

## Q&A

### with Charlotte Marsh, Head of Credit

#### How does ArchOver review a business that wants to Borrow?

The Commercial Team at ArchOver is responsible for the initial screening of potential Borrowers and only pass on those that meet our lending criteria. The Credit Team then invests a considerable amount of time - on average four days - to fully review a potential Borrower. Should the Borrower be approved by the Team, they will pass them onto the Credit Committee for review.

#### What is the ArchOver approach to Credit Analysis?

We employ a traditional Five C approach: Character; Capital; Capacity; Conditions and Collateral. We believe the only way to achieve this is to discuss with the owners and senior management of the business to understand where it has been, where it is today and where it wants to go tomorrow. Understanding a business is a complex, multidimensional challenge and we employ both quantitative and qualitative elements when reaching judgments. The primary goal for the Credit team at ArchOver is to produce consistent and authoritative industry leading analysis to deliver the best possible investment outcomes for our Lenders.

#### What are you specifically looking for when reviewing a Borrower?

We have a detailed process we follow to deliver a number of key metrics so that our Credit Committee can take an authoritative decision on what companies should make it onto the platform.

We break these down as:

- Analysis of the business wishing to borrow and the industry category they operate in
- Financial Statement analysis for strengths and weaknesses
- Director(s) history and risk
- Cash Flow analysis and projections for loan repayment
- Collateral analysis
- Analysis of credit risk
- Third party extended risk – i.e. customers, sector
- Security and the ability to maintain that security throughout the loan

#### What is your approach to risk?

All business lending carries risk. There are three ways of dealing with risk: Eliminate it; mitigate it; accept it. To understand risk it is imperative that you carry out a detailed identification methodology;



understand and acknowledge that a proportional amount of risk is ubiquitous; constantly monitor that risk; identify and handle new risks as they arise within a business. However, the other way to mitigate risk for our Lenders is to ensure the right level of 'security' is always in place should things ever go wrong with a loan.

At ArchOver we monitor both risk and security on a monthly basis, something we believe is unique within the P2P industry.

## What sets ArchOver apart from the industry in terms of Credit Analysis?

We've lent over £50 million, with no defaults, no losses, and just one late payment - there is no other platform we know of that has achieved this level of success. As a team, we believe this track record has been down to the time and effort we spend on-boarding. But, we also believe our relationship with Borrowers, the fact we monthly monitor them against their projections and visit their premises twice a year, all contribute to a stable loan portfolio for our Lenders.