

Octopus Choice

Understanding the risks

As with any investment, Octopus Choice does have certain risks, which are important to understand and be comfortable with.

Your money is at risk

Octopus Choice invests your money in asset-backed loans. The ability to get all of your initial investment back or earn all of your interest is determined by the ability or willingness of the borrower to repay, which could be affected by fraud, and the underlying value of the asset, which could be affected by a material downturn in the property market. As such, we can't guarantee that you will get all of your capital back or earn all of your interest.

Octopus Choice isn't protected by the FSCS

It is important to know that peer-to-peer investments are not covered by the Financial Services Compensation Scheme (FSCS). Your capital and interest are at risk.

Nature of the loans

All loans are secured against property with a first charge. This means that if a borrower defaults on their loan, the property can be sold and used to fund the debt. Loans are predominantly residential – mostly in the South East, but also throughout the UK – but the Octopus Real Estate team is beginning to make a growing number of commercial loans through Octopus Choice, too.

Who are the borrowers?

Your money will typically be lent to property professionals in need of short-term loans. They're creditworthy borrowers who come to us because they need a level of speed, flexibility and certainty that traditional lenders often can't provide.

They may use the money for a variety of reasons, for example:

- To add to or even start building a buy-to-let portfolio
- To diversify their funding away from one bank
- To renovate a property, after which they'll subsequently sell or refinance

Octopus Real Estate will only ever make a loan if it's confident that it can get the money back.

Credit risk of borrowers

The Octopus Choice platform will facilitate your investment and its diversification across our portfolio of loans. In doing this you will have a contractual relationship with every borrower that your money is invested with i.e. your money will be lent to the borrower for the purpose of the loan and they will be required to remunerate you with monthly interest payments.

If a borrower becomes unable to repay the interest on their loan, we'll sacrifice all of the interest that we've earned on it so that we can pay as much of yours as possible. The borrower's monthly repayments also includes a management fee which we'd sacrifice from that point on, until you receive all of the interest that you're owed.

If necessary, we will repossess and sell the property on your behalf. After paying legal fees, we would then use all of the proceeds to pay back as much of the debt as possible. However, it's important to note that you won't be able to access the money that's tied up in that particular loan until the process has finished – and that could take considerable time. Remember, too, that there's no guarantee you'll get all of your money back.

Please remember

It's important that you understand and are comfortable with the risks involved in Octopus Choice before choosing to invest. If you're in any doubt, we always recommend getting in touch with a qualified financial adviser. You should also read the terms and conditions (which can be accessed at octopuschoice.com/terms) before you invest. Whilst we have taken steps to manage the risks of investment into Octopus Choice, you should be aware that this does not guarantee that you will not make a loss. We do not offer investment or tax advice. We recommend investors seek professional advice before deciding to invest.

Octopus Choice

Instant access isn't guaranteed

There is no minimum investment period and you can request a withdrawal at any time, however there is no guarantee that you will be able to access all of your investment straight away. We recommend that investors consider this investment with a time horizon of 18 months or more.

Withdrawing money from Octopus Choice means selling the 'loan parts' (the parts of individual loans that your money is allocated to) to somebody else, or waiting for them to mature.

Once your loans parts have been sold, your money will be returned to you. If there aren't enough investors to buy your loan parts, Octopus may buy them, to speed up their withdrawal – but we can't guarantee this.

Some of the loans you are invested in may stop paying interest, go overterm or the original capital may not be repaid. If this happens, we'll do our best to give back what's owed as soon as possible – although you may have to wait until the matter has been resolved.

Note that it's not uncommon for an investor to have around 5-10% of their money unavailable at any one time. As previously mentioned, this could be caused by loans going over their agreed term or several missed interest payments. In such cases we will work to get your capital back as soon as possible. We may appoint receivers to sell the property and speed up the process.

What happens in the event of insolvency?

In the unlikely event that Octopus Choice went into administration, we have a plan in place to ensure that your loans continue to be managed through to repayment in accordance with their terms. The funding of the plan comes from the monthly fee generated by the platform by the borrowers' monthly interest payments.

The contracts between you and each borrower will remain legally binding and will not change. In addition, the first legal charge we take out on all properties would still stand and allow us to take over the property to attempt to pay back your capital and interest, in the event of default. Loans held within an Octopus Choice IFISA or SIPP would keep their tax-free benefits.

Any money that hasn't yet been allocated to loans will also be held in trust within segregated 'client money' bank accounts at HSBC – this money would be inaccessible to us and covered by FSCS protection, up to £85,000. Please note that any money already allocated to loans will not benefit from FSCS protection.

Please note that, the management of the product may be transferred to a third party that isn't an authorised ISA manager. While your loan agreements will remain enforceable (i.e. your contractual relationship with each borrower will remain valid and enforceable), any money in your Octopus Choice IFISA account may lose its IFISA status, and subsequent interest earned will not be tax-free.

Conflicts of interest

We make similar types of secured loans available for investment through other Octopus products.

And we also lend alongside our customers, and earn a higher rate of interest on our loan investments. Our allocations committee aims to ensure that all potential conflicts are appropriately managed.

Tax

The tax benefits for IFISAs are available at the moment, but HMRC may change them at some point in the future, or the interpretation of the rules may change. Tax treatment also depends on personal circumstances.