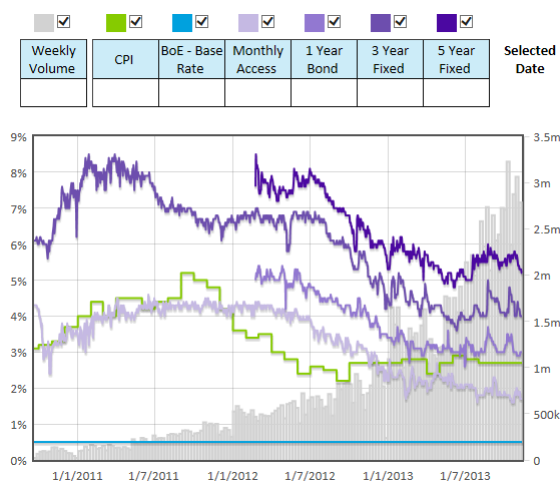


Returns on peer-to-peer lending, 12th November 2013

With the Bank of England base rate being held at record low of 0.5%, savers have been turning to peer-to-peer lending to try to get a better return on their capital. Peer-to-peer interest rates have fallen since 2010, but the headline figures hide some important changes to the markets.

In 2010 the average return for a lender investing over 5 years was around 9% on Zopa (after fees, but before bad debt and taxation), but this fell to around 6.5% in 2011, rose to 7.5% in 2012, but has fallen to 4.7% as of today. These figures hide the fact that Zopa dropped some of their higher risk markets at the end of 2012 and introduced Safeguard this year, so the return of 4.7% is **after** fees and expected bad debt, but before income tax.

The average rates on Funding Circle have dropped from around 7% in 2011 to 6.5% in 2013 (after feed, but before bad debt and taxation), but during this time Funding Circle have added new higher risk markets and introduced minimum lending rates.



Over the same period RateSetter have not tweaked their business model – with the exception of adding additional markets – so they could be used as a baseline for the sector. RateSetter have also published some detailed statistics on their market rates, which clearly show that the rates have fallen from 7.5% (after fees and expected bad debt, but before income tax) for a lender investing over 3 years in 2011, to 6.5% in 2012 and to 4% today. While borrower demand has increased tenfold during the same period, it would be logical to assume that lender demand has increased more.

Peer-to-peer still offers a good alternative to savers wishing to diversify some of their capital, but the returns are not quite as good as they were over the last two years. Lenders can compare P2P lending rates on <http://www.p2pmoney.co.uk/compare/lend.htm> which is after all deductions.

Graphs

Graph 1 – RateSetter market trend - http://www.ratesetter.com/lending/market_trend.aspx

<http://www.p2pmoney.co.uk/press>

Ian Gurney, founder of the P2P money website, has lent money on Zopa, Funding Circle, RateSetter, YES-secure and ReBuildingSociety. Please also refer to the [disclaimer](#).

