

Peer-to-peer – the future, 4th October 2014

Peer-to-peer lending has come a long way since Zopa launched in the UK almost a decade ago. Zopa is an acronym of “zone of possible agreement” and this describes peer-to-peer lending in its simplest form. Lenders seek to maximise their return whereas borrowers want to minimise their costs, but there is a region – the zone of possible agreement – where lenders and borrowers are able to agree mutually beneficial terms. Peer-to-peer lending has spread over the world and has evolved to include business lending, secured lending, pawn broking and invoice financing amongst others, but the fundamentals are still the same.

This week Zopa announced that in the preceding 12 months it has arranged loans of £¼billion. While small in terms of the overall financial market, the peer-to-peer sector in the UK is now doubling every year. The low base rates and the reduction in commercial bank lending have both helped peer-to-peer lending grow from a niche product to something a lot more mainstream. Banks, other financial institutions and governments are now taking peer-to-peer lending seriously.

There are now over 50 peer-to-peer companies in the UK that are active or are about to launch, and the marketplace – even with triple digit growth – is becoming crowded. Lenders are now diversifying funds between peer-to-peer providers to further minimise risk, and can afford to be selective with the providers they use.

The [P2P money website](http://www.p2pmoney.co.uk) can help lenders make an informed decision by providing in-depth information and interest rate comparisons of each peer-to-peer provider operating in the United Kingdom, where data is available. Interest rates for lenders, after tax and deductions, can range from low single digits to double digits.

The LendIt conference in London will see some of the leading and upcoming players in this field discuss their vision of the future. This is an exciting time for the industry, with regulation having taken effect and consultation on including peer-to-peer funds within the new ISA's (the UK government's tax free wrapper for savings and investments) taking place.

The next couple of years will be ground-breaking, but there will inevitably be consolidation and some failures along the way. Lenders and companies need to prepare for the challenges ahead, but also not lose sight of what peer-to-peer lending is actually about – creating value for lenders and borrowers.

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

Ian Gurney, founder of the P2P money website, has lent money on some of the peer-to-peer platforms in the UK. Please also refer to the [disclaimer](#).

