

Novaloans Ltd

July 2021

CASH4UNOW

RESPONSIBLE LENDERS FOR RESPONSIBLE SPENDERS



Novaloans Ltd t/a **CASH4UNOW**
RESPONSIBLE LENDERS FOR RESPONSIBLE SPENDERS

is an established online short term lending business
and has been trading in the UK since 2012



About Us (1)



Direct Lender

Independent direct lender – able to process applications and fund loans efficiently and quickly through a UK based customer support team.



Flexible Repayment Terms

Instalment loans offer flexibility to repay either 4 or 6 months with more affordable repayments than one month Payday loans.



Quick Decision

Our online interfaces mean we can offer a decision in principle in seconds whilst being confident our checks are robust.



Responsible Short-Term Lending

A culture of treating customers fairly is paramount with transparent charges and penalty free early repayment supported by membership of the Consumer Credit Trade Association.

About Us (2).

CASH4UNOW started its operations as an online consumer lender in 2012 by serial entrepreneur, Patrick Green. At that time products were offered between single repayments and 6 months, however the business soon decided to focus on instalment lending. Initially having only 3 full time employees (FTEs) and outsourcing underwriting and collections to a third party provider, through a process of controlled growth and continued expansion these functions were brought in house only a couple of years later. By 2017 staff numbers were around 20 FTEs with dedicated underwriting, collections and customer services teams. The business is run wholly from a single Leeds base and benefits from continuity of senior staff members who have developed their expertise and experience alongside the business growth.

Marcus Green (Paddy's son) has since taken over as managing director as of March 2021.

Excellent working relationships and a short "chain of command" mean that Cash4uow is able to respond quickly to market and regulatory changes and weekly senior staff meetings are held to cascade and share information in a timely manner.

CASH4UNOW'S Team consists of 40 highly skilled, office based staff covering Operations Management, IT Management, Underwriting, Collections, Administration & Finance, Compliance & QA, Customer Care with external specialist partners providing Business Intelligence & Analytics and Legal Services.

the future of
alternative lending



Our Services

CASH4UNOW offers short term loans with terms of either 4 or 6 months that are priced in accordance with the current regulatory interest rate cap.

The liquidation rates (return on lent capital) increase with longer terms and there is also the opportunity to increase loan amounts as the repayments become more affordable when spread over a longer period.

Since January 2015 interest rates have been capped at 0.8% per day on the outstanding principal and products are subject to an overall cost cap so a customer will never be charged more than 100% of the borrowed amount. All current and future offerings comply with the cap.

CASH4UNOW currently
offer a 4 or 6 month
instalment product

Our Customers

CASH4UNOW have embedded the principle of Treating Customers Fairly (TCF) into its operating procedures. Customers are at the heart of what we do and we strive to provide excellent customer service and to offer products that perform as our customers expect them to.

We explain terms clearly and do not impede customers from exercising their statutory rights, for example to withdraw from or settle a loan early.

We also strive to recognise those in genuine financial distress and provide all possible assistance in order to achieve a positive outcome.

Our typical customer is aged 25-34 with no dependants, employed full time in an office based position, is a private tenant and earns £12K-£24K gross per annum.

The average first time loan is currently £261 with an average repeat loan of £293.

Customers are
at the heart of
what we do



Business Highlights

In the last 12 months, **CASH4UNOW** has provided approximately 32,105 loans representing £8,761,100 in loan principal.

Our current product offers equal value instalment loan terms of between 4 or 6 months.

Liquidation rates (return of lent principal) **at the end of the loan term** are up to 163%.

All borrowers are employed and generally have a net monthly income of six times the loan value.

All applications are fully assessed through our bespoke underwriting models and include robust identity verification, anti-money laundering and affordability checks.

**32,105 loans in 12 months
representing £8,761,100
in loan principal**

Strengths (1)

Leading products

- Instalment loan product offering 4 or 6 month repayment options takes advantage of shifting customer preference from single repayment to more affordable multiple repayment loans and exposure to a larger addressable market.

