

## Cardiff Auto Receivables Securitisation 2018-1 plc

(a public limited company incorporated under the laws of England and Wales with registered number 11118369)

### The Issuer will issue:

	Principal Amount	Issue Price	Interest Rate	Final Maturity Date	Legal
Class A Notes	£2,130,000,000	100%	1.80%	December 2026	
Class S Notes <sup>(1)</sup>	£720,000,000	100%	4.00%	December 2026	
Total	£2,850,000,000				

(1) The Class S Notes are not being offered by this Prospectus.

The Class A Notes are being offered by this Prospectus outside the United States to non-U.S. persons as defined in Regulation S under the U.S. Securities Act of 1933, as amended in reliance on Regulation S. The Class A Notes are referred to as the "**Listed Notes**". The Class S Notes are not offered under this Prospectus.

### Closing Date

The Issuer expects to issue the Class A Notes (the "**Class A Notes**") and the Class S Notes (the "**Class S Notes**", together with the Class A Notes, the "**Notes**") in the classes set out above on 4 December 2018 (the "**Closing Date**").

### Underlying Assets

The Issuer will make payments on the Notes from, among other sources, the payments of principal and interest it receives from borrowers ("**Customers**") pursuant to automotive loans (hire purchase agreements (being hire purchase standard agreements and lease purchase agreements) and personal contract plan agreements) originated by Black Horse Limited ("**Black Horse**") (the "**Seller**") (the "**Portfolio**"). These hire purchase agreements and personal contract plan agreements provide for monthly payments over the term of the contract or monthly payments and in respect of (x) the personal contract plan agreements, an additional larger optional "balloon" payment at the end of the term or (y) the lease purchase agreements, a mandatory larger balloon final payment. The Portfolio has the characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes.

See the section titled "*The Provisional Portfolio*" for more detail.

### Credit Enhancement

The Class A Notes will benefit from credit enhancement provided by the Reserve Account, the subordination of the Class S Notes and excess spread.

For further explanation, please see section titled "*Credit Enhancement*".

### Redemption Provisions

Information on any optional and mandatory redemption of the Notes is summarised on page 83 (*Description of the Notes*) and set out in full in Condition 5 (*Redemption*).

## **Credit Rating Agencies**

Ratings will be assigned to the Class A Notes by Fitch Ratings Limited ("**Fitch**") and DBRS Ratings Limited ("**DBRS**"). The Class S Notes will not be rated. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union "EU" and registered under Regulation (EC) No 1060/2009 of the European Parliament (the "**CRA Regulation**"), as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013 ("**CRA3**"). Each of Fitch and DBRS is established in the European Community and according to the press release from European Securities Markets Authority ("**ESMA**") dated 31 October 2011, each of Fitch and DBRS is registered under the CRA Regulation. Reference is made to the list of registered or certified credit rating agencies published by ESMA on the webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as last updated on 1 May 2018.

## **Credit Ratings**

The Rating Agencies' ratings of the Listed Notes will reflect the likelihood of the timely payment of interest and ultimate repayment of principal on the Class A Notes according to their terms. Each rating takes into consideration the characteristics of the Purchased Receivables and the structural, legal, tax and Issuer-related aspects associated with the Notes.

The ratings assigned to the Class A Notes should be evaluated independently against similar ratings of other types of securities. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time.

The Issuer has not requested a rating of the Class A Notes by any rating agency other than the Rating Agencies. There can be no assurance as to whether any other rating agency will rate the Class A Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Class A Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

**The Issuer has not sought a rating in respect of the Class S Notes.**

**The assignment of ratings to the Listed Notes is not a recommendation to invest in the Listed Notes. Any credit rating assigned to the Listed Notes may be revised or withdrawn at any time.**

## **Listing**

This Prospectus has been approved by the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 or the "**UK Listing Authority**" as competent authority under Directive 2003/71/EC, as amended by Directive 2010/73/EU, together the "Prospectus Directive". The UK Listing Authority only approves this Prospectus as meeting the requirements imposed by UK and EU law under the Prospectus Directive. Application has been made to the Official List of the London Stock Exchange plc for the Class A Notes (the "**Listed Notes**") to be

admitted to the Official List and trading on its regulated market. Such approval relates only to the Listed Notes which are to be admitted to trading on the regulated market of the London Stock Exchange or other regulated markets for the purposes of the Markets in Financial Instruments Directive 2004/39/EC or which are to be offered to the public in a Member State of the European Economic Area or "EEA". This document is a prospectus for the purposes of the Prospectus Directive.

### **Obligations**

The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of, or guaranteed by, or be the responsibility of Black Horse, its affiliates or any other party to the Transaction Documents other than the Issuer.

### **Retention Undertaking**

The Seller as "originator" for the purposes of Article 405(1) of the CRR will retain for the life of the transaction a material net economic interest of not less than 5 per cent. in the transaction in accordance with Article 405 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the "**CRR**"), Article 17 of Directive (EU) No 2011/61 ("**AIFMD**"), specified by Article 51 of Regulation (EU) No 231/2013 ("**AIFMR**") and Article 254 of Regulation (EU) 2015/35 of 10 October 2014 (the "**Solvency II Regulation**"), (in each case as they are interpreted and applied on the date hereof (and in the case of the CRR taking into account the provisions of Regulation (EU) No 625/2014 and, in the case of AIFMR taking into account Article 56 of the AIFMR) and without taking into account any implementing rules of the CRR, AIFMR or the Solvency II Regulation in a relevant jurisdiction) (such risk retention requirements together, the "**EU Retention Requirements**"). As of the Closing Date, such interest will in accordance with Article 405 paragraph 1, sub (d) of the CRR be comprised of an investment in the Class S Notes which is no less than 5 per cent. of the nominal amount of the securitised exposures. Any change in the manner in which the interest is held will be notified to the Noteholder. See the section entitled "*Risk Factors - Regulatory Considerations – Risk Retention and due diligence requirements*" for more information. Any change to the manner in which such interest is held will be notified to investors.

After the Closing Date, the Servicer will prepare Monthly Reports wherein relevant information with regard to the Purchased Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller for the purposes of which the Seller will provide the Issuer and the Servicer with all information reasonably required with a view to complying with Article 409 of the CRR.

Each prospective investor is required to independently assess and determine the sufficiency of the information described in the preceding two paragraphs for the purposes of complying with Article 405 to 409 of the CRR, section 5 of chapter III of the AIFMR (including Article 51)

and chapter VIII of title I of the Solvency II Regulation (including Article 254), and none of the Issuer, the Seller (in its capacity as the Seller and the Servicer), the Lead Manager nor the Arranger makes any representation that the information described above is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 405 to 409 of the CRR, section 5 of chapter III of the AIFMR (including Article 51) and chapter VIII of title I of the Solvency II Regulation (including Article 254) in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction should seek guidance from their regulator. The Seller accepts responsibility for the information set out in this paragraph and in the preceding two paragraphs.

It is the Seller's intention that on and from the Closing Date and for the life of the Transaction the Class S Notes will be retained by the Seller.

**U.S. Risk Retention Rules**

The issuance of the Notes has not been designed to comply with the U.S. Risk Retention Rules other than the exemption under Section \_\_.20 of the U.S. Risk Retention Rules and no steps have been taken by the Issuer, the Seller, the Arranger, the Lead Manager or any of their respective affiliates or any other party to accomplish such compliance. There can be no assurance that the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-US transactions will be available.

The Notes sold on the Closing Date may not be purchased by any person except for persons that are not "U.S. persons" as defined in the U.S. Risk Retention Rules ("**Risk Retention U.S. Persons**"). "**U.S. Risk Retention Rules**" means Regulation RR (17 C.F.R Part 246) implementing the risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended. Prospective investors should note that whilst the definition of "U.S. person" in the U.S. Risk Retention Rules is similar to the definition of "U.S. person" in Regulation S, the definitions are not identical and persons who are not "U.S. persons" under Regulation S may be "U.S. persons" under the U.S. Risk Retention Rules. Each purchaser of Notes, including beneficial interests therein will be deemed to, and in certain circumstances (including as a condition to placing an order relating to the Notes) will be required to, represent and agree that (1) it is not a Risk Retention U.S. Person (2) it is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note; and (3) it is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules.

Notwithstanding the foregoing, the Issuer may, with the prior consent of the Seller, sell a limited portion of the Notes to, or for the account or benefit of, Risk Retention U.S. Persons in accordance with an exemption from the U.S. Risk Retention Rules.

**Eurosystem Eligibility**

On the Closing Date, the Class A Notes will be issued under the new

safekeeping structure ("**NSS**"), will be deposited with Clearstream, Luxembourg as Common Safekeeper and are intended to be held in a manner which would allow Eurosystem eligibility. However, the Class A Notes are not expected to be recognised as Eurosystem eligible collateral as the Class A Notes will not satisfy all of the applicable criteria that are currently in force to be recognised as Eurosystem eligible collateral on issue. In particular, please see the risk factor entitled "*Eurosystem Eligibility*" below.

**Volcker Rule**

The Issuer is structured not to be a "covered fund" under the regulations adopted to implement section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the "Volcker Rule". In making this determination, the Issuer is relying on the "loan securitization exclusion" under sub-section 10(c)(8) of the Volcker Rule although other exclusions or exemptions may also be available to the Issuer.

**For a discussion of certain significant factors affecting investments in the Notes, see "RISK FACTORS".**

**Arranger**

Lloyds Bank Corporate Markets plc

**Lead Manager**

Lloyds Bank Corporate Markets plc

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The date of this Prospectus is 29 November 2018

## IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATION OF ANY OF THE ARRANGER, THE LEAD MANAGER, THE SELLER, THE SERVICER (IF DIFFERENT), THE CASH MANAGER, THE TRUSTEE, THE SECURITY TRUSTEE, THE ACCOUNT BANK, BACK-UP SERVICER FACILITATOR THE PRINCIPAL PAYING AGENT, THE CORPORATE SERVICES PROVIDER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION DOCUMENTS. NEITHER THE NOTES NOR THE UNDERLYING PURCHASED RECEIVABLES WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AUTHORITY OR BY ANY OF THE ARRANGER, THE LEAD MANAGER, THE SELLER, THE SERVICER (IF DIFFERENT), THE CASH MANAGER, THE TRUSTEE, THE SECURITY TRUSTEE, THE ACCOUNT BANK, BACK-UP SERVICER FACILITATOR, THE PRINCIPAL PAYING AGENT, THE CORPORATE SERVICES PROVIDER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY OTHER PARTY (OTHER THAN THE ISSUER) TO THE TRANSACTION DOCUMENTS OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

THE NOTES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, NOR HAS THE ISSUER BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940 (THE "INVESTMENT COMPANY ACT"). THE ISSUER WILL BE RELYING ON AN EXCLUSION OR EXEMPTION FROM THE DEFINITION OF "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT CONTAINED IN SECTION 3(C)(1) OF THE INVESTMENT COMPANY ACT, ALTHOUGH THERE MAY BE ADDITIONAL STATUTORY OR REGULATORY EXCLUSIONS OR EXEMPTIONS AVAILABLE TO THE ISSUER. THE ISSUER IS BEING STRUCTURED SO AS NOT TO CONSTITUTE A "COVERED FUND" FOR PURPOSES OF REGULATIONS ADOPTED UNDER SECTION 13 OF THE BANK HOLDING COMPANY ACT OF 1956, AS AMENDED, COMMONLY KNOWN AS THE "VOLCKER RULE."

