

Reserve Fund Policy

This policy sets out how we (Squirrel) intend to operate and administer any Reserve Fund in relation to Loans on the Platform. Unless the context otherwise requires, the general provisions and definitions set out under the heading "Platform and other information" (here) in the Platform and Website Terms and Conditions apply in this policy.

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Reserve Funds

1. The purpose of a Reserve Fund is to build a trust fund for Investors to help meet missed payments or losses from defaulting Borrowers. We deduct an amount from the interest payments received from Borrowers and use this to help smooth out payments to Investors, and to socialise any losses among Investors in the particular set of Loans covered by that Reserve Fund.
2. We can establish one or more Reserve Funds and when we refer to "the Reserve Fund" and "Loans" in this policy we mean the Reserve Fund which applies to a particular set of Loans (and the relevant "Investors" and "Borrowers"). We may also permit Loans which are not covered by a Reserve Fund. We can establish Reserve Funds with different terms from those in this policy so long as they are clearly disclosed to the relevant Investors.
3. We will arrange for a proportion of each interest payment made under the Loans covered by a Reserve Fund to be paid into the Reserve Fund together with default interest payable by Borrowers under the Loan Agreements covered by the Reserve Fund. We will set the Reserve Fund levy payable by each Borrower from time to time and include it in each Loan Agreement covered by the Reserve Fund. We can set a different Reserve Fund levy for different Borrowers or different Reserve Funds including as a result of the nature of the Loan and the credit risk associated with the Borrower.
4. The Trustee of a Reserve Fund will hold the Reserve Fund on trust as bare trustee for the Investors in Loans covered by the Reserve Fund. The Trustee's interest in the Reserve Fund is limited to bare legal title only with those Investors enjoying full beneficial ownership of the Reserve Fund to the extent applicable in this policy. We will operate and administer the Reserve Fund as the Trustee's agent.
5. Each Investor appoints Squirrel as its agent to exercise its rights in respect of an applicable Reserve Fund on the Investor's behalf and otherwise to exercise the rights and undertake the functions in relation to the Reserve Fund set out in this policy. An Investor may not give any instructions directly to the Trustee in relation to the Reserve Fund and each Investor acknowledges that it has delegated any decision-making power in respect of amounts held in the Reserve Fund for its benefit to us as its agent.
6. Any interest earned on monies held in a Reserve Fund will be retained in the Reserve Fund for the benefit of the Investors in Loans covered by the Reserve Fund.
7. The current balance of each Reserve Fund can be accessed [here](#).

The Squirrel Advances

8. Squirrel may (at its discretion) pay an Advance to the Trustee for the benefit of a Reserve Fund or provide the Trustee with an On-call Facility supported by a bank guarantee. The Trustee will hold any funds advanced or provided under an On-call Facility on trust as bare trustee for the benefit of the Investors that are invested in Loans covered by the Reserve Fund. The Trustee may use the Advance or On-call Facility funds provided at its discretion, subject to Squirrel's rights to repayment as set out below.

9. The Trustee will only be required to make repayments to Squirrel of Advances made or provided under an On-call Facility to the extent that the balance of the Reserve Fund remains above \$0 immediately after the repayment. The Trustee will not be required to repay any portion of the Advance or On-call Facility utilised if, at any point, the Reserve Fund has been placed into active management.

Overdue Loan payments

10. In the event that a Borrower fails to make a payment under a Loan covered by a Reserve Fund on the due date, an affected Investor is entitled to receive payment of their share of the unpaid amount from the applicable Reserve Fund subject to the provisions set out below. Investors have recourse only against the Reserve Fund applicable to the Loan to which the investment relates and have no rights in relation to any other Reserve Fund.
11. Where there are sufficient funds available to the applicable Reserve Fund to cover payment of the unpaid amount (and any amounts payable to other Investors in accordance with this policy) and the Reserve Fund is not currently in active management (as described in paragraph 17), the Investor will receive the full unpaid amount in accordance with paragraph 13.
12. If there are insufficient funds available to the applicable Reserve Fund to cover the unpaid amount in full, the Investor is entitled to receive:
 - a. where there are no other payments due from the Reserve Fund at the time of payment, the amount then available to the Reserve Fund, up to the amount due to the Investor;
 - b. where other Investors are entitled to receive a payment from the Reserve Fund, each Investor will be entitled to an amount of the balance then available to the Reserve Fund in proportion to the value of the aggregate outstanding Loan repayments, up to the amount due to each of the entitled Investors.