BIG DATA

Leading analytics and technology drives strong credit risk management

- Leveraging BIG DATA; The value of this data is integral to running a profitable lending business.
- A bespoke variant of the market leading LAPS-IT platform provides an end to end integrated loan processing and management system.
- Underwriting algorithm based decision engine which has been developed from 9 years of actual UK HCSTC lending data.
- The algorithms automatically apply real time and historical data analysis to a customer's loan application to produce a one dimensional 'risk score', forming an integral component of the underwriting process.
- The scoring algorithms are continually updated to reflect "real world" trends and client profile. The success of a good underwriting strategy is demonstrated by improved customer acquisition costs, efficient marketing spend and the optimum balance between loan acceptance and default rates.
- The underwriting engine currently processes over **20,000** loan applications per day.

Strengths(2)

Marketing strategy for lower customer acquisition costs	<ul style="list-style-type: none">▪ Our marketing plan is currently focused on using lead generators. With additional capital we intend to increase our marketing channels into digital campaigns, mobile app development, and selective offline advertising.▪ We leverage the LAPS-IT platform to manage email and SMS and we access auto dialling via a separate bespoke platform for low cost/high touch client marketing interaction.
Customer focus	<ul style="list-style-type: none">▪ Our website provides existing customers with full account access to enable more convenient account management and information availability.▪ Fully trained customer support teams offer Mon – Fri individual service plus weekend and ‘out of hour’ processing.
Compliance and transparency	<ul style="list-style-type: none">▪ Simple, clearly communicated loan pricing.▪ Members of CCTA, full FCA authorisation & ICO registration.▪ External auditors contracted.
Experienced management team	<ul style="list-style-type: none">▪ The senior management team are experienced in the UK payday lending market place with substantial years of combined experience.
History of profitable growth	<ul style="list-style-type: none">▪ CASH4UNOW started operations in 2012 and has successfully grown the loan book to approximately £10.2m with EBITDA to £1,016,906 as 31.05.2019.

Corporate Strategy

Responsible Lending

- Maintain organic growth in a responsible manner and continue treating customers fairly.
- Rigorous focus on compliance with FCA rules and standards.
- Compliant and regulatory focused operations.
- Customer data protections and rights enhanced through implementation of GDPR

Customer Service and Support

- Improve customer service levels with ongoing recruitment campaigns.
- Step up overall quality of customer engagement with front line support staff.
- Training programmes for staff.
- Best practice guidance circulated.
- Clear behavioural expectations.
- Implementation of new regulatory rules for the Senior Managers and Certification Regime (SMCR). All staff have responsibility for behavioural output.

Analytics and Underwriting

- Continuous improvement and reconstruction of decision engine algorithms.
- Continue to assess and improve credit standards where possible.
- Fully operational with UK Open Banking (PSD2) in the underwriting process and decision engine.

Profitable Growth

- Manage impairments in the 7-8% range for the right balance of customer acquisition costs and default levels.
- Continue to offer attractive and competitive equal instalment loan products.
- Increase digital marketing and selective online exposure.
- Manage customer acquisition and credit bureau costs to improve EBITDA margins.
- Secure additional funding with specialist lending partners.



Regulatory Environment

The UK payday industry has faced significant challenges from 2014 onwards, mainly due to a hand over of regulation from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA), the introduction of specific High Cost Short Term Credit (HCSTC) regulations in July 2014 and the introduction of a new interest rate cap in January 2015.

The FCA has since carried out reviews into creditworthiness and affordability checks, using inappropriate methods to collect overdue loans and most recently, into re-lending. It has also issued “Dear CEO” letters and a “Portfolio Strategy” letter to High Cost lenders in March 2019.

In 2018 made a significant change to CONC by defining the new concept of “affordability risk” and inserting a new section in CONC to establish rules and guidance around creditworthiness checking.

CASH4UNOW received its authorisation by the FCA in February 2016 following an extensive assessment of its practices and business model lasting almost a year.

CASH4UNOW welcomes these changes as key drivers of improving the industry reputation. We have aligned our offering to either 4 or 6 month longer term loans to enable more affordable monthly repayments and invested significant resource analysing and adjusting our underwriting models to further suit the longer term products. The market exit and scale back of many larger lenders has significantly increased the opportunity for growth and **CASH4UNOW** is well placed to exploit this.

