms had provided credit to more than 62'000 individual borrowers in the UK. In terms of business lending, it was expected (in mid-Q4 of 2014), that the UK alternative finance market would provide more than £ 1 billion to over 7'000 SMEs, equivalent to 2.4% of bank lending to SMEs in 2014 (Zhang et al., 2014:13-14).

At the same time, awareness and usage of P2P opportunities is very low among the population. In a UK-wide survey, 42% of respondents were completely unaware of any type of alternative financing platform. 44% were aware but had not used any. Only 14% of respondents had used

some type of alternative finance. Of the 44% aware, only a quarter had heard of all types and overall, only 2 % had used all types. Similarly, 44% of SMEs had heard of it and 9% had used some form of it (ibid:22-25).

Three factors suggest that P2P lending will continue to grow rapidly: First, the survey showed that current P2P finance users indicate that they are very likely to use it more in the future. Second, with general awareness and usage quite low, there is significant growth potential (ibid:13). Third, regulators have shown an interest in making P2P lending safer and more attractive. The disclosure-based regulatory framework put in place in April 2014 addresses some of the risk-and-safety concerns and the aim of including P2P lending in the UK tax-free Individual Savings Account scheme will contribute to making it more interesting to consumers (Wardrop et al., 2015:36).

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