

Frequently Asked Questions

Working together to create financially and socially successful communities

Regulation

1. What authorisations does Folk2Folk hold?

Folk2Folk Limited is authorised and regulated by the Financial Conduct Authority (FRN 720867).

You will not be required to advise our Lenders on any financial services matters and in the General Terms & Conditions there is a specific carve out any advisory work in relation to financial services. Your work will be limited to checking security and arranging for completion of the security documentation – much like acting for a Bank.

2. What is Folk2Folk's relationship with the Lenders?

Folk2Folk is an intermediate and introduces our Lenders to borrowing opportunities. Folk2Folk is not a co-lender but merely an introducer. Lenders have to abide by the General Terms & Conditions concerning their conduct throughout a transaction and our Lenders agree to Folk2Folk acting as their agent within the General Terms & Conditions dealing with redemptions etc.

3. Do we need to be separately regulated or licensed to carry out work on behalf of Folk2Folk?

No. As Folk2Folk holds the necessary authorities from the FCA, you do not need to be separately regulated. We only require that you are registered with the SRA and on the Financial Services Register as an Exempt Professional Firm.

4. How do we identify the Lenders (in compliance with the Money Laundering Regulations)?

We have to comply with AML obligations as part of our authorisation with the FCA. We carry out online AML checks of our Lenders, together with taking certified copies of their ID. When you are instructed on a loan, we will provide the copy ID and AML checks to you to assist in your AML obligations.

5. Do we need to check the source of funds?

Yes. The Lenders will transfer their money directly to you and your accounts team should check that the money has been sent by the stated Lenders and is not otherwise from an unusual source. We will forward to you the confirmation of source of funds from the Lender. We have had a few instances where money has been sent from a partner of a Lender and if this happens you can revert to Folk2Folk and ask them to send you the ID from the partner.

Client's Conflicts and Referrals

6. Can we act for Folk2Folk's Lenders and a Borrower?

Yes, provided conflicts are appropriately managed. Please refer to the Conflicts Policy, which has been independently verified, to help you manage any potential conflicts.

Where you decide not to act for both parties, another Partner Firm will be appointed for our Lenders. You merely let us know that you cannot accept the instruction and we will appoint another firm, leaving you to still act for the Borrower.

7. Who is our client?

Your client is Folk2Folk Limited and Folk Nominee Limited (holding the security on trust for our Lenders).

On each instruction, you will be given a list of Lenders. Our Lenders will be sending you the funds that they are applying to the relevant loan and on completion, you will arrange for the sums to be transferred on to the Borrower, less the fees of Folk2Folk and your legal fees and disbursements.

8. What do we do if a Borrower/client of ours is interested in obtaining finance through Folk2Folk or lending through Folk2Folk?

We welcome introductions from solicitors and you can provide our contact details. Please be assured that this is perfectly acceptable in terms of the SRA and FSMA.

When providing written communications about Folk2Folk and/or our products, use Folk2Folk prepared promotional documents. Please do contact us if you would like to receive more of these.

In oral communications about Folk2Folk and/or our products you will need to communicate to the client that your firm may receive legal fees as a result of any borrowing transactions entered into before making the introduction (this can be communicated within your conversation (orally)).

If you have referred a Borrower to Folk2folk and you are acting for the Borrower on the loan we have prepared precedent client care letters to ensure you make the appropriate disclosures and conflicts statements for compliance.

Further explanation and details are provided in the Conflicts Policy.

Third Parties

9. How are third parties, such as partners on the title (who are not also the Borrower) and guarantors dealt with?

The Partner Firm should ensure that third parties are independently advised where necessary. Common sense/proportionality can however be adopted – so where the Partner Firm is content, a separate solicitor in the same firm may for example advise a third party, if the firm deems this acceptable in the circumstances (depending on size/complexity of loan, vulnerability of third party etc.)

Requirements and Processes

10. Who should we nominate as our main point of contact for Folk2Folk work?

The head of your property department should usually be the main point of contact, but can also be a senior member of the property team. Please see our Rules for more details about your Folk2Folk Team.

11. When are we likely to receive our first instruction?

On joining our Panel, our Loan Officers will be notified of your appointment and they will look to instruct you as soon as possible.

12. How are we paid for our services?

Your fees for acting on behalf of Folk2Folk and Folk Nominee Limited are payable by the Borrower and are usually deducted from the advance.

You will be paid £100 (plus VAT) for the initial review. This is invoiced to Folk2Folk. If the matter goes to a completed loan this is added to the Financial Statement and deducted from the Borrowers Loan as a Folk2Folk disbursement.

We have a Fixed Fee scale. However, prior to issuing our offer letter, we ask you in your Initial Review report to confirm the fees in the matter and highlight if there is any reason the fee falls outside of the fixed fee matrix.

If you are also instructed by the Borrower in the transaction, then you should look to the Borrower to pay such fees separately.

13. Have the Folk2Folk Professional Partners processes been independently verified?

Yes, the documentation has been reviewed and we have received advice from large national and international firms with expertise in the finance sector.

14. How many transactions are we likely to be instructed upon?

This will depend on application volumes in your area. We believe that the number of transactions will build over time as we become a national brand and that work on behalf of Folk2Folk and its Lenders will provide a notable contribution to your property department's work levels. For instance, in Cornwall and Devon there have been over 240 transactions in the last 48 months.

15. Are we entitled to approach Lenders introduced to us for other services?

In due course you are entitled to include Lenders or other professionals introduced to you in any marketing activities that your firm undertakes. However, we do stipulate that they are not approached during the completion of the loan and for a period of 3 months after. Please refer to the Rules for further details.

16. What is the procedure where the Offer Letter provides for a further advance?

Folk2Folk sometimes agrees a loan offer on the basis of a further advance, for example where development is intended, and the LTV is only satisfactory at a later stage of the development. The loan agreement will prescribe the conditions precedent for any future draw down, including finding Lenders to fill this part of the loan. We would expect the Charge put in place at the time of the first advance to cover the full loan. On completion of any further advances the Trust Register detailing the loan and the lenders will be re-issued to the new and old Lenders. Folk2Folk will confirm to you the change in interest amounts and payment days between the first Legal Charge and the second. Any monies due should be deducted from the second tranche and then transferred to Folk2Folk for payment to the Lenders on the new interest payment day.

17. What happens after our involvement in a loan has come to an end?

Folk2Folk collects interest from the Borrower (to pay on to our Lenders) and otherwise administers the loan, including redemptions.

18. What happens if a Borrower defaults?

Inevitably, and statistically, there will be defaults. When that time comes we will do everything we can to protect the brand from adverse consequences of interest not being paid for instance, or a Borrower getting into difficulties.

Broadly, Folk2Folk will act as agent and Folk Nominee Limited will act as trustee for all our Lenders in the relevant loan and will seek and follow advice from advisors, acting in the best interests of the Lenders.

As you may know peer-to-peer ("P2P") lending does not fall under the Financial Services Compensation Scheme (and is not a savings product in any event). Ultimately, a Lender is at risk of losing all of his or her investment. Whilst our model naturally seeks to limit this risk by taking freehold security on all loans, risk of loss still remains.

19. Who do we speak to if we have any issues or concerns?

Queries relating to Partner membership should contact our Professional Partners Manager, Amanda French at professionalpartners@folk2folk.com

If your query relates to a particular loan, then you should contact the instructing Loan Officer. Loans team – 01566 773296

If you have a query concerning a potential new matter, then you should speak to our Head of Lending, David Brown or a member of his team.