This Prospectus contains information about the Issuer and the terms of the Notes to be issued by the Issuer. You should rely only on information provided or referenced in this Prospectus.

This Prospectus starts with a transaction overview setting out:

- *Diagrams* – separate diagrams show the structure of this securitisation transaction, the credit enhancement available to the Notes, the interest and principal collections available to the Issuer, the priority of payments for this securitisation transaction, and the role that each transaction party and each Transaction Document plays in this securitisation transaction;
- *Overview of the Notes and this Securitisation Transaction* – provides an overview of the Notes, the assets of the Issuer, the cash flows in this securitisation transaction and the credit enhancement available to the Notes; and
- *Risk Factors* – describes the most significant risks of investing in the Notes.

The other sections of this Prospectus contain more details about the Notes and the structure of this securitisation transaction. Cross-references refer you to more details about a particular topic or related information elsewhere in this Prospectus. The table of contents on page 1 contains references to key topics.

An index of defined terms is at the end of this Prospectus.

This Prospectus has been prepared by the Issuer and may not be copied or used for any purpose other than for your evaluation of an investment in the Notes.

The delivery of this Prospectus at any time does not imply that the information in this Prospectus is correct as at any time after its date.

### **Governing Law**

The Notes and all non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

### **Form of the Notes**

The Class A Notes will be issued in registered form and in the denominations of £100,000 and integral multiples of £1,000 in excess of £100,000, up to and including £199,000. Interests in the Class A Notes will be represented by an unrestricted global registered note each, a "**Global Note**", without interest coupons attached. The Global Note representing the Class A Notes will be deposited on the Closing Date with Clearstream Banking *société anonyme* or "**Clearstream, Luxembourg**" which will act as the Common Safekeeper for the Class A Notes. Except in certain limited circumstances, the Global Notes will not be exchangeable for unrestricted registered definitive notes, or "**definitive notes**", and no definitive notes will be issued with a denomination above £199,000.

On the Closing Date, the Class A Notes will be issued under the new safekeeping structure ("**NSS**"), will be deposited with Clearstream, Luxembourg as Common Safekeeper and are intended to be held in a manner which would allow Eurosystem eligibility. However, the Class A Notes are not expected to be recognised as Eurosystem eligible collateral as the Class A Notes will not satisfy all of the applicable criteria that are currently in force to be recognised as Eurosystem eligible collateral on issue.

### **Responsibility Statements**

**The Issuer accepts responsibility for the information in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.**

**Black Horse Limited or "Black Horse" accepts responsibility for the information in the sections entitled "*Seller, Servicer, Cash Manager and Subordinated Loan Provider*" and "*The Provisional Portfolio*". To the best of the knowledge and belief of Black Horse (which has taken all reasonable care to ensure that such is the case) the information in the sections entitled "*Seller, Servicer, Cash Manager and Subordinated Loan Provider*" is in accordance with the facts and contains no omission likely to affect the import of such information.**

**Lloyds Bank plc accepts responsibility for the information about itself in the section entitled "*Account Bank and Back-Up Servicer Facilitator*". To the best of the knowledge and belief of Lloyds Bank plc (which has taken all reasonable care to ensure that such is the case) the information about itself in the section entitled "*Account Bank and Back-Up Servicer Facilitator*" is in accordance with the facts and contains no omission likely to affect the import of such information.**

**The Notes are obligations solely of the Issuer and are not obligations of, are not guaranteed by and are not the responsibility of any other entity. In particular, the Notes are not the obligations of, are not guaranteed by and are not the responsibility of Black Horse,**

**the Arranger, the Lead Manager, the Cash Manager, the Account Bank, the Back-Up Servicer Facilitator, the Principal Paying Agent, the Security Trustee or the Trustee.**

The information in this Prospectus about Black Horse and Lloyds Bank plc relates to and has been obtained from each of them.

The delivery of this Prospectus will not create an implication that there has been no change in the activity of Black Horse, or Lloyds Bank plc since the date of this Prospectus or that the information contained or referred to in it is correct as at any time after its date. The information provided by Black Horse, and Lloyds Bank plc to the Issuer has been accurately reproduced and, as far as the Issuer is aware, and is able to ascertain from information provided, no facts have been omitted that would make the reproduced information inaccurate or misleading. The Issuer has taken no steps to verify independently this information.

**Representations about the Notes**

No person has been authorised in connection with the issue, offering, subscription or sale of the Notes to give information or to make representations not in this Prospectus and, if given or made, such information or representation must not be relied on as having been authorised by or on behalf of the Issuer, the directors of the Issuer or Black Horse.

Purchasers of the Notes should conduct such independent investigation and analysis of the Issuer, Black Horse, the Receivables and the Notes as they deem appropriate to evaluate the merits and risks of an investment in the Notes. Black Horse, the Lead Manager, the Arranger, the Account Bank, the Back-Up Servicer Facilitator, the Principal Paying Agent, the Security Trustee and the Trustee make no representation, recommendation or warranty, express or implied, about the accuracy, adequacy, reasonableness or completeness of the information in this Prospectus or in any further information, notice or other document which may be supplied by or on behalf of the Issuer in connection with the Notes and accept no responsibility or liability for such information. None of Black Horse, the Lead Manager, the Arranger, the Account Bank, the Back-Up Servicer Facilitator, the Principal Paying Agent, the Security Trustee or the Trustee will review the financial position or activity of the Issuer while the Notes are outstanding nor, unless required by applicable law, will advise investors or potential investors in the Notes of information coming to its attention.

**Selling Restrictions**

The Notes have not been, and will not be, registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and under circumstances which would not require the Issuer to register under the Investment Company Act. In connection with the initial distribution of the securities offered hereby, the Notes will be offered and sold only outside the United States to persons who are not U.S. Persons. There has been and will be no public offering of the Notes in the United States.

Except with the prior consent of the Seller and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes and Residual Certificates may not be sold to, or for the account or benefit of, any Risk Retention U.S. Person. Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is similar to, but not identical to, the definition of "U.S. person" in Regulation S under the Securities Act ("**Regulation S**") and that persons who are not "U.S. persons" under Regulation S may be



"U.S. persons" under the U.S. Risk Retention Rules. The Notes will be issued in registered form and are subject to certain United States tax law requirements.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA").

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof, or (ii) that there has been no adverse change in the financial situation of the Issuer since the date of this Prospectus or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer or the Seller or the Arranger or the Lead Manager other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any information memorandum, offering circular, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and the Issuer, the Seller, the Arranger and the Lead Manager have represented that all offers and sales by them have been made on such terms.

Other than the approval of the UK Listing Authority of this Prospectus as a prospectus under the Prospectus Directive, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction.

This Prospectus may only be used for the purposes for which it has been published. This Prospectus is not and does not form part of an offer to sell or the solicitation of an offer to buy securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy the securities offered by this Prospectus in circumstances in which such offer, solicitation or sale is not permitted. The distribution of this Prospectus and the offering and sale of the Notes in some jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Lead Manager to inform themselves about and to observe those restrictions. This Prospectus is not and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is not permitted to make such offer or solicitation.

*For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus you should read "Subscription and Sale".*

**If you are in any doubt about the contents of this Prospectus you should consult your advisers. An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses that may result from such investment. It should be remembered that the price of the Notes and the income from them may decrease.**

## FORWARD-LOOKING STATEMENTS

Any projections, expectations and estimates in this Prospectus are not historical in nature but are forward-looking statements based on information and assumptions Black Horse and the Issuer consider reasonable. Forward-looking statements are about circumstances and events that have not yet taken place and may vary materially from actual events. Neither Black Horse nor the Issuer is obligated to update or revise any forward-looking statements including changes in economic conditions, portfolio or asset pool performance or other circumstances or developments after the date of this Prospectus.

## PRIIPs REGULATION

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or "**EEA**". For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, or "**MiFID II**"; or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance based investment products, or the "**PRIIPs Regulation**", for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## MiFID II PRODUCT GOVERNANCE

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the notes has led to the conclusion that: (i) the target market for the notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

