

Conflicts Policy

**Working together to create financially and
socially successful communities**

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1. Policy Statement

- 1.1. Folk2Folk wish to ensure that any Professional Partner firm conducts themselves in compliance with the highest professional standards. Professional Partner firms must at all times act professionally, fairly and with integrity in all their business dealings and relationships. This document describes Folk2Folk's approach to identifying and managing conflicts of interests, for Partner Firms to adopt.
- 1.2. The purpose of this Policy is to:
 - 1.2.1. Set out the procedures that Partner Firms must follow to recognise and deal with conflicts of interest.
 - 1.2.2. To set out Partner Firms responsibilities in observing and upholding sound principles in relation to conflicts of interests.
 - 1.2.3. Set out the procedures that Partner Firms should follow if their clients are interested in lending or borrowing through Folk2Folk.
- 1.3. This policy is intended to sit alongside your existing firm-wide Conflict of Interests Policy and is intended to be specific to work carried out in respect of Folk2Folk matters. This Policy has been designed to navigate a clear path through the SRA Code of Conduct to assist Partner Firms in carrying out Folk2Folk work. It is not meant to replace or alter the firm's general position on conflicts or other matters of conduct.
- 1.4. The Partner Firm's Compliance Officer for Legal Practice (COLP) is responsible for this Policy and for supervising the Partner Firm's conflicts arrangements.
- 1.5. This Policy applies to all individuals working at all levels including partners/consultants, solicitors, other employees (whether permanent, fixed-term or temporary), contractors, trainees, seconded staff, home-workers, casual staff, agency staff, interns and students, agents, sponsors, volunteers or any other person associated with the Firm carrying out work on behalf of Folk2Folk.

2. Who is the Client?

- 2.1. Partner Firm's will be instructed to act on behalf of:
 - 2.1.1. A Folk Nominee Limited (holding the security on trust on behalf of our single lender or group of our lenders) ("the Lender"), together with Folk2Folk Limited; and/or
 - 2.1.2. A Borrower
- 2.2. Where a Partner Firm is instructed to act for one side of the transaction only then, subject to the Partner Firm's general conflicts position, there will be no conflict arising. A group of Lenders and Folk2Folk is treated as one client for these purposes.

- 2.3. Where a Partner Firm is instructed in respect of both sides of the transaction then the procedures set out below need to be followed to ensure that the Partner Firm can continue to honour the Partner Firm's separate duties to act in the best interests in respect of its clients.
- 2.4. It is an overriding duty to act in the best interest of your clients.
- 2.5. The SRA Code of Conduct provides that a Law Firm cannot act for two or more clients in relation to the same matter, unless an exception applies and a Law Firm is otherwise able to protect the best interests of their clients.
- 2.6. The relevant SRA exception is known as the "substantially common interest" exception. This exception applies where there is a clear common purpose between the clients in relation to any matter or a particular aspect of it; there is a strong consensus between the clients about how that common purpose is to be achieved; and the client conflict is peripheral to this common purpose. Naturally, both Lender and Borrower have a common interest in the loan being completed and it is for the Partner Firm to ensure procedures are followed to protect both parties' interests.

3. Procedures to follow where acting for the Borrower and the Lender in respect of Folk2Folk matters

- 3.1. Within our Portal is a Borrowers Client Care Disclosures and Conflicts Statements and a Client Care Letter for Lenders that are to be adopted by Partner Firms to demonstrate that:
 - 3.2. They have explained the relevant issues and risks to the clients and have a reasonable belief that they understand those issues and risks.
 - 3.3. They are satisfied that:
 - 3.3.1. It is reasonable for the Firm to act for all the clients
 - 3.3.2. It is in their best interests to do so, and
 - 3.3.3. The benefit to the clients of the Firm acting for all of them outweighs the risks
 - 3.4. All the clients have given informed consent in writing to the Firm acting
 - 3.5. Partner Firms should not act in both sides of the transaction where the Borrower and Lender(s) cannot be represented even-handedly or might be prejudiced by lack of separate representation.
 - 3.6. Where Partner Firms act for both sides of the transaction, then as a minimum we would expect separate solicitors to act for the Borrower and the Lender(s) and that appropriate safeguards are put in place to otherwise ensure that their interests are separately considered and protected throughout the transaction. The wording set out in Borrowers Client Care Disclosures and Conflicts Statements (and repeated in

Appendix 2) must be included in a Partner Firm's letter of engagement with a Borrower.

- 3.7. Partner Firms must ensure that if the best interests of the party cannot be suitably protected then the Partner Firm must inform Folk2Folk so that they can appoint another Firm to act for that party.
- 3.8. The SRA's current guidance on conflicts sets forth indicative behaviours to show where a Firm may be, or may not be, in compliance with the Code. These indicative behaviours have been taken into consideration in the preparation of this policy. However, Partner Firms should continue to look out for indicators throughout a transaction that may alter the conflicts position and may therefore lead to the need for separate representation. Indicators include:
 - 3.8.1. A party looking to negotiate matters of substance
 - 3.8.2. A party looking to amend Folk2Folk's standard documentation
 - 3.8.3. A party appearing to be vulnerable or otherwise under any sort of pressure from another party
- 3.9. We suggest you keep a copy of this Policy with your general Conflicts Policy. Whilst Folk2Folk will review this Policy from time to time, it is however, ultimately the Partner Firm's responsibility for compliance with the SRA's Code of Conduct.

4. Training

- 4.1. Partner Firms may wish to provide training to relevant members of staff on this Policy and to encourage staff members to discuss any matters arising with their relevant supervisor. The Partner Firm's COLP will be responsible for identifying any gaps in training, knowledge or understanding and to otherwise monitor compliance with this policy.

THIS POLICY IS DESIGNED TO COVER OFF CONFLICTS IN RESPECT OF FOLK2FOLK MATTERS ONLY AND IS DESIGNED TO SIT ALONGSIDE THE FIRM'S GENERAL CONFLICTS POLICY.