The Investor will not have any further claim against the Reserve Fund in relation to the unpaid amount.

13. Following payment of an amount from a Reserve Fund, or where any portion of the unpaid Loan repayment is paid to the Investor from the Reserve Fund, we will pursue payment of the amount outstanding from the Borrower and/or any Guarantor, including through the use of a collection agent, in accordance with the Loan Agreement. Any amounts received by us from the Borrower or any Guarantor will be repaid to the applicable Reserve Fund until the amount paid out by the Reserve Fund has been restored.
14. Where a loan is secured, and the loan defaults, the Reserve Fund will step in to make investor payments until such time as the security is realised.

Purchase of a Loan

15. If the Borrower fails to make payments under a Loan covered by a Reserve Fund for a period of three consecutive months, we may decide in our absolute discretion whether or not the Trustee will "purchase" the Loan by making payment from the Reserve Fund for the full amount then outstanding under the Loan, to the extent that the Reserve Fund has sufficient funds available to it. In exercising this discretion, we will consider any factors that we consider relevant which may include our assessment of the likelihood that the Borrower will resume making payments.
16. If we decide that the Trustee should not "purchase" the Loan, the Investor is entitled to continue to receive payments from the Reserve Fund where the Borrower fails to make a payment under the Loan in accordance with the provisions set out above.

Run-off of a Reserve Fund

19. We may, at our discretion, place a Reserve Fund into run-off at any time. In that event, no new Loans will be added to the group of Loans covered by the Reserve Fund, and the Reserve Fund will remain in run-off until all outstanding Loans covered by the Reserve Fund are repaid or otherwise closed. In all other respects, the Reserve Fund will continue to be operated in accordance with this policy.

20. Any balances remaining in a Reserve Fund that has been placed into run-off following repayment of all outstanding Loans covered by the Reserve Fund and (where applicable) any Advance (including under an On-call Facility) made by Squirrel to the Reserve Fund, will be available for redistribution to another Reserve Fund, in proportions determined at our discretion.

Active management

17. Where a Reserve Fund does not have sufficient funds available to cover any current or reasonably expected future payment to be made to Investors under the terms of this policy, we may decide to place the Reserve Fund into active management by diverting an additional proportion of the interest (as determined by us, up to 100%) payable under each of the Loans covered by that Reserve Fund to the applicable Reserve Fund. We will not, however, divert payments of principal into the Reserve Fund. For clarity, we will not divert interest payable under Loans not covered by the Reserve Fund which is being placed into active management.
18. The Reserve Fund will remain in active management until such time as we decide that a sufficient balance has been paid into the Reserve Fund to enable its operation in accordance with this policy.

General

19. Payment made from a Reserve Fund does not in any way relieve the Borrower or any Guarantor from its obligations under a Loan Agreement.
20. Neither Squirrel nor the Trustee guarantees that there will be sufficient funds available to any Reserve Fund to meet any overdue Loan repayments in relation to Loans covered by the Reserve Fund or any claims in respect of the Reserve Fund at any time.
21. In the event that the Platform is wound up in its entirety or otherwise ceases operation, any balances remaining in the Reserve Funds after repayment of all outstanding Loans covered by the Reserve Funds and (where applicable) any Advance (including under an On-call Facility) made by Squirrel to the Reserve Fund, and after completion of any managed wind-up process, will be donated to the Starship Foundation or such other charity with similar charitable purposes selected by the Trustee or any other person primarily responsible for the winding-up of the Platform.