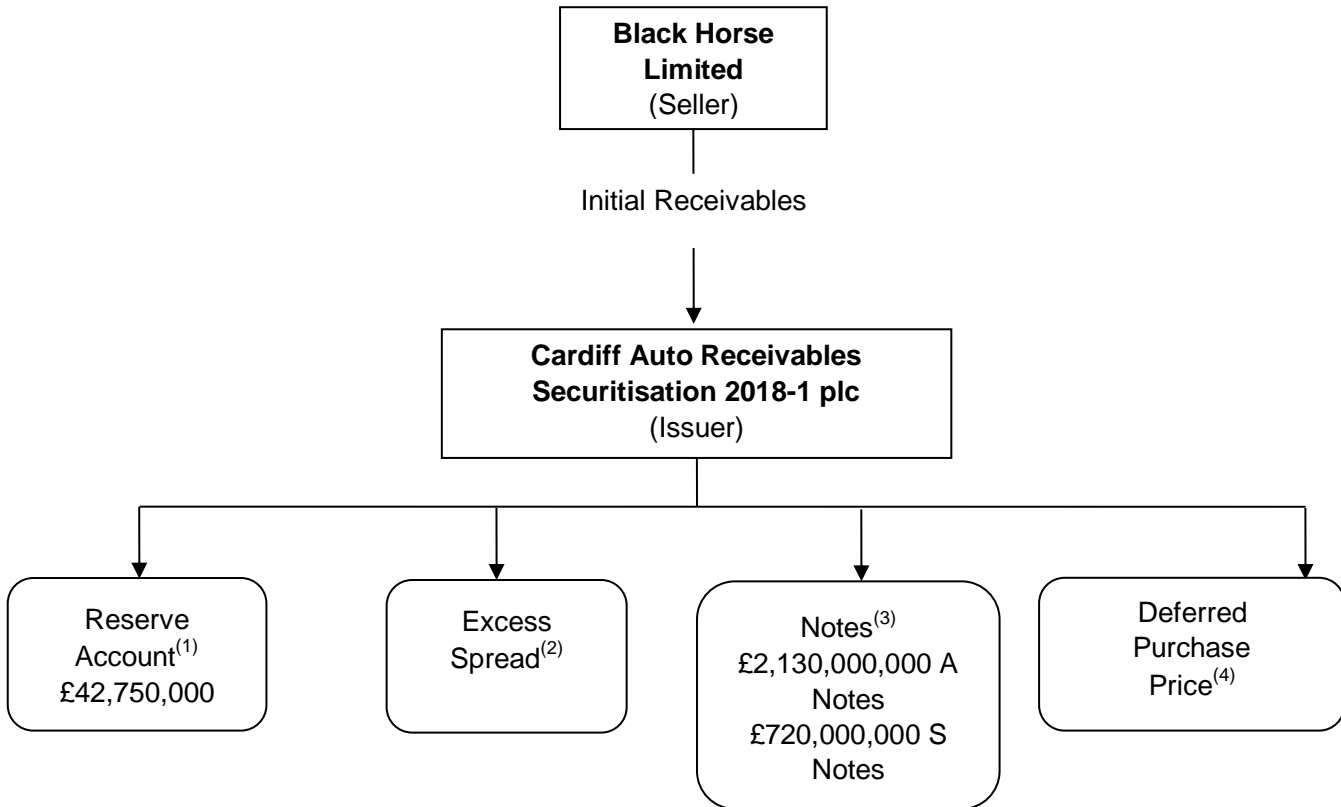
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## TRANSACTION OVERVIEW

### Transaction Structure Diagram

*This diagram is a simplified overview of the structure of this securitisation transaction and the credit enhancement available for the Notes. You should read this Prospectus completely for more details about this securitisation transaction.*



(1) The Reserve Account will be funded on the Closing Date through the Subordinated Loan.

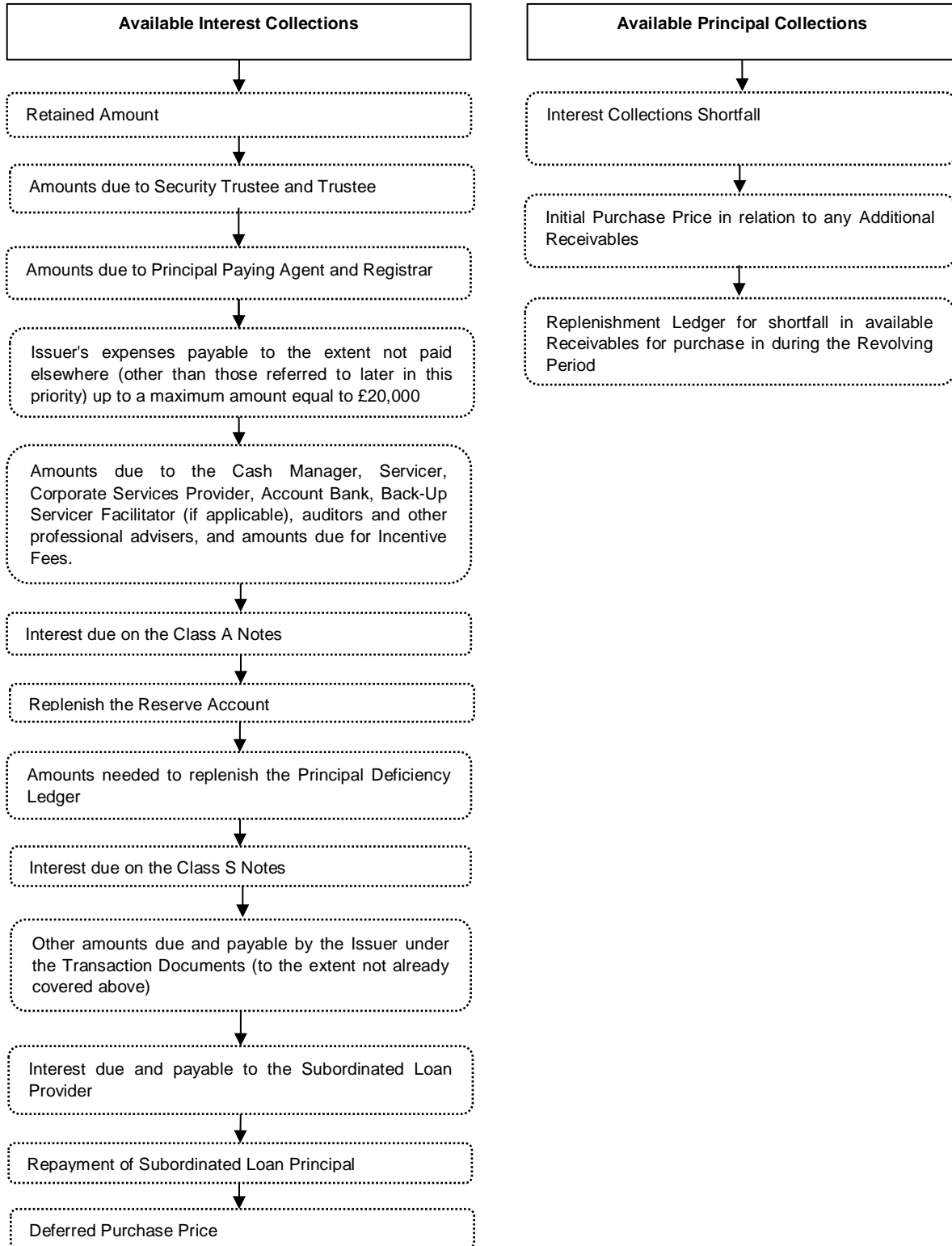
(2) Excess spread is available, as a component of Available Interest Collections, to replenish the Reserve Account, and to absorb losses on the Receivables.

(3) The Class A Notes will benefit from subordination of the Class S Notes. The subordination varies depending on whether interest or principal is being paid and whether or not an Event of Default that results in acceleration has occurred. For more details you should read "Overview of the Notes and this Securitisation Transaction — Priority of Payments" and "Overview of the Notes and this Securitisation Transaction — Credit Enhancement — Subordination".

(4) The Seller will have a right to receive the Deferred Purchase Price on the Receivables which represents the right to all funds not needed to pay fees and expenses of the Issuer, to make required payments on the Notes or to replenish the Reserve Account in accordance with the Priority of Payments.

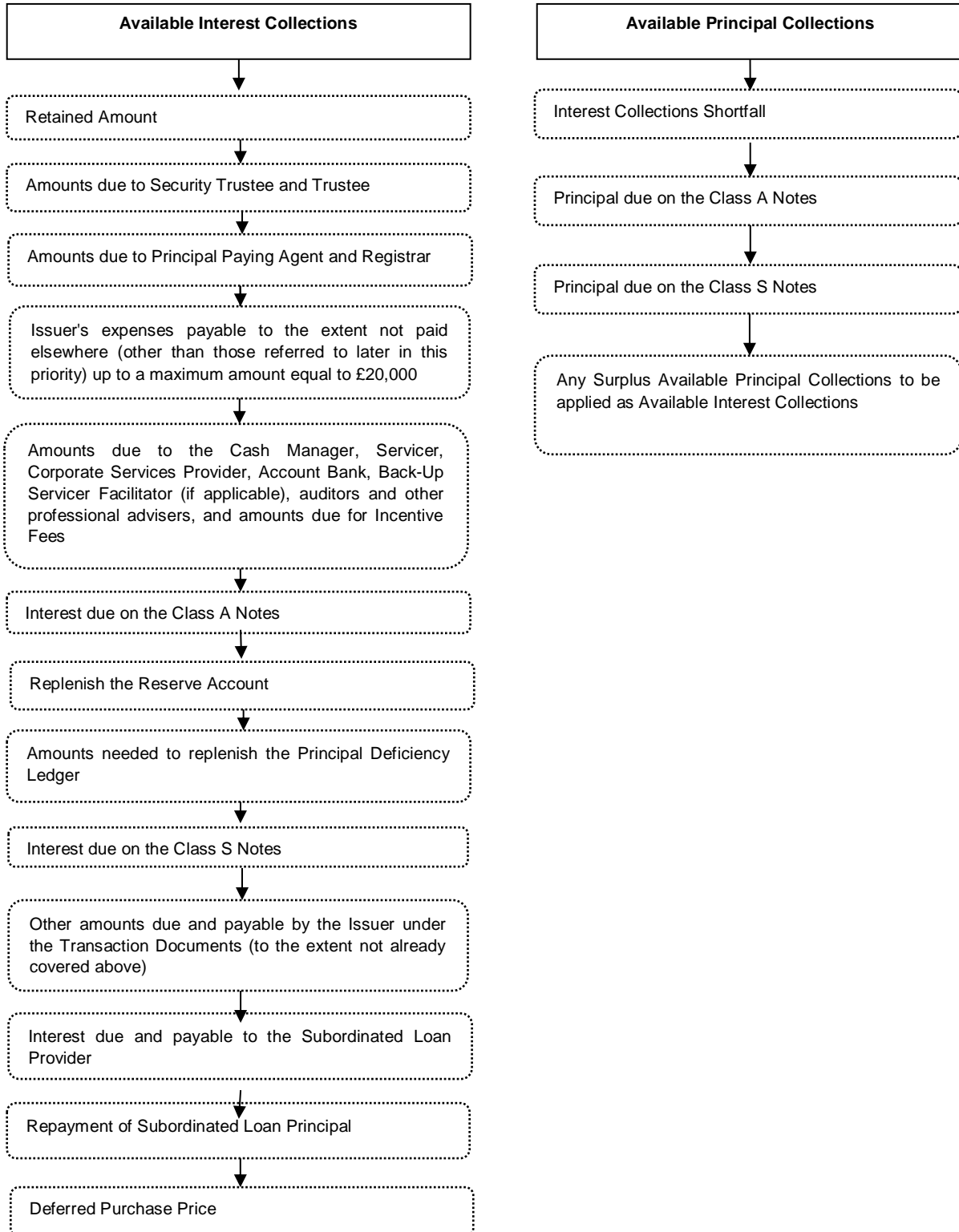
### Revolving Period Priority of Payments Diagram

