(Updated June 2020 – Covid Edition)

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In the peer to peer and crowd lending world, changes occur often and rapidly. In 2019, we lost Funding Secure, Lendy and Moneything, all of which were high risk high reward p2p companies. This highlights how important it is to diversify across stable companies offering realistic returns. Investment choices can be overwhelming and astute investors make frequent adjustments. Hence my Top 5 list.

My Top 5 list should be viewed objectively and is not intended to be financial advice. Please do your own research and make decisions based on what is right for you. As an experienced investor, I've learned you and I can have two very different experiences and results investing through the same company because of the products we select or the loans we choose.

What I view as risky, you may not. For me, £5,000 to me might be a lot of money to risk but for you, it may not. You might be happy to receive 4% returns whilst I may not be. I may choose loans that perform better than the ones you choose. Please don't invest in something you don't understand. You work too hard for your money to lose it and I want you to be successful. Always keep these things in mind when making investment decisions.

Here is my current Top 5 peer to peer and crowd lending companies. This list takes into account the current Covid-19 economic conditions and If you've seen this list before you'll notice some changes. I invest my own money through each of these five companies so this list is based on my personal experiences and opinions.

Now all the legalities are out the way, on to the Top 5!

Before we get started, please join the private Financial Thing Facebook Group where you can interact with myself and many other like-minded investors…

And subscribe to the Financial Thing YouTube channel where I live stream every Thursday evening answering all your investing questions live. Plus you will find lots of great videos about peer to peer lending and DIY investing…

Now on to the Top 5…

#1: Loanpad

Thumbs Up:

- Lower risk property asset backed product with low loan-to-values
- Two products, instant access and 60-day access*. £10 min. ISA available
- Interest paid daily
- Your funds are automatically diversified across all loans
- No fees except 0.5% for early access on 60-day access.
- Loans are sourced from a conservative lender with over 40 years experience
- CEO's legal background has given him extensive experience in property development lending deals. Has been working with the lender for over 12 years
- Loanpad takes a senior tranche position over lender on every loan
- Lender has between 25% – 50% of own money in each loan

Thumbs Down:

- New peer to peer lending company / short trading history
- Only one initial lending source until platform grows
- Loan investment amount is based on % of loan size
- Lower annual return rates
- £10 min investment so some cash drag
- All eggs in the property development basket

Loanpad Conclusion

Loanpad offers two lower risk products that are secured by property. After meeting with CEO Louis Schwartz several times, I'm comfortable with Loanpad's business model. I love the fact that Louis has extensive legal knowledge and experience in real estate lending. I also like that Louis has a long-term relationship with Loanpad's sole lending source Handf Capital. Handf put its own money into each deal and is in second position to Loanpad's investors should a loan default. Loanpad hasn't been in operation for long but so far investing has been easy and I've received the promised daily interest. I believe Loanpad offers one of the best low-risk peer to peer lending products on the market.

Read my full Loanpad review here which includes a Loanpad video tutorial

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#2: Lendinvest

Thumbs Up:

- Loans secured by 1st charges on property
- Profitable company (£616,000 Net profit 2018-2019 tax year) / financial stability
- Large company with diverse array of other company arms
- Transparent information / publishes its loan book and lender borrower spreads
- Reasonable loan-to-values on loans / from 28-75%
- £1.7bn+ lent with low defaults

Thumbs Down:

- Not really p2p. Loan contracts are between lenders' and Lendinvest rather than directly with borrowers
- No secondary market to exit loans
- Advertised FSCS protection could be misunderstood
- Some loans are quite large (ex. one loan of £23m)
- Money deposited by debit card cannot be withdrawn for 90 days
- Lower interest returns for bridging loans / is the risk vs return worthwhile?
- No access to valuation documents / heavy reliance on Lendinvest's due diligence

Lendinvest Conclusion

While Lendinvest isn't really a p2p company, I decided to included them on this list beauce of the quality investment product they offer. First and foremost Lendinvest is a profitably run operation, which many alternative finance companies are not. This inspires long-term confidence in knowing the company can sustain itself financially as Lendinvest is financial backed by its larger sister company. Lendinvest's interest returns are on the lower side for property bridging and development loans and its borrower and lender interest rate spreads can be quite high. I don't like the fact valuation documents aren't available so lenders have to do their own research in order to identify the good loans. Despite the negatives, if you're looking to invest through a well-funded and secure company that also offers a great auto-invest system, Lendinvest is definitely worth consideration.

Read my full Lendinvest review here

(Offers can end anytime)

#3: Assetz Capital

Thumbs Up:

- Multiple investment options including hands-off options
- Innovative Quick Access Account / Money earns interest while no deployed
- Experienced underwriting and default recovery team
- Competitive lender return rates
- Longer track record with over £1bn lent
- Approved government CBILS lender
- All loans are secured by property or debentures and personal guarantees
- Secondary market for selling loans
- Loans amortize and are stress tested every 6 months to reduce risk of default

Thumbs Down:

- Complicated website can be hard to understand
- 0.9% annual management fee (temporary due to Covid)
- To get best % return rates, manual investing is needed
- Default recovery can be lengthy
- If manual investing, business lending is hard to risk asses for inexperienced investors
- May need to discount manual loans to exit them if resale demand is loan

Assetz Capital Conclusion

Assetz Capital lends money to SME's (small and medium businesses) and offers four investment products that pay target annual return rates of 3.75% - 15%. Assetz's Quick Access Account (access is slow due to Covid-19) sweep function allows un-invested funds to be autoinvested so interest is paid on idle money. The 30 and 90 Day Access accounts are invest-and-forget products that can be used to obtain better return rates. SME lending does come with some risk of defaults, especially during economic downturns such as Covid-19 and Assetz's temporary 0.9% annual management fee will reduce investor returns.

See Assetz Capital's latest cashback offer and read my complete review here

(Offers can end anytime)

#4: Kuflink

Thumbs Up:

- Loans secured by property / low default rates
- Kuflink invests up to 5% (loans after April 2018) liquid cash of its own funds into loans
- Transparency - each loan is well documented and explained / property valuation reports are easily accessible
- Manual and auto-invest options. Auto-invest offers a lower average LTV
- You can cancel your loan bids prior to loan going live
- 14 day cooling off period for new customers
- Low £ minimums for reinvestment of interest payments
- Compounding interest on interest payments available on some loans
- Has a charitable foundation to help local community

Thumbs Down:

- Secondary market doesn't allow you to buy a portion of sale amount
- Investing in property development and bridging loans can be risky
- 0.25% secondary market fee
- 90-day liquidation property valuations could be optimistic
- ISA only available using auto-invest product
- Website interface can be confusing

Kuflink Conclusion

After several visits to Kuflink's offices and several meetings with the founders and staff, I'm comfortable with Kuflink's inclusion on my Top 5 list. Kuflink offers asset backed property development and bridging property loans. Kuflink's return rates are competitive but property development lending can be risky so be aware of the risks, especially on second charge deals. The fact that Kuflink stakes their own money into loans shows they have confidence in their offerings and their first loss guarantee provides extra security for investors. I don't use the auto-invest products because payments are only received once per year and there's no way to exit.

Read my full Kuflink review here

#5: Octopus Choice

Thumbs Up:

- Loans secured by property
- Very reasonable loan to value ratios
- Octopus Choice invests 5% of their own capital into each loan
- Transparent loan book shows borrower interest rates
- Loan book average 64% loan-to-value based on 180 day sale values
- Financially stable company profitable and debt free / part of the much larger Octopus Group
- Lender dashboard shows status and info of every loan you're invested in
- Website is incredibly easy to use
- Zero fee early exit possible (not available during Covid-19 market conditions)
- Auto diversification across multiple loans that increases over time

Thumbs Down:

- Current Covid freeze on investing
- Some of my money is tied up in defaulted and late loans
- Loan book doesn't detail property type or address

Octopus Choice Conclusion

Under normal market conditions, Octopus Choice is very financially stable being financially backed by the much larger Octopus Group which is made up of health care, energy, and financial technology companies. Octopus Choice is profitable with zero debt and is positioned to be a lower risk, lower reward peer to peer lending product. Octopus Choice is a hands-off peer to peer investment, easy to use and secured by property with reasonable low-to-values. It would be nice for all funds to be available for withdrawing but it's rare for a peer to peer company to have zero late loans or defaults. Octopus Choice's returns are in the lower end range of peer to peer investing but the risk is much lower so I'm willing to make it part of my diversified peer to peer lending portfolio as long as the defaults stay at a low level. Despite suspending platform transactions due to Covid-19, I have high hopes Octopus will resume normal market activities and I will continue to invest through them.

Read my full Octopus Choice review here

RESOURCES

Interested in other companies not mention in my Top 5 list? Please read all my reviews or visit my offer and cashback page.

Join the weekly YouTube live stream every Thursday evening where I answer all your investing questions. Please subscribe to my YouTube channel to be notified of new videos and live streams.

Join the Financial Thing free private Facebook Group where you can discuss topics with fellow investors

Peer to peer lending can be a part of a diversified investment portfolio but make sure you understand the risks involved and understand that there is no FSCS protection on your investments.

Since peer to peer companies are constantly evolving and making changes, it's important to stay current. Please visit http://www.financialthing.com for more resources.