



Request for quotations

Support to structure and model a new debt
fund

24 July 2020

Support to structure and model a new debt fund

Fair4All Finance is seeking a provider to support the structuring and modelling of a new debt fund during August 2020.

Due to the commercially sensitive nature of this work, we ask that all interested parties sign an NDA ahead of receiving full information.

About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019 to increase the financial wellbeing of people in vulnerable circumstances. This will enable individuals to overcome shocks, enrich their lives and enable them to pursue opportunities.

For customers struggling to access mainstream provision, fair and affordable lenders like credit unions and CDFIs provide a vital service. Responsible credit can help customers to meet unexpected costs, smooth incomes or make essential purchases that are otherwise unaffordable upfront, as well as saving hundreds or thousands of pounds a year compared with high-cost credit. Yet responsible lending makes up only a fraction of short-term lending in the UK - each year, affordable credit providers make just £250m of loans to this group, while over the same period, high-cost short-term credit providers lend £3bn. Fair4All Finance's first area of focus is to support the scaling of affordable providers and prove that this customer group can be served in a sustainable and ethical way. We will do this by providing support and funding for the affordable credit market as part of meeting the 10x challenge in ensuring that fair and affordable credit is available for all that need it.

Introduction

We aim to raise a £80m+ debt fund by autumn 2020, working with mainstream financial institutions. Significant preparatory work has been done, including with potential investors. We now require specialist support to structure the fund and to build a robust fund model.

Context

- Personal-lending CDFIs struggle to raise sufficient affordable debt finance for their loan books and operating costs
- The largest CDFIs typically financed through social investment at 8-10% per annum - this interest rate is not affordable on a subscale loan book and hampers growth; some bank finance at senior debt, but this is not widespread
- We believe that providing significant capital at an appropriate price will support a 10x scaling of the affordable credit sector, and develop a track record for long-term sustainable financing of CDFIs

Debt fund

- We aim to raise a £80m+ debt fund by autumn 2020, working with mainstream financial institutions
- We will make debt investments in 12-15 CDFIs, price 4.5% + base per annum, investments £2m-£10m.

- These investments will be additional to existing finance, constructive around co-investments, transparent with best-in-class impact reporting
- **Risk:** these debt investments will be alongside (1:1) equity investments by Fair4All Finance and others, secured on good loan book, expect 4% default rate
- **Return:** significant social return (supporting the 10x scaling of the affordable credit sector), expected IRR of around 2.5% per annum over ten years

We expect this work to take 2-4 weeks, over August to October 2020. Of this, phase 1 is expected to take 1-2 weeks during August 2020.

Outputs/deliverables

The output will include:

- **Phase 1:** Advise on an appropriate fund structure to meet our financing, regulatory, state aid, transparency requirements – working closely with the Fair4All Investment Director and team
- **Phase 2:** Build a robust fund model (likely in Excel), for use by the Fair4All team. Support refinements of this model following testing with funders and potential investee organisations.
- **Phase 3:** Review and refine the draft fund prospectus

Further background information will be available to interested parties following the signing of an NDA.

Timings

Timetable for quote requests:

Stage	Dates
Quote request published	w/c 27 July
Proposals due	Thursday 13 August
Assessment	w/c 17 August
Interviews	w/c 17 August
Decisions made	w/c 24 August (including board sign-off) Intention is that this work begins 31 August

Your response

To respond to this quote request, please provide a proposal for how you would deliver the required specification for the scope of services as outlined above. The proposal assessment criteria and requirements are set out below.

Clarification questions on this quote request may be addressed to holly@fair4allfinance.org.uk.

Any question responses which are relevant to all will be shared with all applying parties. If you intend to submit a quote please advise us at your earliest convenience so that question responses can be shared. Questions will be anonymised before responses are shared with respondents.

1 Budget and Pricing

- The total budget for the piece is £30,000 plus VAT.
 - (i) The budget for phase 1 is £20,000 plus VAT
 - (ii) The work required for phases 2 and 3 will depend to a large extent on the outcome of phase 1. Please explain your approach to pricing for phases 2 and 3 as part of your response.
- Given the not for profit nature of Fair4All Finance, and our founding and funding through government, please indicate where you have given a discount on commercial rates.
- We would welcome proposals which identify a way to deliver the requirements for under the identified budget on a fixed price basis.
- Please outline any VAT and or expenses which may be payable clearly and separately.

2 Proposal submission and scoring criteria

Please email a proposal of no more than six pages long to Holly Piper, holly@fair4allfinance.org.uk by Thursday 13 August.

Proposals submitted will be assessed by Fair4All Finance against the following questions:

<p>1 Understanding of requirements. Please explain what you understand Fair4All finance is aiming to achieve in commissioning this work.</p> <p>To what extent does the proposal demonstrate an understanding of the issues related to this brief?</p>	15%
<p>2 Please set out your proposed methodology by stage To what extent are the methodology and methods appropriate to the requirements set out in this brief?</p>	20%
<p>3 Relevant experience Please set out your experience of delivering [details of previous experience required]</p> <p>Please provide the name of two references we can contact in confidence, and at our sole discretion to confirm the work you undertook and its relevance.</p> <p>What degree of experience does the bidder demonstrate in order to successfully complete the work?</p>	40%
<p>4 Appropriate resourcing</p> <p>Please set out your resourcing plan and assumptions about the time commitments you plan to make by grade and resource type.</p> <p>Please make it explicitly clear who will be accountable for the work and who our day to day contact will be.</p>	15%

How well has the bidder structured a team in order to successfully manage the contract and deliver the required work to the budget and timetable required?	
5. Value for money To what extent does the proposal represent good value for money?	10%

3 Notes

- Quote request responses not received by the deadline will not be considered.
- Quotations shall be valid for 90 days.
- All bidders are solely responsible for all their costs and expenses incurred in connection with this procurement process at all stages.
- Fair4All Finance reserves the right to amend or cancel the procurement exercise at any point. Fair4All Finance will accept no liability for any losses caused by any change or cancellation of this procurement exercise nor any decision not to award a Contract.
- Any information submitted to Fair4All Finance may need to be disclosed and/or published by Fair4All Finance. Fair4All Finance may disclose information in compliance with the Freedom of Information Act 2000, any other law, or, as a consequence of judicial order, or order by any court or tribunal with Fair4All Finance to order disclosure.
- Data Protection Act 2018 - Any awarded Contract will be subject to the Data Protection Act (DPA) 2018. Fair4All Finance reserve the right to request additional evidence to undertake sufficient due diligence of any Tenderer to ensure they have implemented the appropriate technical and organisational measures to comply with the act.
- Fair4All Finance is committed to greater transparency and may publish its tender documents, contracts and data from invoices received and may at its discretion redact all or part of such information prior to publication.
- Bidders shall not (and shall procure that their subcontractors and representatives do not) do any of the following without obtaining the prior written consent of Fair4All Finance:
 - make a public statement or communicate in any form with the media in connection with this procurement
 - use any trademarks, logos or other intellectual property rights associated with Fair4All Finance and/or its stakeholders
 - represent that the Bidder is directly or indirectly associated in any way with Fair4All Finance and/or its stakeholders or that its or their respective products and/or services are in any way endorsed by Fair4All Finance and/or its stakeholders
 - do anything or refrain from doing anything which would have an adverse effect on or embarrass Fair4All Finance and/or its stakeholders.
- Tenders with abnormally low prices may be rejected by Fair4All Finance. Prices that are suspiciously low in the opinion of Fair4All Finance will be considered further before a decision is taken as to whether the price is abnormally low. This will include clarification with the relevant bidder.
- Fair4All Finance will award the Contract to the bidder submitting the offer that best meets scoring criteria from the point of view of Fair4All Finance.
- Fair4All Finance will notify all bidders of its contract award decision.