*This diagram shows how available funds are paid on each Payment Date during the Revolving Period. The priority of payments shown in this diagram will apply until the end of the Revolving Period, in which case the diagram on page 4 will apply. You should read this Prospectus completely. For more details about the priority of payments before the acceleration of the Notes after an Event of Default, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*



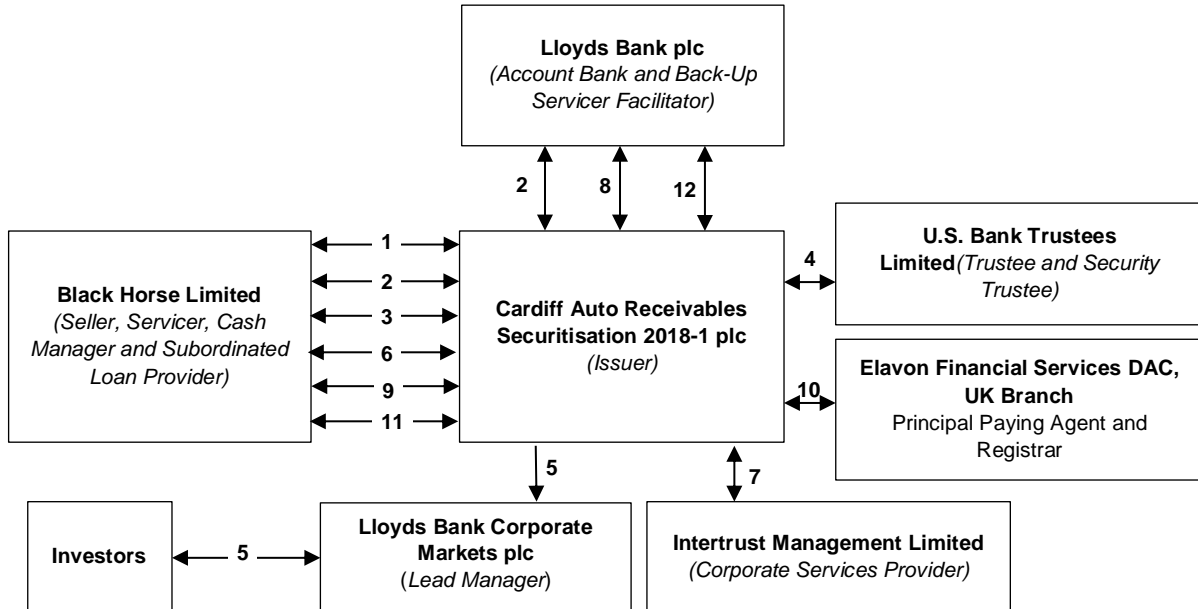
### Amortising Period Priority of Payments Diagram

This diagram shows how available funds are paid on each Payment Date following the Revolving Period. The priority of payments shown in this diagram will apply following the Revolving Period unless the Notes are accelerated after an Event of Default. You should read this Prospectus completely. For more details about the priority of payments following the acceleration of the Notes after an Event of Default, you should read "Description of the Notes" and "Terms and Conditions of the Notes".



## Transaction Parties and Documents Diagram

This diagram shows the role of each transaction party and each Transaction Document in this securitisation transaction. You should read this Prospectus completely, including "Transaction Parties", "Receivables", "Description of the Notes" and "Seller and Servicer", for more details about the roles of each transaction party in this securitisation transaction.



### 1. RECEIVABLES SALE AGREEMENT

- the Seller sells Receivables on the Closing Date and on each Payment Date during the Revolving Period to the Issuer in exchange for the Purchase Price and the Deferred Purchase Price Component
- the Seller makes representations to the Issuer about the Receivables and repurchases Non-Compliant Receivables

### 2. SERVICING AGREEMENT

- Black Horse appointed Servicer and receives the Servicing Fee
- the Servicer provides information on the Receivables and prepares Monthly Reports
- the Seller will repurchase Receivables Agreement that will have been the subject of a Non- Permitted Variation

### 3. CASH MANAGEMENT AGREEMENT

- Black Horse Limited appointed Cash Manager and receives the Cash Management Fee
- the Cash Manager will administer transaction funds, based on the information provided by the Servicer
- The Cash Manager will, where applicable, apply available amounts to pay expenses of the Issuer and make payments on the Notes in accordance with the applicable Priority of Payments

### 4. TRUST DEED AND DEED OF CHARGE

- the Notes are constituted by the Trust Deed
- all assets of the Issuer are charged or assigned to the Security Trustee to secure obligations of the Issuer (including the Notes)
- U.S. Bank Trustees Limited appointed Trustee and Security Trustee

### 5. SUBSCRIPTION AGREEMENT

- the Issuer sells the Class A Notes to the Lead Manager
- the Lead Manager will purchase the Class A Notes

### 6. JUNIOR NOTE PURCHASE AGREEMENT

- the class S Notes will be purchased by Black Horse Limited

### 7. CORPORATE SERVICES AGREEMENT

- Intertrust Management Limited appointed administrator of the Issuer and will perform administrative duties of the Issuer

### 8. ACCOUNT BANK AGREEMENT

- Lloyds Bank plc appointed Account Bank and provides account services for the Distribution Account and the Reserve Account

### 9. SUBORDINATED LOAN AGREEMENT

- Black Horse Limited appointed as Subordinated Loan Provider

### 10. AGENCY AGREEMENT

- Elavon Financial Services, DAC appointed as Principal Paying Agent and Registrar.

### 11. SCOTTISH VEHICLE PROCEEDS FLOATING CHARGE

- The Seller granted a floating charge in favour of the Issuer.

### 12. BACK-UP SERVICER FACILITATOR AGREEMENT

- Lloyds Bank Plc appointed as Back-Up Servicer Facilitator.

## OVERVIEW OF THE NOTES AND THIS SECURITISATION TRANSACTION

*This overview must be read as an introduction to this Prospectus and your decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.*

*This overview describes the main terms of the offering of and payments on the Notes, the assets of the Issuer, the cash flows in this securitisation transaction and the credit enhancement available to each Class of Notes. It does not contain all of the information that you should consider in making your decision to purchase any Notes. To understand fully the terms of the Notes and the transaction structure, you should read this Prospectus completely, especially "Risk Factors" starting on page 21.*

### Transaction Overview

The Issuer will use the net proceeds from the sale of the Notes to purchase from Black Horse a pool of receivables under or in relation to retail auto hire purchase agreements (being hire purchase standard agreements and lease purchase agreements) and personal contract plan agreements, or "**Receivables**", which were originated in the United Kingdom by Black Horse through motor vehicle dealers. The Issuer will issue the Notes on the Closing Date.

No principal payments will be made on the Notes during the Revolving Period. During the Revolving Period (expected to be 12 months), the Available Principal Collections will be used by the Issuer to pay the Initial Purchase Price for Additional Receivables and any Note proceeds not used for the purchase of the Initial Portfolio will be applied to the Replenishment Ledger as the Replenishment Amount.

The Available Interest Collections will be used by the Issuer to, pay the Issuer's expenses, pay interest on the Notes, replenish the Principal Deficiency Ledger, replenish the Reserve Account and to pay interest and principal on the Subordinated Loan. Any remaining Available Interest Collections will be paid to Black Horse in the form of the Deferred Purchase Price, subject to the applicable Priority of Payments.

### Transaction Parties

<i>Seller and Servicer</i>	Black Horse
<i>Issuer</i>	Cardiff Auto Receivables Securitisation 2018-1 plc
<i>Trustee and Security Trustee</i>	U.S. Bank Trustees Limited
<i>Account Bank</i>	Lloyds Bank plc
<i>Cash Manager</i>	Black Horse
<i>Principal Paying Agent and Registrar</i>	Elavon Financial Services DAC, U.K. Branch
<i>Subordinated Loan Provider</i>	Black Horse
<i>Corporate Services Provider</i>	Intertrust Management Limited
<i>Back-Up Servicer Facilitator</i>	Lloyds Bank plc

*For more details about the Transaction Parties and their roles in this securitisation transaction, you should read "Principal Transaction Documents".*

### Closing Date



The Issuer expects to issue the Notes on 4 December 2018, or the "**Closing Date**".

### **Cut-Off Date**

The Issuer will purchase (a) the Initial Receivables as of 3 December 2018 (the "**Initial Cut-Off Date**") on the Closing Date and (b) on each relevant Payment Date, the Additional Receivables as of the 3rd day of the same calendar month in which the Additional Receivables are purchased by the Issuer during the Revolving Period (each a "**Cut-Off Date**"). The Issuer will have a right to collections on the Receivables applied after the applicable Sale Date.

### **Notes**

The Issuer will issue the following Notes:

<b>Principal Amount</b>		<b>Interest Rate</b>
Class A Notes	£2,130,000,000	1.80%
Class S Notes <sup>(1)</sup>	£720,000,000	4.00%

(1) The Class S Notes are not being offered by this Prospectus.

The Class A Notes and the Class S Notes are referred to as the "**Notes**".

The Class A Notes offered by this Prospectus will be subscribed for by Lloyds Bank Corporate Markets plc as Lead Manager, as more particularly described in the section entitled "*Subscription and Sale*".

### **Form and Denomination**

The Class A Notes will be issued in registered form and in the denominations of £100,000 and multiples of £1,000 in excess of £100,000, up to and including £199,000. Interests in each of the Listed Notes will be represented by the related global note. Except in certain limited circumstances, definitive notes will not be available, and no definitive notes will be issued with a denomination above £199,000.

The Class A global notes will be issued under the NSS.

*For more details about the form and denomination of the Notes, you should read "Description of the Notes".*

### **Status of the Notes**

The Notes will be constituted by a trust deed between the Issuer and the Trustee. The Notes are secured limited recourse obligations of the Issuer.

The Class A Notes will rank in priority to the Class S Notes. Each Class of Notes will rank pari passu without preference among the Class.

*For more details about the status of the Notes, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*

## Security for the Notes

Under and pursuant to a deed of charge, the Issuer will assign, transfer and/or charge by way of security all of its assets, including the Receivables, the Ancillary Rights (including its interest in Vehicle Proceeds), the Issuer Accounts, each Scottish Transfer, the Scottish Vehicle Proceeds Floating Charge and all of its other rights under the Transaction Documents in favour of the Security Trustee to secure its obligations under the Transaction Documents. The Deed of Charge will be governed by English law. Each Scottish Supplemental Charge entered into pursuant to the terms of the Deed of Charge will be governed by Scots law.

*For more details about the security for the Notes, you should read "Description of the Notes" and "Principal Transaction Documents".*

## Payment Dates

The Issuer will pay interest and, after the end of the Revolving Period, principal on the Notes on "**Payment Dates**", which will be the 21<sup>st</sup> day of each month (or, if not a Business Day, the next Business Day). The first Payment Date will be 21 January 2019.

The Class A Notes and Class S Notes will accrue interest on a "30/360" basis.

The Final Legal Maturity Date for each Class of Notes is listed below.

	<b>Final Legal Maturity Date</b>
Class A Notes	Payment Date falling in December 2026
Class S Notes	Payment Date falling in December 2026

It is expected that each Class of Notes will be paid in full earlier than its Final Legal Maturity Date.

*For more details about the payment of interest and principal on each Payment Date, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*

## Clean-Up Call Option

The Seller will have an option (but will not be obliged) to repurchase all of the Receivables on a Payment Date when the aggregate Principal Amount Outstanding of the Notes is 10 per cent. or less than the initial aggregate Principal Amount Outstanding of the Notes as at the Closing Date. The Seller may exercise its clean-up call option only if the purchase price for the Receivables is sufficient to redeem the Notes and all other fees and expenses of the Issuer. On the Seller's exercise of its clean-up call option, the Notes will be redeemed and paid in full by the Issuer.

*For more details about the clean-up call option, you should read "Description of the Notes — Option to purchase", "Principal Transaction Documents — Receivables Sale Agreement — Clean-Up Call Option" and "Terms and Conditions of the Notes".*

## Optional early redemption for taxation and other reasons

If a change of law occurs after the Closing Date and the Issuer is required to deduct, withhold or account for tax on a payment by it on the Notes or would itself suffer a tax (other than on the Retained Amount) and the Issuer is unable to avoid such withholding or deduction or tax, then the Issuer may redeem all of the Notes.

*For more details about the optional early redemption for taxation and other reasons, you should read "Terms and Conditions of the Notes".*

### **Issuer's Assets**

The Issuer's assets will include:

- the Receivables and Collections on the Receivables applied after the applicable Sale Date,
- proceeds of sale of Financed Vehicles,
- rights under the Receivable Agreements,
- proceeds from claims on insurance policies covering the Financed Vehicles or the Customers,
- rights under the Scottish Vehicle Proceeds Floating Charge,
- rights under the Collection Account Trust;
- rights in the Issuer's reserve account and distribution account, and
- rights under the Transaction Documents.

### **Initial Receivables**

The Receivables that will be sold to the Issuer are rights to amounts payable under the Receivable Agreements originated in the United Kingdom and governed under the laws of England and Wales and Scotland that relate to new and used Vehicles, or "**Financed Vehicles**". The purchasers of the Financed Vehicles who are responsible for making payments on the Receivables are retail customers, or "**Customers**". The Receivable Agreements take the form of hire purchase agreements ("**HP Agreements**") and personal contract purchase agreements ("**PCP Agreements**" or "**PCP**" and, together with the HP Agreements, the "**Receivable Agreements**") between Black Horse and Customers.

HP Agreements are available for both New Vehicles and Used Vehicles. HP Agreements contain standard rental terms where an initial payment may be required and the balance is either (i) amortised in equal monthly instalments ("**HP Standard Agreement**") or (ii) in addition to monthly instalments, the final rental payment is greater than the previous payments and such final rental payment is not optional in accordance with the terms of such contract ("**Lease Purchase Agreements**"). At the end of the term of the HP Agreement, following payment of an additional "option to purchase" fee, title in the vehicle will pass to the Customer.

PCP Agreements are used for the financing of New Vehicles and Used Vehicles in the retail market. PCP Agreements are similar to HP Agreements but with an optional additional larger "balloon" final rental payment at the end of the term of the PCP Agreement, where the Customer can either settle the contract by paying the balloon payment (and thereby purchase the Vehicle) or, subject to the Vehicle being in a condition acceptable to Black Horse and within agreed mileage, return the vehicle to Black Horse in full and final settlement of the PCP Agreement. If the customer does not exercise the purchase option Black Horse will sell the Vehicle and the sale proceeds of the Vehicle are transferred to the Issuer as Vehicle Proceeds, with any shortfall being written off by the Issuer and is not recovered from the Customer.

Title to the Related Vehicles will remain with Black Horse until it is transferred to the relevant Customer under the terms of the relevant Receivable Agreement or is sold by Black Horse following either (a) repossession of the Vehicle from the relevant customer or (b) return of the relevant Vehicle by the Customer or (c) a return of a Vehicle under a VT Receivable or PCP balloon option by the relevant Customer.

Receivables with an aggregate outstanding principal balance of approximately £2,850,000,000 will be transferred to the Issuer on the Closing Date.

**Summary characteristics of the pool of receivables as of the Provisional Pool Cut-Off Date:**

Number of Receivables	196,667
Aggregate Outstanding Principal Balance	£3,030,245,416
Average Outstanding Principal Balance	£15,408
Weighted Average Original Principal	£30,157
Weighted Average Original Loan-To-Value	84%
Weighted Average Interest Rate	7.1%
New (by number of contracts)	27%
Used (by number of contracts)	73%
HP Agreements (by number of contracts)	49.4%
PCP Agreements (by number of contracts)	50.6%

*For more details about the information in this table, including how it is calculated and defined, and for more information about the characteristics of the Receivables and for more details about the aggregate net present value of the Receivables, you should read "The Provisional Portfolio".*

**Revolving Period; Additional Receivables**

The Revolving Period will begin on the Closing Date and will end on the Payment Date falling in December 2019 following the final sale of Receivables from the Seller to the Issuer on such date unless terminated following an Early Amortisation Event.

*For more details, you should read "Revolving Period and Early Amortisation Period – Revolving Period".*

**Eligibility Criteria**

The Initial Receivables were and the Additional Receivables will be selected by Black Horse from its portfolio of retail Receivable Agreements that meet the Eligibility Criteria using selection procedures that Black Horse believes not to be adverse to Noteholders. The Eligibility Criteria include that:

- (1) As at the applicable Cut-Off Date during the Revolving Period each Receivable:
  - (a) has been randomly selected from a pool of eligible loans;
  - (b) relates to a New Vehicle or Used Vehicle; and
    - (i) an HP Standard Agreement designed as a fully amortising fixed rate hire-purchase agreement;

- (ii) a Lease Purchase Agreement designed as a fixed rate hire purchase agreement; or
- (iii) a PCP Agreement designed as a fixed rate personal contract purchase agreement;
- (c) is denominated and payable in Sterling;
- (d) is not a Defaulted Receivable, a PCP Handback Receivable or a VT Receivable;
- (e) has an Outstanding Principal Balance of not less than £1,000 or greater than £80,000;
- (f) is not a Delinquent Receivable;
- (g) has had at least one monthly payment made in respect of it by the Customer;
- (h) is not a Receivable Agreement in respect of which insurance products have been sold or financed;
- (i) does not have an annual percentage rate of the total charge for credit (APR) in excess of 25 per cent;
- (j) has a credit score of "A", "B" or "C" in accordance with the Seller's Credit and Collection Procedures;
- (k) is freely transferable by the Seller;
- (l) in respect of which no withholding taxes are applicable to any payments made under the relevant Receivable Agreement;
- (m) in respect of which no stamp duty or stamp taxes are payable in connection with the assignment or transfer over or in respect of the Receivables or Ancillary Rights to the Issuer;
- (n) does not result in more than 75 per cent. of the Portfolio by Aggregate Outstanding Principal Balance comprising Purchased Receivables in respect of which the Related Receivable Agreements are PCP Agreements;
- (o) in respect of which, the Seller's interest in relation to the Related Vehicle is registered with a nationally recognised agency that regulates and records interests in vehicles (including Car Data Register);
- (p) is not classified on the Seller's systems or identified in its records as "Refer to File" indicating that it falls into one or more specified categories which, for example, indicates quality disputes, modified agreements, voluntary terminations, insurance claim pending, cast doubt on the creditworthiness of the Customer, such as where fraud is suspected or legal proceedings have been commenced;
- (q) is due from a Customer who does not have a credit assessment indicating, based on the originator's underwriting policy, a significant risk that contractually agreed payments will not be made; and
- (r) has a remaining term of not less than two months.
- (2) As at the relevant origination date, in respect of each Receivable, the Related Receivable Agreement:

- (a) is due from a Customer who:
- (i) was resident in England, Wales or Scotland;
  - (ii) was not insolvent or bankrupt and no proceedings for the commencement of insolvency proceedings are pending in any jurisdiction against it (to the best knowledge of the originator); and
  - (iii) has not had a county court judgment (or the Scottish equivalent) entered or awarded against him on or in the three years prior to the date of origination of the relevant Receivable.
- (b) was originated at point of sale, and not by direct lending;
- (c) has been entered into with a Customer that is an individual;
- (d) was originated after 31 March 2017;
- (e) did not have a loan-to-value ratio of over 100 per cent;
- (f) had an term of not more than:
- (i) 50 months if the underlying contract is a PCP Agreement; or
  - (ii) 61 months if the underlying contract is an HP Agreement; and
- (g) had a term of not less than six months.
- (3) On each date on which a Variation is agreed in respect of a Purchased Receivable, the Variation is not a Non-Permitted Variation.

*For more details about the eligibility criteria of the Receivables you should read "The Provisional Portfolio — Selection of Receivables".*

### **Early Amortisation Period**

The Early Amortisation Period will begin on and include the day after the occurrence of an Early Amortisation Event.

*For more details about the amortisation period, you should read "Revolving Period and Early Amortisation Period — Early Amortisation Period".*

### **Early Amortisation Event**

Each of the following will be an "**Early Amortisation Event**" under the Notes:

- an Event of Default occurs and is continuing,
- a Servicer Termination Event occurs and is continuing,
- the balance standing to the credit of the Reserve Account falls below the Reserve Account Required Amount on any Payment Date after the application of item (vii) of the Interest Priority of Payments,
- an Insolvency Event with respect to the Seller;
- a Portfolio Performance Trigger Event;

- the Seller fails to pay any amount due and payable by it under any Transaction Document to which it is a party, and such failure has continued unremedied for a period of five Business Days after written notice or discovery of such failure by an officer of the Seller;
- a misrepresentation is made in respect of any of the Receivables Warranties and the Seller has failed to take any of the measures set out in clause 7.1 (*Repurchase of Non-Compliant Receivables*) of the Receivables Sale Agreement; or
- the Seller defaults in the performance or observance of any of its obligations under or in respect of a Transaction Document to which it is a party and such failure results in a material adverse effect on the Purchased Receivables and, if capable of remedy, remains unremedied for a period of 60 days after the earlier of an officer of the Seller becoming aware of such default and written notice being received by the Seller; or
- on a Payment Date, the amount standing to the credit of the Replenishment Ledger exceeds 10 per cent. of the total initial balance of the Notes.

On the occurrence of an Early Amortisation Event, the Revolving Period will terminate and the Seller will no longer be permitted to sell Additional Receivables to the Issuer.

*For more details about the Early Amortisation Events you should read "Revolving Period and Early Amortisation Period — Early Amortisation Event" and "Terms and Conditions of the Notes".*

### **Servicer**

Black Horse will be the Servicer of the Receivables.

The Servicer is responsible for collecting payments on the Receivables, administering payoffs, defaults and delinquencies and repossessing Financed Vehicles and selling repossessed and redelivered Vehicles and liquidating Financed Vehicles.

The Servicer will prepare Monthly Reports on the Receivables, payments on the Notes and credit enhancement.

The Servicer will act as custodian and maintain custody of the Receivables files.

*For more details about the servicing of the Receivables, you should read "Principal Transaction Documents — Servicing Agreement".*

### **Cash Manager**

Black Horse will be the Cash Manager. The Cash Manager is responsible for managing the Issuer's accounts, calculating and arranging for payments to be made on behalf of the Issuer from such accounts on the basis of information in the Monthly Report provided to it by the Servicer.

### **Priority of Payments**

On each Payment Date, the Issuer will use Available Funds from the Collection Period to make payments in the order of priority listed below.

Available Funds will consist primarily of Collections on the Receivables. This priority of payments will apply unless the Notes are accelerated after an Event of Default.

### *Interest Priority of Payments*

On each Payment Date before the service of an Enforcement Notice, the Issuer will apply the Available Interest Collections to make payments in the order of priority listed below:

- (i) *Retained Amount* – to be retained by the Issuer to (amongst other things) discharge its liability to corporation tax and the Tax Creditors for Taxes (to the extent not paid out of the Retained Amount) and any arrears remaining unpaid for any such liabilities or expenses, *pari passu* and *pro rata* amongst themselves;
- (ii) *Amounts due to Security Trustee and Trustee* – to the Security Trustee and the Trustee, respectively, any fees, costs and expenses due to them and any arrears remaining unpaid for any such liabilities, indemnities or expenses, *pari passu* and *pro rata* amongst themselves;
- (iii) *Amounts due to the Principal Paying Agent and the Registrar* – to the Principal Paying Agent and the Registrar, any amounts or fees, costs and expenses due and any arrears remaining unpaid for any such liabilities or expenses;
- (iv) *Amounts due to third parties* – to any third party creditors of the Issuer, to whom payment has not already been provided for elsewhere, any amounts due and any arrears remaining unpaid for any such liabilities or expenses (up to a maximum amount equal to £20,000), *pari passu* and *pro rata* amongst themselves;
- (v) *Amounts due to Transaction Parties* – to the Cash Manager, the Servicer, the Corporate Services Provider, the Account Bank, the Back-Up Servicer Facilitator (if applicable), the Auditors and other professionals, any amounts due, *pari passu* and *pro rata* amongst themselves, and any applicable Incentive Fees payable;
- (vi) *Class A Interest* — to the Class A Noteholder, interest due on the Class A Notes;
- (vii) *Reserve Account* — to the Reserve Account, the amount required to replenish the Reserve Account to the Reserve Account Required Amount;
- (viii) *Principal Deficiency Ledger* — to the Principal Deficiency Ledger in the following order to apply amounts to reduce:
  - (a) the Class A Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class A Principal Deficiency Ledger);
  - (b) the Class S Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class S Principal Deficiency Ledger);in each case by transferring an appropriate amount to the Principal Deficiency Ledger;
- (ix) *Class S Interest* — to the Class S Noteholder, interest due on the Class S Notes;
- (x) *Other amounts due by Issuer* — to any other party, any amounts due by the Issuer under the Transaction Documents (to the extent that it is not provided for above);
- (xi) *Subordinated Loan Interest* — to the Subordinated Loan Provider, any interest due and payable on the Subordinated Loan;



- (xii) *Subordinated Loan Principal* — to the Subordinated Loan Provider, any principal amount due and payable on the Subordinated Loan; and
- (xiii) *Deferred Purchase Price* — to the Seller, all remaining Available Interest Collections in the form of the Deferred Purchase Price.

#### *Principal Priority of Payments*

On each Payment Date before the service of an Enforcement Notice, the Issuer will apply the Available Principal Collections to make the payments in the order of priority listed below:

During the Revolving Period:

- (i) *Interest Collections Shortfall* — to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
- (ii) *Purchase Price* — to the Seller, the Initial Purchase Price for Additional Receivables being sold to the Issuer, such that the total Outstanding Principal Balance is an amount up to the Principal Amount Outstanding of the Notes; and
- (iii) *Replenishment Amount* — to the extent there are insufficient Additional Receivables, to the Replenishment Ledger of the Distribution Account, any Replenishment Amount, such that the total Outstanding Principal Balance plus the Replenishment Amount is an amount up to the Principal Amount Outstanding of the Notes.

After the end of the Revolving Period:

- (i) *Interest Collections Shortfall* — to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
- (ii) *Class A Principal* — to the Class A Noteholders, principal of the Class A Notes until paid in full;
- (iii) *Class S Principal* — to the Class S Noteholder, principal of the Class S Notes until paid in full; and
- (iv) *Available Interest Collections* — to apply any remaining amounts to Available Interest Collections.

*For more details about the Priority of Payments and the allocation of funds on each Payment Date you should read "Terms and Conditions of the Notes".*

#### **Events of Default**

Each of the following will be an "**Event of Default**" under the Notes:

- the Issuer fails to pay interest due on Notes of the Controlling Class within five business days of its due date,
- the Issuer fails to pay the principal amount of a Class of Notes in full on its Final Legal Maturity Date,
- the Issuer breaches its obligations under the Transaction Documents and such breach is in the opinion of the Trustee (acting on the instructions of the Controlling Class) (a) incapable of remedy or (b) if capable of remedy, remains unremedied for 60 calendar days,

- the Security granted under the Transaction Documents becoming void, unenforceable or ineffective, and
- an Insolvency Event regarding the Issuer.

On the occurrence of an Event of Default, the Notes may be declared immediately due and payable by the Trustee in its absolute discretion and/or in compliance with the directions of the Controlling Class acting by way of a written resolution or by way of an extraordinary resolution.

If the Notes are accelerated after an Event of Default, the priority of payments will change and the Issuer will not pay interest on Notes that are not part of the Controlling Class until both interest and principal on the Controlling Class are paid in full and all Issuer expenses are paid in full.

*For more details about the events of default and the rights of noteholders and the priority of payments following an Event of Default, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*

### **Controlling Class**

Holders of the Controlling Class will control certain amendments to the Transaction Documents as well as certain decisions regarding the Issuer, including whether to waive an Event of Default and a Servicer Termination Event, or accelerate the Notes, cause a sale of the Receivables or direct the Trustee to exercise other remedies following an Event of Default. Holders of Notes that are not part of the Controlling Class will not have these rights. Notes of the Controlling Class held by Black Horse or its affiliates will not be considered outstanding for these purposes unless Black Horse or its affiliates hold all of the Controlling Class of Notes.

The "**Controlling Class**" will be holders of Class A Notes as long as Class A Notes are outstanding. After the Class A Notes are paid in full, the Class S Notes will be the Controlling Class.

For more details about the actions that the Controlling Class may direct, you should read "*Terms and Conditions of the Notes*".

### **Credit Enhancement**

Credit enhancement provides protection for the Notes against losses on the Receivables and potential shortfalls in the amount of cash available to the Issuer to make required monthly payments. If the credit enhancement is not sufficient to cover all amounts payable on the Notes, the losses will be allocated to the Notes by reverse seniority with junior Notes bearing the risk of loss before more senior Classes.

The following credit enhancement will be available to the Issuer.

#### *Reserve Account*

A Reserve Account will be put in place to cover shortfalls in the Available Interest Collections. The Reserve Account will be funded on the Closing Date using the proceeds of the Subordinated Loan and thereafter replenished up to an amount equal to the Reserve Account Required Amount in accordance with the applicable Priority of Payments.

On each Payment Date, except on the Listed Note Repayment Date, all amounts standing to the credit of the Reserve Account will be regarded as Available Interest Collections. On the Listed Note Repayment Date only, all amounts standing to the credit of the Reserve Account will be regarded as Available Principal Collections.

*For more details about the Reserve Account, you should read "Credit Enhancement — Reserve Account".*

#### *Subordination*

The Issuer will pay interest on the Class A Notes, and then will pay interest sequentially to the remaining Classes of Notes in order of seniority. The Issuer will not pay interest on the Class S Notes until all interest due on the Class A Notes is paid in full.

After the end of the Revolving Period, the Issuer will pay principal sequentially to each Class of Notes in order of seniority. The Issuer will not pay principal on the Class S Notes until the principal amounts of the Class A Notes are paid in full.

*For more details about the priority of payments, including changes to the priority after an Event of Default and acceleration of the Notes, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*

#### *Excess Spread*

On each Payment Date, excess spread is the amount of any excess Available Interest Collections, following the payment of prior ranking items in the Interest Priority of Payments, interest on the Class A Notes and the replenishment of the Reserve Account. Excess spread will be used to cover losses on Defaulted Receivables, VT Receivables and PCP Handback Receivables.

