

Business Loan Network Limited

What are the risks?

Please read this section carefully, it details the key risks to which you are exposed to when investing in corporate business loans. There may be additional risks which are specific to individual loans.

Is investing in corporate business loans right for you?

It is important that you consider carefully whether investing in corporate business loans is appropriate for you and your financial circumstances, that you are confident you can select appropriate loans, and construct a diversified investment portfolio that is suitable for you. Before making an investment decision you should undertake your own due diligence to ensure that you fully understand the loan and the risks attached to it.

If you are not confident about any of these issues, it is important that you obtain advice from an independent financial adviser regulated and authorised by the FCA. If you do not already have one, you may find the following [guide](#) to finding a financial adviser helpful.

Your capital is at risk

When you invest in corporate business loans, you lend your capital to one or more businesses in return for a fixed rate of interest, which you agree at the time of the lending commitment. Remember: your capital is at risk and ongoing interest payments are not guaranteed if the borrower defaults on the loan repayments. Whilst we specialise in secured loans, such security only helps protect investors in the event of a default and does not provide any certainty of return of your capital.

Please note: Community Chest loans are unsecured.

When making an investment in corporate business loans, in the event of a loss, your capital is not covered for compensation by the Financial Services Compensation Scheme.

Investment returns

Your return from the loans in which you invest will consist of:

- Capital and interest payments agreed with borrowers
- Less any losses experienced for loans in default
- Less any fees that you incur

You should expect that some loans will experience problems with repayment. It is, therefore, very important that you invest in a wide spread of loans within a diversified portfolio to reduce the risk that individual loan losses will have a significant impact on your net investment return.

- Historical returns and loss rates are not necessarily guides to future performance.
- Any projected returns and loss rates are merely estimates of how loans might perform and equally cannot be relied on as a guide to future performance.

- Projected returns are based on loans made in the previous six months. This represents the estimated weighted average annual interest less estimated potential losses net of any recoveries from defaulting loans. This projection is revised quarterly.
- Quoted returns are for money invested in loans – money held as un-invested cash on your BLN account will not attract any return.
- Quoted returns exclude the effect of any fees or taxes payable by lenders.
- Quoted returns reflect an average of all loans for a particular period. As such, they may not be relevant to your investments if your portfolio is not representative of this average because, for example, it is not sufficiently diversified or your risk appetite is materially different.

You cannot be certain of withdrawing your money early

The money you invest in corporate business loans will be repaid by the borrower in accordance with the individual loan terms, unless there is a default event.

You cannot ask for your money to be repaid ahead of this by the borrower. BLN no longer operates a Secondary Market. In the unfortunate event that a borrower defaults on the loan repayments or enters into a formal insolvency process, any recoveries may be delayed beyond the term of the loan and capital losses may be incurred.

Accordingly, investing in loans needs to be considered as an illiquid investment without absolute certainty of repayment or of the timing of repayment.

It is, therefore, very important that you do not invest money that you might need to access earlier than the term of a loan you decide to invest in. You also need to be aware that some borrowers may choose to repay their loans in full before the end of the term, this usually means that the income you are expecting to earn from the interest for the term of the loan will be reduced accordingly. Other loans may be repaid later than originally agreed or even experience losses. You should only invest funds that you are comfortable will not be needed for another purpose before it is repaid to you.

Loan restructuring

Although the rate of interest is fixed at the outset of the loan for business borrowers, it is possible that financial difficulties faced by the business borrower may mean that the loan will need refinancing, which may mean you need to accept a lower rate of interest in order to have greater certainty that your capital will be repaid.

It is possible that a borrower may experience financial difficulties during the term of a loan. In such circumstances we would work with the borrower and it may be that restructuring the loan, which could include extending the term, granting a repayment holiday or reducing the interest rate, would provide lenders with greater certainty that the capital will be repaid.

Economic risk

Your loans are made to UK businesses, and the borrower's ability to repay the loan would likely be affected if there was a dramatic downturn in the UK economy, or in the economic sector or geographical location in which they are based. The viability and sustainability of business borrowers' business models are, of course, fundamentally related to the level of risk that they

may default on interest or capital repayments.

Credit and Security grades

The Credit and Security grades that are allocated to loans are applicable at the time that the loan is listed and are not reviewed over time. Therefore, a business's credit grade or security grade may change during the term of the loan, but this will not be reflected on the BLN platform.

Interest rates and personal circumstances

As with any fixed-term loan, there is a risk that interest rates could increase before the end of the committed term, which would mean that you would not be able to move your capital into a higher-interest bearing loan until the maturity of your existing arrangements. While this is not necessarily a risk to your capital or the interest which you will be earning, it is a consideration that you should make in relation to your own personal needs and circumstances.

No investment advice

When you make loans on the BLN Platform we provide no investment advice and you are entirely responsible for obtaining your own independent advice from an authorised financial adviser. If you choose not to, you are asked to note that no assessment will have been made as to whether this investment is suitable for you and you will not have the benefit of the protection provided by the FCA's rules that advisers are obliged to follow when giving financial advice.