

Peer-to-Peer Funding An Overview

Economic Development Committee

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**Nottinghamshire
County Council**

P2P Funding – An Overview

- An outline of P2P funding
- Scope and considerations
- A Nottinghamshire perspective
- Current schemes
- Wider Context
- Considerations and what next



P2P Funding – An Outline

- An open, secure electronic market place for businesses to seek investment
- An opportunity for investment by individuals with an anticipated return
- Facilitated by a third party / on-line platform
- Businesses seek finance for specific purposes, secured from a set of interested investors
- A timetable is set for an open auction
- Auction closed, business chooses to accept package and interest rate set at lowest competitive rate



Scope of P2P Funding

- Risk - credit-worthiness check; individual defaults; platform failure (no FSCS protection)
- Maximum amount, minimum / maximum period for the loan
- Minimum / maximum amount per investor
- Established (small / medium) businesses only
- Spread of investment(s)
- Fund management approach - fees

A Nottinghamshire Perspective

- SME's - burgeoning backbone of the local economy. Growth more likely to come from existing businesses
- Many locally creative and innovative businesses
- Questionable access to funding via the mainstream with...
- ...interest rates and conditions of access often difficult or uncompetitive
- Encouraging support to explore this via the Growth Plan consultation



Business P2P Schemes

- Many established platforms eg Funding Circle, Thin Cats
- Lancashire CC and Funding Circle
 - Participate in auctions as per any other investor, based on pre-agreed “pot” via an FC account and for Lancs based businesses only
 - Pre-agreed 20% of total loan request at pre-agreed expected % return
 - Additional due diligence
 - Lead generation and cross-fertilisation

Wider Context

- Crowd funding – longstanding approach eg bands / music production www.kickstarter.com
- Brokering Deals – dragon's den style approaches, marrying (private equity) investors with (usually) new business ideas eg www.dealmakersclub.co.uk
- Specialised / niche platforms such as www.spacehive.com hosting community-based projects seeking funding

Potential to Explore Further...

- A uniquely Nottinghamshire approach and...
- ...a vehicle for incentivising growth and input from entrepreneurs, investors, businesses from the County
- Entirely new approach or “bolt on” to existing platform via an account? Commissioning? Different models?
- Considerations – promotion, reputation, due diligence, managing levels of risk, administration, fees and safeguards
- Its “fit” with wider funding opportunities / programmes
- Exploration with local / national business support organisations, funders – regarding modelling, finance and engagement