

Second Charge Limited Capital Loss Guarantee - Terms & Conditions

1. Scope of Guarantee

1.1. The Guarantee applies only to Second Charge loans originated by Somo after 1st November 2025.

1.2. It does not apply to loans originated before this date.

1.3. The Guarantee covers up to 10% of investor capital loss, provided:

- The borrower has defaulted;
- The Security property has been sold; and
- All other reasonable recovery avenues have been exhausted and
- There is a Capital Loss.

2. Guarantee Cap & Liability

2.1. Somo's total liability under this Guarantee is capped at £1,200,000 in the aggregate across the entire Second Charge loan book originated after 1st November 2025.

2.2. Payments are made on a first-come, first-served basis.

2.3. Once the cap has been reached, no further Guarantee payments will be made.

2.4. Somo reserves the right to increase, reduce, or withdraw the Guarantee at any time, including following a payout.

3. Conditions & Discretion

3.1. The Guarantee is limited and discretionary.

3.2. Somo retains sole discretion in assessing claims and determining whether to pay.

3.3. Competing or simultaneous claims may be rejected or partially paid at Somo's discretion.

4. Investor Acknowledgements

4.1. Investors acknowledge that:

- This Guarantee reduces effective Loan-to-Value (LTV) ratios by 10%, but does not eliminate risk.
- Capital and interest remain at risk, and losses may still occur beyond the 10% coverage.
- The Guarantee is not insurance, nor is it backed by the Financial Services Compensation Scheme (FSCS).

4.2. Somo's parent company currently holds sufficient capital reserves, but investors accept that coverage is capped.

5. Reserve & Stress Testing

5.1. Somo will maintain a loss reserve equivalent to at least 0.10% of the Second Charge loan book. (See Somo's Stress Testing)

5.2. In extreme scenarios (e.g. 30% book default with severe property devaluation), Somo's liability remains capped at £1,200,000.

6. Exclusions

6.1. The Guarantee does not cover:

- Loans originated before 1st November 2025;
- Interest shortfalls (unless covered within recovered funds);
- Valuation or legal disputes unless recovery is legally successful;
- Any losses exceeding the £1,200,000 cap.

7. Risk Warning

7.1. Investment in Second Charge loans is high risk.

7.2. Past performance is not a reliable guide to future performance.

7.3. Investors may lose all invested capital.

7.4. Loans are not protected by FSCS or the Financial Ombudsman Service.