

### Microloan initial specification

Loans between customers

Minimum Loan £50

Maximum Loan £10,000

Borrowing history – store borrowing history for each customer

Risk categories: low, medium, high

Risk matrix:

- successfully paid back all loans on time = low risk
- successfully paid back 75% of loans on time = medium risk
- successfully paid back 50% or less of loans on time = high risk

| Microloan Risk Matrix | Low     | Medium | High  |
|-----------------------|---------|--------|-------|
| £50-£499.99           | 5% p.a. | 10%    | 20%   |
| £500-4,999            | 7.5%    | 17.5%  | 27.5% |
| £5,000-£10,000        | 10%     | 20%    | 30%   |

If a customer defaults on the loan then the lender will most likely not receive remainder of the money they are owed