*For more details about the use of excess spread as credit enhancement for your Notes, you should read "Credit Enhancement — Excess Spread".*

### **Repurchases and Purchases of Receivables**

#### *Repurchase of Receivables for Breach of Representations and Warranties*

Black Horse will make representations and warranties about the Receivables to the Issuer. Generally, these representations and warranties relate to legal standards for origination and transfer of the Receivables, terms of the agreements, and the nature of the interest in the Receivables and the Financed Vehicles. Black Horse will repurchase any Non-Compliant Receivable, not later than the end of the Calculation Period immediately following the Calculation Period in which the party discovering such breach gave written notice thereof to the others. In the case of a Purchased Receivable which did not exist, or has ceased to exist, such that it is not outstanding on the date on which it is otherwise due to be repurchased, Black Horse will not be obliged to repurchase the relevant Receivable but will pay to the Issuer the Receivables Indemnity Amount.

Where any Purchased Receivables are determined to be in breach of any Receivables Warranties made (including the Eligibility Criteria) by reason of a Receivable Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA, the Seller will not be obliged to repurchase the relevant Receivables but will pay the CCA Compensation Payment to the Issuer, being an amount, calculated by the Servicer in accordance with the Servicing Agreement, required to compensate the Issuer for any loss arising as a result thereof.

*For more details about the representations made in connection with the sale of the Receivables to the Issuer and the repurchase obligation if these representations are breached, you should read "Principal Transaction Documents — Receivables Sale Agreement" and "— Servicing Agreement".*

### *Purchase of Receivables for Servicer Actions*

Black Horse as Seller must purchase a Receivable from the Issuer if the Servicer makes any modifications to a Receivable Agreement relating to a Receivable which is a "**Non-Permitted Variation**". A Non-Permitted Variation is any change to a Receivable Agreement that relates to a Purchased Receivable which has the effect of:

- reducing the Outstanding Principal Balance of the Purchased Receivable;
- sanctioning any kind of payment holiday;
- reducing the total interest payable by the Customer over the term of the Purchased Receivable; or
- extending the term of the Purchased Receivable,

*For more details about Non-Permitted Variations and the purchase obligation for these receivables, you should read "Principal Transaction Documents — Receivables Sales Agreement".*

### *Seller Indemnity for exercise of set-off, equity or counterclaim by a Customer*

Where a Customer has exercised or purported to exercise any right of set-off in respect of any debt (present or future, actual or contingent) due or owing by such Customer to the Seller or alleged to be so due and owing (including, without limitation, any right of set-off pursuant to Section 56 and Section 75 and Section 75A of the CCA, or Sections 9(1) or 10(3) of the Consumer Rights Act 2015 and the SGITA); or netting, any other equity, counterclaim or other similar right or action which reduces any amount payable by such Customer in respect of such Purchased Receivable, Black Horse as seller will pay to the Issuer or Security Trustee (as applicable) the Set-Off Indemnity Amount.

*For more details about Exercise of set-off, netting, equity or counterclaim by a Customer, you should read "Principal Transaction Documents — Receivables Sales Agreement".*

### **Retained Interest**

For so long as the listed Notes are outstanding, Black Horse, as the originator will retain the Class S Notes which equal, as at the Closing Date, a material net economic interest of not less than 5 per cent. of the nominal amount of the securitised exposures in this securitisation transaction in compliance with Articles 404-410 of the Capital Requirements Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms or the "**CRR**", Article 51 of Section 5 of Chapter III or "**Section 5**" of the Commission Delegated Regulation 231/2013 of 19 December 2012 or the "**AIFMR**" supplementing the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and the Council of 22 July 2013 on alternative investment fund managers or the "**AIFMD**" and Article 254 of the Commission Delegated Regulation 2015/35 or the "**Solvency II Regulation**" (in each case as they are interpreted and applied on the date hereof (and in the case of the CRR taking into account the provisions of Regulation (EU) No 625/2014 and, in the case of AIFMR taking into account Article 56 of the AIFMR) and without taking into account any implementing rules of the CRR, AIFMR or the Solvency II Regulation in a relevant jurisdiction) (such risk retention requirements together, the "**EU Retention Requirements**").

The Monthly Report will include information about Black Horse's net economic retained interest.

### **Ratings**

The Issuer expects that the Listed Notes will receive credit ratings from the Rating Agencies listed below:

	<b>Fitch</b>	<b>DBRS</b>
Class A Notes	AAA	AAA

The Class S Notes will not be rated.

Each of DBRS and Fitch is established in the European Community and registered under the Credit Rating Agencies Regulation 1060/2009 of the European Parliament and the Council of 16 September 2009, and are included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at [www.esma.europa.eu](http://www.esma.europa.eu).

The ratings of the Notes will reflect the likelihood of the timely payment of interest and the ultimate repayment of principal on the Notes according to their terms. Each Rating Agency rating the Notes will monitor its ratings under its normal surveillance process. A Rating Agency may change or withdraw an assigned rating at any time. A rating action taken by one Rating Agency may not necessarily be taken by another rating Agency. No transaction party will be responsible for monitoring changes to the ratings of the Notes.

### **Listing**

Application has been made to the Official List of the London Stock Exchange for the Class A Notes to be admitted to the Official List of the London Stock Exchange and to trading on its regulated market.

### **Clearing System**

Clearstream, Luxembourg and Euroclear, each an "ICSD".

### **Tax Status of the Notes**

*You should read "Taxation".*

### **Withholding Tax**

All payments of interest and principal on the Notes will be made without withholding taxes, unless required by law (or under FATCA). If withholding is required, the Issuer will not be obliged to make additional payments.

### **Selling Restrictions**

*You should read "Subscription and Sale".*

### **Investment Considerations**

The Issuer is structured not to be a "covered fund" under the regulations adopted to implement section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly known as the "Volcker Rule". In making this determination, the Issuer is relying on the "loan securitization exclusion" under sub-section 10(c)(8) of the Volcker Rule although other exclusions or exemptions may also be available to the Issuer.

### **Clearing Codes**

Class A global note

ISIN: XS1866969212  
Common Code: 186696921  
CFI: DAFXFR  
FISN: CARDIFF AUTO RE/1.7999ASST BKD 2026

## RISK FACTORS

*The following is an overview of certain aspects of the Notes of which investors in the Notes should be aware, but it is not intended to be exhaustive and for more details investors should read the information set out elsewhere in this Prospectus.*

*Structured securities, such as the Notes, are sophisticated instruments, which can involve a significant degree of risk. Investors should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risks. Investors should also ensure that they have sufficient knowledge, experience and access to professional advice to make their own legal, tax, accounting and financial evaluation of the merits and risks of an investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition.*

*Various factors that may affect the Issuer's ability to fulfil its obligations under the Notes are categorised below as either (i) structural and other credit risks, (ii) risks related to the Purchased Receivables, (iii) regulatory considerations, (iv) general legal considerations or (v) tax risks. Several risks may fall into more than one of these five categories and investors should therefore not conclude from the fact that a risk factor is discussed under a specific category that such risk factor could not also be discussed under one or more other categories.*

### **I. Structural and other credit risks**

The assets of the Issuer are limited and are the only source of payment for your Notes

The Issuer will not have assets or sources of funds other than the Receivables and related property it owns. Credit and payment enhancement is limited. Your Notes will not be insured or guaranteed by Black Horse or its affiliates or anyone else. If these assets or sources of funds or enhancements are insufficient to pay your Notes in full, you will incur losses on your Notes.

*For more details about the Issuer not having title to the Financed Vehicles, you should read "Risk Factors — No transfer of title to financed vehicles".*

The Notes will be limited recourse obligations of the Issuer. The primary source of funds for payments of your Notes will be the Receivables, or the sale of Vehicles handed back by Customers under VT Receivable or PCP balloon options. If Customers default on the Receivables, the Issuer should be able to obtain funds from the realisation of the related Financed Vehicles by Black Horse and, in some cases, from third party insurance or comprehensive vehicle insurance but this may not be adequate to ensure timely and full payment of the Notes. Other than the foregoing, and the reserve account, interest earned on the bank accounts or alternative investments, the Issuer is not expected to have any other funds to meet its obligations under the Notes.

For more details about the insurance, you should read "*Seller, Servicer, Cash Manager and Subordinated Loan Provider— Origination, Underwriting and Purchasing — Insurance*".

The Issuer's ability to make full payments of interest and principal on the Notes will also depend on Black Horse performing its obligations under the Servicing Agreement to collect amounts due from Customers and/or recover Vehicles and realise sale proceeds, and transfer amounts so collected to the Distribution Account and the Cash Manager performing its obligations under the Cash Management Agreement. In the case of a principal shortfall on the Final Legal Maturity Date only, the Issuer may use amounts in the Reserve Account. It is not certain whether the level of liquidity support provided will be adequate to ensure timely and full payment of the Notes.

In the event that the net proceeds of enforcing and realising all the Security are (after application of the proceeds in accordance with the provisions of the Deed of Charge) insufficient to discharge in full all amounts then due and payable to any Secured Parties (which include the Noteholders), the Issuer's obligation in respect of the unpaid amount shall be automatically extinguished and such Secured Parties shall have no further claim against the Issuer in respect of such unpaid amount.

In the event of non-payment of any sum due and payable to a Secured Party, that Secured Party's only remedy shall be the Security Trustee's enforcement of the Security in accordance with the provisions of the Deed of Charge and the other Transaction Documents.

**An Event of Default and acceleration of the Notes may result in earlier than expected payment of your Notes or losses on your Notes**

An Event of Default may result in the remaining amounts due on the Notes being declared immediately due and payable. If collections on the Receivables and the proceeds of a sale of Receivables (or, following delivery of an Enforcement Notice the proceeds of enforcement of the Security) are insufficient to pay the amounts owed on your Notes, you may have delays in payments or losses on your Notes. If the principal owing on your Notes is paid earlier than expected, you may not be able to reinvest the principal at a rate of return that is equal to or greater than the rate of return on your Notes. If the Notes are accelerated after an Event of Default, the Issuer will not pay interest on or principal of Notes that are not part of the Controlling Class until all interest on and principal of the Notes of the Controlling Class is paid in full.

*For more details about the Events of Default, acceleration of the Notes and the change in the Priority of Payments following certain Events of Default and acceleration of the Notes, you should read "Description of the Notes" and "Terms and Conditions of the Notes".*

**Enforcement of security**

The Security for the Notes becomes enforceable upon delivery of an Enforcement Notice. Upon enforcement of the Security, the Secured Parties (acting through the Security Trustee) will have recourse to the Issuer's assets which are subject to the Security (including the Issuer's interest in the Receivables and its other assets, including the Reserve Account), to pay amounts owing by the Issuer under the Notes (and only after payment of prior ranking claims). The Security Trustee will have no recourse against Black Horse other than for misrepresentation, breach of warranty or breach of its obligations under the Receivables Sale Agreement and for breach by Black Horse of its obligations under the Servicing Agreement.

