



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lendy Action Group
Via email

17 March 2022

Dear Lendy Action Group,

Thank you for your email of 22 February about the peer to peer (P2P) lending platform Lendy.

I understand the concerns you have raised regarding Lendy, which was placed into administration in May 2019. There is an ongoing Financial Conduct Authority (FCA) enforcement investigation into the circumstances that have led to the administration of Lendy. This is the responsibility of the FCA, and in view of its independence I am afraid it would not be appropriate for me to comment. In addition, besides this FCA enforcement investigation there are currently no plans for the Government to establish an independent review of the FCA's conduct in relation to the administration of Lendy.

The independence of the FCA is vital to its role. Its credibility, authority and value to consumers would be undermined if it were possible for the Government to intervene in its decision-making and operational matters. As such, it is not appropriate for the Government to publicly discuss the FCA's actions in relation to Lendy, however you can contact the FCA for further information directly using the details outlined at:

<https://www.fca.org.uk/contact>

Anyone directly affected by the way in which the FCA has exercised, or failed to exercise, its functions (other than its legislative functions) under the Financial Services and Markets Act 2000 (FSMA) may complain using the Complaints Scheme. The FCA website gives details of how to make a complaint via the following link:

<https://www.fca.org.uk/about/complain-about-regulator>

More broadly, the Government has implemented a proportionate, principles-based regime for P2P that balances the need for consumer protection with allowing the sector to grow and evolve. The rules overseen by the FCA were updated in December 2019. These place further requirements on platforms regarding risk management, governance, marketing restrictions, wind-down arrangements and disclosure requirements. The FCA's strengthened rules on wind-down planning make it clear that platforms must have arrangements to ensure that the P2P agreements they facilitate have a reasonable likelihood of being managed and administered, on an ongoing basis and in accordance with the contract terms, even if the platform ceased to carry out those functions itself. The FCA issued guidance as to what adequate wind-down plans might look like.

As P2P lending is not covered by the Financial Services Compensation Scheme (FSCS), the FCA require platforms to make investors aware of this fact before investing. If you believe that this was not the case, you should contact the FCA as the independent authority responsible for supervising P2P platforms. All P2P platforms must clearly state that 100 per cent of capital invested is at risk. P2P products are investments, and investors must accept the risks that they take when investing in these products. This is why the FCA has limited investment in P2P as an asset class to no more than 10 per cent of a consumer's investable assets.

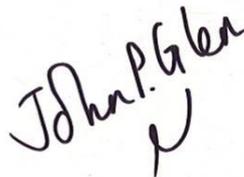
The Government is committed to fostering a strong, diverse and competitive financial services sector to ensure that UK consumers and the economy can benefit from high quality products and services at efficient prices. It believes that P2P providers deliver innovative forms of finance for both consumers and business that can provide competition to the major banks and, as such, is keen to see the sector continue to grow and evolve.

It is natural that over time, some businesses will choose to exit or enter the most innovative parts of the market, and this demonstrates healthy competition in the sector. The Government will continue monitor the sector through directly engaging with platforms, and the FCA, who independently regulate the sector.

On a separate note, in your letter you say that the Government set up the Transparency Task Force (TTF). I should be clear that All Party Parliamentary Groups (APPGs), such as the APPG on Personal Banking and Fairer Financial Services, are independent of government. I am therefore not involved in the work of the TTF.

Thank you for taking the trouble to make me aware of these concerns.

Yours sincerely,

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN