

## **Southern Cross Financial approved for peer-to-peer lending by FMA**



A decision by the Financial Markets Authority to grant Southern Cross Partners Ltd, part of Southern Cross Financial Group, a peer-to-peer license makes the company the first significant mortgage lender in New Zealand to transition to a peer-to-peer lending model.

Welcoming the granting of the license by the Financial Markets Authority, [Southern Cross Financial](#) CEO, Luke Jackson, said the peer-to-peer mortgage lending model was a natural fit for the 20-year-old wholly New Zealand owned company.

"Since Southern Cross Financial was founded in 1997, we've had a history of bringing investors and borrowers together, which over the last nine years has largely been through the contributory mortgage way of doing business – which we are now abandoning.

"Changes in legislation has meant that the old contributory mortgage modal is no longer an option for us. We knew under the Financial Markets Conduct Act 2013 we would need to evolve and adapt; over the last 24 months we have explored the options, invested significantly, and are both pleased and excited with our transition to a peer-to-peer platform," he said.

Mr Jackson said the Southern Cross Financial peer-to-peer mortgage lending platform differed significantly from most other peer-to-peer lenders because the company would front the risk by lending the money first, before offering investors an opportunity to buy the mortgage.

"We only provide loans through our platform that we have initially funded ourselves. While all our loans are equally made available to all our investors, if for whatever reason a loan is not taken up by the investors we are more than happy to retain it.

"Unlike other peer-to-peer lenders our loans are secured by the property, and we've been doing this for a very long time – we have the systems, processes, experience and backing that not only survived, but grew, through the global financial crisis," he said.

Mr Jackson said that most of the mortgage borrowers with Southern Cross Financial were there for the short term – an average of 12 months or less – and probably 99 per cent were referrals from registered financial advisers, which was another positive from which investors could take confidence.

"Naturally the premise of bridging finance and short term mortgages is based on higher risk in order to achieve higher returns. This is what some investors want, particularly those who require an income from interest because they're hurting in this low yield environment we have.

"However, we have been pleasantly surprised by the quality of deals that the banks have left on the table. The Responsible Lending Code and the Banks' typical blanket wide lending policies have resulted in the banks becoming far more conservative in recent times, and as a result, the quality of our book is high," he said.

Mr Jackson said the fact that the investor risk is tied to the property securities the investors chooses and not the total investment book of a finance company is also attractive to our investors.

"As our Contributory Mortgage business has operated, the peer-to-peer lending platform will also be completely transparent with deal information readily available for all investors to make an informed decision," he said.

Southern Cross Financial is already operating as a contributory mortgage company and because of the similarity between the two models – that of putting investors together with borrowers for loans secured by property – the transition is a natural fit.

The change is scheduled for 1 December this year and once the transition from contributory mortgage lender is complete, Southern Cross Partners Ltd will be the biggest peer-to-peer mortgage lender in New Zealand.

"We've been planning for this for two years; we have independent management and 20 years of experience in doing complex deals." Mr Jackson said.

Southern Cross Partners Ltd will have authority to manage the loan and will recoup its costs through borrower fees and earn its income via a loan interest margin differential.

For more information visit <http://scfl.co.nz> or contact your investment advisor\_