Fair4All Finance
Guardrails for engaging with non-bank commercial lenders

June 2026

Fair4All Finance intends to partner with non-bank commercial lenders who responsibly lend to people in vulnerable financial circumstances – in particular those providing much needed short-term small-sum affordable credit.

In order to ensure that non-bank commercial lenders are fully aligned with our principles and aims, we have developed "guardrails" for engaging with non-bank commercial lenders. These build on learnings from our Affordable Credit Scale Up programme as well as learnings from our previous work with commercial lenders. They include the considerations specific to the nature of Fair4All Finance's funding. **Any impact investments and other funding we make will depend on satisfactorily meeting these guardrails.**

Fair4All Finance guardrails for engaging with non-bank commercial lenders

Responsible lending:

1 **The lender will be committed to supporting people in vulnerable financial circumstances fairly** (please see appendix for what we mean by "people in vulnerable financial circumstances")

- We have confidence that their governance enables and ensures this approach
- The lender can demonstrate they are providing non-revenue generating wrap around services to customers (eg benefit calculators)
- We can see that they are going beyond the regulator's requirements (eg the repeat lending

rules) and monitoring positive customer outcomes; or where there is a tiered APR reduction in subsequent loans

2 **Responsible lending is evidenced**

- We have confidence in their lending practices (as set out in our updated **Affordable Credit Code of Good Practice**). Lending practices include responsible collections, responsible practices of debt collection agencies, accessible and robust complaints procedures and thoughtful approaches to the sale of debt
- We have confidence in our ability to assess this – this may involve outsourcing conduct and compliance assessments to specialist consultants

3 We have **limited exposure to financial and reputational impact of complaints made prior to our involvement which are upheld by FOS**

- We will look at the level of complaints upheld by the Financial Ombudsman Service (FOS), the dates and any patterns of these complaints, and how lenders have amended their policies and practice in light of any upheld complaints. As part of this, we will assess their lending policy in due diligence.

How we invest and who we invest alongside:

4 **Our funding and support is necessary for the scaling up of lending to people in vulnerable financial circumstances**

- We will only provide junior capital and/or guarantees which are necessary for the scaling up of lending. For example, we have come across non-bank lenders where existing investor covenants restrict lending to some customer groups we want to support; in these cases, our funding would be necessary to scale lending to these customers
- We will only fund/part fund operational costs if these are additional and specific to serving customers in vulnerable financial circumstances
- We will only fund/part fund technology costs if these are additional and specific to serving customers in vulnerable financial circumstances

5 **Our funding delivers on its intended purpose and avoids undue private gain**

- Other investors (incl. debt investors and shareholders), management, board, and employees will not receive undue private gain (ie disproportionate financial benefit) as a result of our investment. As guidance, when looking at the additional lending attributable to our investment, we expect:

- The returns realised by other investors will not exceed 2x our return
- No more than 50% of profits generated by the lender will be distributed as dividends

- Where proportionate to do so, our investment in lenders is through special purpose vehicles (SPVs)
- We would typically expect other investors' interest rates and terms to improve on the basis of our partnership/co investment/financial support
- Legal costs and other fees (eg arrangement fees, utilisation fees) associated with any co-investment are not excessive, and reflect the social impact generated by our impact investments
- To support our investment monitoring, the lender provides regular (typically quarterly) reporting on the financial and social impact performance of their relevant lending

6 **Any funding we provide has significant leverage**

- Our funding leverages other investment, and this leverage is expected to increase over time
- Leverage can also be expressed through good practice dissemination (eg the lender commits to data sharing on how customers have been served through novel underwriting approaches such as Open Banking)

7 **Reputational risk of other investors is carefully considered**

We ask other significant investors, and the lenders, to abide by these engagement principles:

- Market transformation: each investor will engage with and support the lender's work on the wider systemic change needed, including how the lender supports and encourages investment and innovation in serving its customer base
- Openness and transparency: each investor will be open and transparent about: commercial and other interests, including clear and full disclosure on websites and in other public discourse; and any potential reputational issues including regulatory notices, press and customer complaints
- Purpose, values and respect**:** each investor will be robust about good practice and operate in a way that aligns with the lender's values, including treating people with respect
- Public value**:** each investor will support the lender in avoiding disproportionate profits ('undue private gain') from lending to customers in vulnerable financial circumstances

8 **Publicity**

- We clearly agree how any partnership – and the expected social impact from any impact investment we make – will be communicated to investors, Government, and other stakeholders, more widely

9 **Consideration is given to a responsible exit**

- We carefully consider what happens after our investment is repaid (or guarantee ends). Our role as an investor is hoped to recede over time as viability of serving customers in vulnerable financial circumstances is proven
- If reputational or lending risk thresholds are breached we can withhold, withdraw or cancel our funding. This means we should not make permanent (equity) or quasi permanent investments in non-bank commercial lenders

General Fair4All considerations:

10 **We abide by Subsidy Control rules**

- Fair4All Finance has public money – therefore our investments must abide by UK Subsidy Control rules

11 **We will run an open and transparent process for bids for funding and investment.**

- In exceptional circumstances – for example where the proposition and / or lender are unique in the market, and the timeliness of our investment is critical – "one off" bids may be considered

12 **Our funding and support will be predominantly for the benefit of people living in England**, as per the conditions of our Dormant Assets funding

Appendix: customers in vulnerable financial circumstances

Our latest segmentation research shows that 20 million people are in vulnerable financial circumstances in the UK. Some financial services organisations are able to map their customers to these segments, for example using CACI's data. Other organisations are not yet able to do this and so they use proxies.
For affordable credit, the current proxies are:

- Customer's income in bottom 40% of population
- And at least one of these characteristics: borrowing ≤£1,000; lone parent with dependent children; live in social housing