CASH4UNOW is well placed to meet the challenges of the regulatory environment

Regulatory Environment cont.

CASH4UNOW's business model is not designed to lend to those who cannot afford to comfortably repay the loan. We work hard to ensure loans are repaid on time by choosing our borrowers carefully, accepting approximately 10% of the loan applications we receive from our website, and constantly analysing and updating our underwriting algorithms.

Any debt that we deem uncollectable in house is ultimately sold to an FCA licensed external debt purchaser. Our collections "forward flow" process and bad debt provisioning ensures we always have a realistic view of our current loan book status.

In order to address the problem of borrowing across multiple lenders in short succession, research carried out by the Competition and Markets Authority (CMA) and the Financial Conduct Authority (FCA) indicated a requirement for real-time data sharing amongst short term lenders.

CASH4UNOW makes use of a main stream credit reference bureau's innovative real-time data product and actively reports and makes use of real time data in its lending decisions.

We work hard to ensure loans are repaid on time by choosing our borrowers carefully

Regulatory Environment cont...

FCA price cap comprises three rules with the overall aim of reducing borrowing costs, reduce the level of punitive charges and to make it uneconomic for firms to offer loans to individuals who are unlikely to be able to repay their loans.

- To protect all borrowers and to discourage firms from lending to borrowers who are more likely to be harmed.
- To protect borrowers who repay their loans late and to "overturn a situation where current high charges facilitate lending to borrowers who are at high risk of detriment as a result of borrowing"
- To limit escalating interest, fees and charges and to mitigate debt spirals.



Source: Consumer Finance Association (CFA) UK

Underwriting Technology

The core of success in online lending is the underwriting technology

CASH4UNOW's decision engines are fed thousands of data points, employ bespoke lending algorithms and do not feature sub-optimal generic third party scorecards.

Our predictive models are developed in house and employ robust techniques in scorecard construction.

The ability to predict loan portfolio performance is a unique selling point at **CASH4UNOW** and in 2021 we have invested further in technology and systems development.

Applicant data is verified through multiple online channels including mainstream and niche credit reference bureaux and **CASH4UNOW's** own extensive database.

These enable bank account and debit card ownership, anti-money laundering, identity verification and fraud checks as well as conventional credit history checks, income validation and affordability assessments to be carried out incredibly quickly, resulting in a complete lending decision in around 10 seconds.

Open banking is now fully deployed into the Underwriting processes and strengthens **CASH4UNOW's** rigorous and stringent affordability assessments

Our predictive models employ the latest techniques in scorecard construction

Underwriting Technology cont.

The most effective way to build robust scoring models and predictive underwriting systems is to gather a comprehensive dataset of loan portfolio performances over a period of time. This is a time consuming and capital intensive method that can take several years - our database spans over more than 9 years.

Our predictive modelling is constantly evolving and we are actively examining new sources of information and data including social media, email account analysis and aggregate (Open API) banking data.

CASH4UNOW's underwriting technology continues to improve and intelligent use of innovative products combined with in house scorecard development has allowed for exceptional improvement in loan portfolio performance throughout 2020 and to date, demonstrated by improved acceptance rates, lowering bad debt and the corresponding increase in liquidation rates.

Our predictive
modelling is
constantly evolving



Underwriting Technology

The core of success in online lending is the underwriting technology

Price comparison websites



Search engines

Internally generated



Top 5 lead generators based on performance analytics over a 5 year period

Lead generators 95% of New Loan Enquiries

Online Application

Repeat customers



Decision in principle is almost instant and funds expedited in numerous daily payment runs
Average loan £315 over 6 months



Key Intellectual Property
Decision Engine - Proprietary credit assessment algorithm



