

What is Peer to Peer Lending?

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Understand all about the basics of

PEER **2** **PEER**
LENDING

How they work and why they are required!

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The graphic features a circular illustration of two business men in suits shaking hands over laptops, with a city skyline and clouds in the background.

What is Peer to Peer Lending?

Introduction

When it comes to lending loans, many individuals and institutions provide moneylending services. These include **Banks, finance companies, money lenders** and **peer to peer lending systems**. Though each one has different policies and methods of providing loans (lending money), the goal is the same. To earn profits out of rates of interest and thus generating revenue in the market.

Definition and Basic understanding

Peer to peer lending is one such system of providing loans. By simple definition, Peer to peer lending which is also abbreviated as **P2P lending** is the practice of lending money to individuals or businesses through online services that connect lenders with borrowers.

This method has greatly increased its usage as an alternative method of financing. P2P lending is also sometimes commonly referred to as **Marketplace lending** as usually the middleman who operates between the lenders and the borrowers which are the website that facilitates this, form the online market.

This method of lending enables the individuals to obtain loans directly from other individuals, which in process, rules out the financial institutions as the middlemen. Although this concept took birth in 2005, but the websites that operate under this lending system have already increased in number and some of the prominent lending websites include:

www.p2plending.com

To know more about which peer to peer lending website is the best for you, [click](#) to read quick reviews based on personal experiences

on Bankquality.com and help yourself choose the best!

How Peer to Peer lending works

As already mentioned, P2P websites directly connect borrowers with lenders. It is often a pre-requisite that the lenders have to show a proof of their creditworthiness – their credit and civil scores – the sites set the terms and the rates before enabling the transaction. The rates of interest are based on the creditworthiness of the borrower.

For your convenience, we have enlisted points to help you better understand the process behind marketplace lending:

- Since the investor applies a pass or fail on the profile and deposits a sum of money, the rate of interest the borrower pays is dependent on the different risk categories created by the websites. The applicant reviews and accepts one.

There are different websites which specialize in particular types of borrowers. **'Streetshares'** is designed for small businesses.

Advantages of P2P lending for Individuals

Investors like knowing who they are giving money to and the reason behind the borrowing which is often seen as a factor for checking the credentials of the borrower. This not only gives them personal satisfaction but also allows them to choose borrowers who they believe will repay. The P2P lending site offers a number of advantages like banks can offer higher rates of interest than compared to a P2P lending site, the individual becomes a part of a community form, where there are regular updates on all information about lending and borrowing experience.

Disadvantages of P2P Lending

Quite a number of things that are the P2P lending process are taken into account as they do not have a good track record. The P2P lending process is not as secure as banks and there is a high risk of losing borrower data.

Conclusion

With the growing trend of diverse alternatives to ways of financing, P2p lending has gained a lot of attention both from the sides of the borrower and the lenders, more private individuals are participating in this mode of transaction by considering this a profitable investment. Borrowers are attracted as they find this transaction more interesting and somewhat easy. Bankquality.com recognizes the **Peer to peer lending platform** and encourages our readers if interested to be informed about this and make the right choice before engaging in any mode of financing. [Register Now](#) on our website to join our global community and get regular updates on the latest topics. Bankquality.com keeps you informed!

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