Additional revenue stream by the sales of fully opted in declined applications

Risk Policy

- SYSC 4.1.1R requires **CASH4UNOW** to have in place systems to identify, monitor, manage and report risks to which the business is or may be exposed.
- Managing risk effectively helps **CASH4UNOW** to perform well in an environment full of uncertainty. The risk management framework is set so as to try to ensure that, as far as possible, risks to the achievement of the **CASH4UNOW** business plan, strategy and objectives are identified, assessed and monitored at an appropriate level
- The risk management framework is not static and is developed and refined to reflect the business's current approach and business model. As well as taking account of variations in the outcomes we expect, we also consider the risk of an outcome that has the potential to cause detriment to the business, or to its customers.
- **CASH4UNOW** has developed a range of policies and procedures to deal with those risks it considers as key. These policies explain **CASH4UNOW's** approach to individual areas and ensures consistency of response, limiting instances of behaviours that do not confirm to our TCF commitment. Key policies include AML and financial crime, responsible lending, re-borrowing, debt collection and TCF.
- New customers borrowing limits are subject to creditworthiness and affordability checks and the maximum loan would only be advanced where a customer has demonstrated a successful repayment record with us and where we can be reasonably certain that the customer is not reliant on short term borrowing.
- Our products fall under the FCA definition of "High Cost Short Term Credit" (HCSTC) and are therefore subject to additional HCSTC CONC rules and also to the price capping requirements.
- **CASH4UNOW** is committed to operating in a compliant manner having due regard to regulations and guidance in issue.

Three Lines of Defence:

1. Employee level responsibility - call monitoring and quality control to ensure that all key risks within each employee's area of responsibility are identified, and then mitigated by adding appropriate controls.
2. Internal Compliance personnel carrying out quality assurance and compliance monitoring to ensure all employees are aware of the responsibilities they have on the "first line".
3. External Compliance reporting, risk consultants and regular auditing programmes provide assurance to the Senior Management team that risk management, governance and internal control processes have been implemented properly and are operating as they should be.

Risk Policy - Treating Customers Fairly

Clear & Fair Advertising

Assist Customers in Arrears

Products Comply with Consumer Credit Agreements

Adequate Credit & Affordability Checks



High Level of Customer Service

Responsive to Customer Complaints

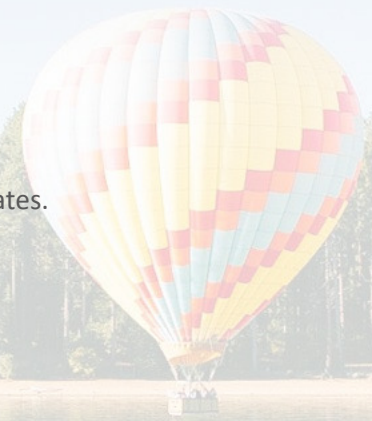
Feedback Loop to Improve Process and Customer Experience

Ensure Customers Can Exercise their Statutory Rights

Risk Policy - Credit Risk

All applications made are considered and processed with due regard to the following rules:

- The FCA's Consumer Credit Sourcebook (CONC).
- The FCA's Principles for business (PRIN).
- The FCA's Treating Customers Fairly (TCF) outcomes.
- GDPR
- Consumer Credit Act 1974, 2006 as amended
- The Committee of Advertising Practice (CAP) guidance implemented by the ASA.
- UK Code of Broadcast Advertising (BCAP).
- The Privacy and Electronic Communication (EC Directive) Regulations 2003 and subsequent updates.
- The Consumer Protection from Unfair Trading Regulations 2008.



Risk Policy - Credit Risk

Decision Engine; Bespoke in-house pre-screen, application data, risk score model, matching and business rules

- 18 years of age or older.
- Be employed and resident in the UK.
- Hold a UK bank/building society account with an active debit card.
- Have salary paid directly into UK bank account.
- Access to an active mobile phone and email account.
- Not be signed to or considering entering a debt management plan, IVA or a debtor under any bankruptcy proceedings.

Credit decision making resources

- Application form.
- In house credit scoring techniques.
- TransUnion (formally known as Callcredit) – “The Affordability Check”.
- TransUnion ‘MODA’ data, real time short term lending data
- A risk score is a one-dimensional representation of a consumer’s perceived credit risk and is derived from a scorecard. Scorecards contain specific criteria considered to be predictive of a consumer’s likely behaviour and points are allocated statistically depending on the values ascribed to these criteria.
- Score < Prescribed cut-off level; application will be declined.
- Score >= Prescribed cut-off level; application will be accepted pending the outcome of additional fraud and credit related rules, affordability and manual underwriting checks in some cases.
- The cut off level is set to achieve its desired good/bad rate which is based on a number of important business decisions such as customer propensity to repay and future delinquency and charge off rates.

Management Team

Marcus Green

Director

- 9 years' experience in HCSTC lending
- 13 years as a part owner of a corporate services company
- 9 years of marketing, advertising and consulting expertise

Melanie Chapman

Operations Director

- 25 years in the consumer & commercial collections industry
- 10 years' experience HCSTC
- Operational expertise in people management, call centre operations and credit process optimisation

Adrian Grunwell

IT Manager

- 14 years of software development including nine years of web development experience
- Windows and Linux server administration, SQL design and analysis, APIs, Web security

Paul Moran (Consultant)

Business Analytics & Intelligence

- 16 years with Ellison Ray; financial services, credit risk, process re-engineering, new product development
- 10 years as head of credit quality with Welcome Financial

Helen Ward (Consultant)

Head of Compliance

- 19 years experience in financial services
- Qualified accountant (ACA) and holds an MBA
- Has obtained FCA authorisation on behalf of 6 companies.
- 11 years experience of running a consultancy business

Amy Beggs

Operations Manager

- 8 years with CASH4UNOW in underwriting, affordability, collections and customer service
- Five years of call centre exposure with increasing seniority and responsibilities
- Two years in direct customer service in food retail

Appendix: Choosing a HCSTC Lender

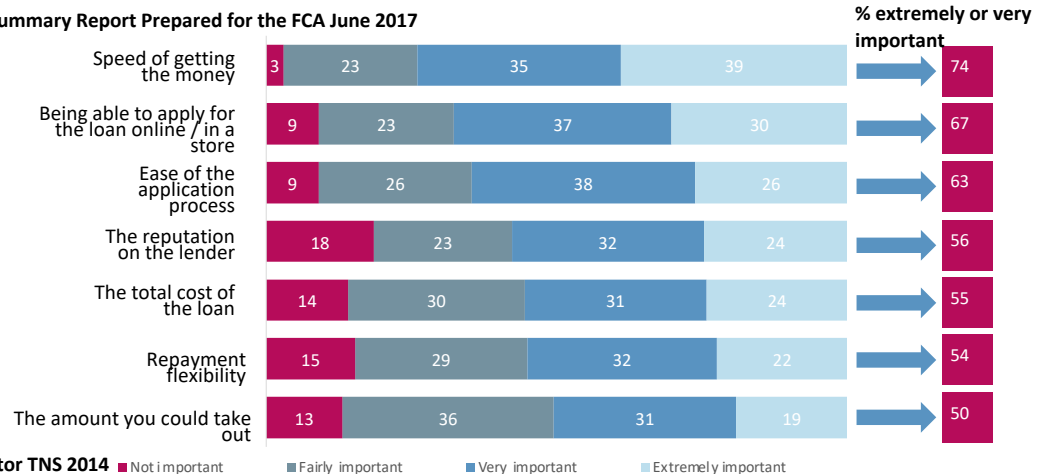
“The factors customers talked about consistently were ease, speed, convenience, anonymity. When we explored these characteristics in more detail some had more than one variable that customers valued. For example, when talking about ease in the context of payday loans, customers were thinking of the ease of applying, the ease of access whether online or via an app, and the ease with which people felt they were accepted. Similarly, ‘speed’ referred to the speed of the application process, of the approval decision, and of receiving the funds. Convenience was linked to accessibility, for example the convenience of being able to transact entirely online/via an app and either 24 hours a day or, at a minimum, 7 days a week. Anonymity was also a factor of being a digital channel with extended operating hours and no need to interact in person”. (1)

Approaching half of all customers cite the ease with which money can be acquired quickly as the reason for applying to a payday loan. (2)

(1) Source: Relending in the high cost credit market, narrative report, PwC, March 2020

(2) Source: Critical Research TEN-16-075. PRICE CAP RESEARCH Summary Report Prepared for the FCA June 2017

In 2014, research for the Competition and Markets Authority (3) also suggested that speed was an extremely or very important factor in getting the money. This shows that short term lending customers needs have remained remarkably consistent and vary little between new borrowers and re-lenders.



(3) Source: Research into the payday lending sector TNS 2014

■ Not important ■ Fairly important ■ Very important ■ Extremely important

Appendix: Regulatory Impact Impact of regulation on High Cost Short Term Credit (HCSTC)

Since 2014, when the FCA assumed supervisory authority for consumer credit, the HCSTC market has undergone extensive changes due to regulatory changes.

The UK Consumer Finance Association noted the following results (1):

- the cost of credit has come down by around a third.
- default rates have approximately halved.
- due to regulatory interventions, lenders have been incentivised to offer affordable loans, that consumers repay according to the original terms of the loan.
- the average amount paid by consumers in additional fees has halved since 2013.
- lenders are offering longer-term loans, better meeting the needs of consumers, giving them an opportunity to take advantage of early repayment at lower rates, and improving the affordability of each repayment instalment.
- In 2018, the FCA issued new rules around creditworthiness and affordability. Their intention was to “protect consumers from the harm that can arise when they are granted credit that is predictably unaffordable at the point it is taken out. At the same time, we want consumers to be able to access credit where it is affordable” (1)
- “Dear CEO” letters issued by the FCA set out their expectations on lenders to follow the letter and the spirit of rules and guidance

(1) Source: Consumer Finance Association/Oxera “impact of regulation on High Cost Short Term Credit” March 2017

(2) Source: FCA Assessing creditworthiness in consumer credit – PS18/19 Feedback on CP17/27 and final rules and guidance July 2018.

Appendix: Regulatory Impact

Impact of regulation on High Cost Short Term Credit (HCSTC)

- “From developments in the market, including trends in Financial Ombudsman Service complaints and a number of high-cost short-term credit (HCSTC) firms entering administration as a result of liabilities for complaints, we can see the consequences for firms that fail to adequately assess affordability or relend in a way that is sustainable for their customers”. (1)
- The FCA has published data based on the regulatory returns submitted by lenders. In this (2), they find that:
 - lending volumes have risen since 2016, but remain well below levels seen in 2013
 - on average borrowers are due to repay 1.65 times the amount they borrow
 - costs of borrowing have been stable and are lower than before the price cap
- The HCSTC business model pivoted to focus revenues from the contract interest charged rather than from late fee and rollover revenue.
- Rollovers and refinance has fallen with many lenders, including **CASH4UNOW** not offering this at all.
- Increased focus on creditworthiness checks and affordability assessments (3)
- Shift from single-period loans to longer term, instalment loans and increasing customer flexibility and reduced costs
- Many large lenders have fallen into administration since 2018 including Wonga, Quickquid, Wage Day Advance, Peachy, Uncle Buck, MEM and smaller lenders such as DJS, MMP Financial. **CASH4UNOW** believes this creates an opportunity for growth in sustainable lending.

(1) Source: FCA Relending by High Cost lenders, August 2020

(2) Source: FCA Consumer credit high cost short term lending data, January 2019

(3) Source: FCA Assessing creditworthiness in consumer credit – PS18/19 Feedback on CP17/27 and final rules and guidance July 2018.

Market Data

- over 5.4 million loans were made in the year to 30 June 2018 (1)
- 37% of payday loan borrowers and 29% of short-term instalment borrowers are aged 25 to 34 (1)
- 37% of HCSTC borrowers are tenants (including council tenants) and 26% are living with parents (1)
- Payday loan customers were more likely to be male and in the middle age groups (35-54).(2)
- The majority (91%) were employed and stated earnings from employment as their source of income(2).
- Half (50%) of those who stated their household income said that it was over £24,000 (2)
- Most customers recalled having had a specific need to meet – an unexpected bill or an emergency and insufficient funds to cover it – when they first took out a payday loan. Very often they had looked at alternatives such as an overdraft or overdraft extension first and been turned down.(2)

(1) Source:FCA Consumer credit high cost short term lending data, January 2019

(2) Source: Relending in the high cost credit market, narrative report, PwC, March 2020

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