The proceeds of enforcement of the Security may be insufficient, after payment of all other claims ranking in priority to and pari passu with amounts due under the Notes, to pay in full all principal and interest due on the Notes.

**Delays in collecting payments could occur if Black Horse ceases to be the Servicer**

If Black Horse resigns or is terminated as Servicer, the processing of payments on the Receivables, information about Collections and the recovery and resale of Vehicles could be delayed. This could cause the manner in which Available Principal Collections and Available Interest Collections are determined and for payments on the Notes to be changed as described in "*Principal Transaction Documents — Cash Management Agreement*", and could also cause payments on your Notes to be delayed. Black Horse may be removed as Servicer if it defaults on its servicing obligations or becomes subject to insolvency proceedings as described under "*Principal Transaction Documents — Servicing Agreement — Resignation and Termination of the Servicer*". There is no guarantee that a substitute servicer could be found that would be willing



and able to service the Receivables. Further, a substitute servicer, even if willing and able to act under the terms of the Servicing Agreement, may be less effective in this role than Black Horse, given Black Horse's experience in servicing the Receivables, particularly in realising the residual value of Vehicles. Finally, a substitute servicer is almost certain to charge a fee on a basis different from that of Black Horse and payment of this fee will rank ahead of the payments of interest on the Notes.

### **Insolvency of the originator or the Seller**

If the Seller becomes insolvent and an administrator or liquidator is appointed to realise its assets to pay its creditors, such administrator or liquidator or similar person may argue that the sale of Receivables to the Issuer was not a true sale (for example that it should be re-characterised as a charge of assets to secure borrowing from the Issuer). In that case, the Issuer could experience delays in receiving Collections on the Receivables and that could indirectly cause delays in payments due to the Noteholders. If a court were to agree with such administrator or liquidator, the Issuer may receive less than the full amount of collections on Receivables and that could cause Noteholders to receive less than the full amounts due to them.

### **Global economic and political conditions may adversely affect the performance of the Receivables, which could result in losses on your Notes**

Global economic and political conditions are volatile and growth may not be sustainable for a specific period of time. A severe economic downturn could adversely affect the performance of the Receivables. During a downturn, unemployment and a lack of availability of credit may lead to increased delinquency and default rates by obligors and decreased consumer demand for cars, trucks and utility vehicles. In addition, during certain periods there may be reduced used vehicle prices, which may increase the amount of losses on Defaulted Receivables, VT Receivables and PCP Handback Receivables. If a financial crisis or a severe economic downturn occurs, delinquencies and losses on the Receivables could increase, which could result in losses on your Notes.

Concerns about credit risks, including credit risks of sovereigns and entities which are exposed to sovereigns, have recently intensified. In particular, concerns have been raised about current economic, monetary and political conditions in the European currency area or the "Eurozone" and of the larger European Union which still includes the UK.

### **Political uncertainty**

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone. If such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more states or institutions and/or any exit(s) by any member state(s) from the EU and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the U.K. auto loan market, the Issuer, one or more of the Secured Parties (including the Seller, the Servicer, the Account Bank, the Back-up Servicer Facilitator and/or the Cash Manager) and/or any Customer. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes, the U.K. auto loan market, the existence of a secondary market for the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Prospective investors should note that, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union and the UK government invoked Article 50 of the Treaty on the European Union relating to withdrawal from the European Union on 29 March 2017. Under Article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union and the negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK auto loan market. It is also not possible to determine the impact that these matters will have on the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents (including the Seller) and/or any Customer, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

Finally, the EU Referendum has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's and by Fitch. Standard & Poor's and Fitch have both placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. The rating of the sovereign affects the ratings of the entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the transaction with others who have the required ratings on similar terms or at all. Moreover, a more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the portfolio and accordingly the ability of the Issuer to pay interest and repay principal to Noteholders and the ratings assigned to the Notes could be adversely affected.

Various parties to this transaction may be subject to substantial EU-derived laws, regulation and oversight. There is now significant uncertainty as to the respective legal and regulatory environments in which parties will operate when the UK is no longer a member of the EU. In particular, certain of the parties may no longer be able to rely on the European passporting framework for financial services, which could result in the loss of customers and/or the requirement for the relevant parties to apply for authorisation in multiple EU jurisdictions, the costs, timing and viability of which are uncertain.

**Failure to pay principal on a Note will not be an Event of Default until its Final Legal Maturity Date**

The Issuer will not be obliged to pay a specific amount of principal of a Note on any date other than its Outstanding Principal Amount on its Final Legal Maturity Date. Failure to pay principal of a Note will not be an Event of Default until its Final Legal Maturity Date.

**The exercise of rights by the Controlling Class following an Event of Default may be harmful to the other class**

The Controlling Class may accelerate the Notes after an Event of Default or waive Events of Default (other than failure to pay interest or principal of the Notes). The Controlling Class may, in certain circumstances, direct the Security Trustee to sell the Receivables after an acceleration of the Notes even if the proceeds would not be sufficient to pay all of the Notes in full. If your Notes cannot be repaid in full with the proceeds of a sale of the Receivables, you will suffer a loss.

In addition, the Controlling Class may terminate the Servicer following a Servicer Termination Event and may waive Servicer Termination Events.

Holders of Notes that are not part of the Controlling Class will have no right to take these actions. Only the Controlling Class will have these rights. The Controlling Class may have different interests from the holders of the other class of Notes and will not be required to consider the effect of its actions on the holders of the other Class.

*For more details about the actions that the Controlling Class may direct, you should read "Principal Transaction Documents — Servicing Agreement — Resignation and Termination of the Servicer" and "Terms and Conditions of the Notes".*

### **Conflict between Noteholders and other Secured Parties**

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee and the Security Trustee to have regard to the interests of all the Secured Parties as regards the exercise and performance of all their power, rights, trusts, authorities, duties and discretions in respect of the Charged Property and the Transaction Documents.

Notwithstanding such the above, so long as any of the Notes are outstanding, in the event of any conflict between the interests of the Noteholders and the other Secured Parties, the Trustee is required to have regard to the interests of the Noteholders only.

The Issuer, Black Horse and/or any of the affiliates of Black Horse may from time to time hold Notes. However, pursuant to the Conditions and the Trust Deed, those Notes (if any) which are for the time being held by any person for the benefit of the Issuer, Black Horse or any of the affiliates of Black Horse will not be taken into account by the Trustee for the purposes of (i) the determination of how many of which Notes of a Class are for the time being outstanding for the purposes of their Conditions and the Trust Deed requiring calculation of the proportion of Noteholders of such Class requesting or directing the Trustee to enforce the security for such Class, or the provisions for meetings of the Noteholders of such Class set out in the Trust Deed; (ii) exercising any discretion, power or authority which the Trustee is required or permitted, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders of such Class or any of them; and (iii) the determination by the Trustee whether, in its opinion, any event, circumstance, matter or thing is or would be materially prejudicial to the interests of the Noteholders or any of them, except, where all of the Notes of any Class are held by or on behalf of or for the benefit of Black Horse or its Affiliates.

### **Conflicts**

Black Horse is acting in a number of capacities in connection with this securitisation transaction. Black Horse will have only those obligations and responsibilities expressly agreed to by it in the Transaction Documents evidencing the transaction to which it is a party and will not, by virtue of its or its affiliates acting in any other capacity, be deemed to have other obligations or responsibilities or be deemed to be held to a standard of care other than as expressly set out in such Transaction Documents. Black Horse, in its various capacities in connection with this transaction, may enter into business dealings from which it may derive revenues and profits without a duty to account therefore in connection with the transaction.

Black Horse may hold and/or service claims against the Customers other than the Receivables or may enter into other contractual relationships with the Customers. The interests or obligations of Black Horse for these claims or contractual relationships may conflict with the interests of the Noteholders.

Lloyds Bank plc is acting in a number of capacities in connection with this securitisation transaction. Lloyds Bank plc will have only those obligations and responsibilities expressly agreed to by it in the Transaction Documents evidencing the transaction to which it is a party and will not, by virtue of its or its affiliates acting in any other capacity, be deemed to have other obligations or responsibilities or be deemed to be held to a standard of care other than as expressly set out in such Transaction Documents. Lloyds Bank plc, in its various capacities in connection with this transaction, may enter into business dealings from which it may derive revenues and profits without a duty to account therefore in connection with the transaction.

The transaction parties may engage in commercial relationships, in particular, as lenders providing investment banking and other financial services to the Customers and other transaction parties. In these relationships the transaction parties are not obliged to take into account the interests of the Noteholders. Accordingly, conflicts of interest may occur and it is not certain whether the Noteholders will be adversely affected by these conflicts of interest.

#### **Meetings of Noteholders, modification and waivers**

The Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Notes and the Trust Deed also provide that the Trustee may agree, without the consent of the Noteholders, to certain modifications of the Notes and the Transaction Documents, or the waiver or authorisation of certain breaches or proposed breaches of, the Notes or any of the Transaction Documents.

Pursuant to and in accordance with the detailed provisions of Condition 12(b) (*Meetings of Noteholders, amendments, waiver, substitution and exchange*), the Trustee shall be obliged, and shall direct the Security Trustee, without any consent of the Noteholders, to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document that the Issuer considers necessary or advisable for the purpose of:

- (h) complying with, or implementing or reflecting, any change in criteria of the Rating Agencies;
- (i) complying with any changes in the EU Retention Requirements or any other risk retention legislation, regulations or official guidance;
- (j) enabling the Notes to be or remain listed on the London Stock Exchange;
- (k) enabling the Issuer or any other transaction party to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto);
- (l) enabling the Class A Notes to maintain Eurosystem eligibility; and
- (m) complying with any changes in the requirements of the CRA Regulation (if and to the extent applicable), or which are required to comply with Article 7 of the Securitisation

Regulation if an STS status notification is subsequently made in relation to the Transaction.

Each of the Issuer, the Trustee and the Security Trustee will rely without further investigation on any certification provided to it in connection with the transaction amendments and will not be required to monitor or investigate whether the Servicer is acting in a commercially responsible manner or be liable to any person by acting in accordance with any certification it receives from the Servicer.

**The absence of or a lack of liquidity in the secondary market could limit your ability to resell Notes**

Although an application has been made to list the Class A Notes on the Official List of the London Stock Exchange, there is currently no secondary market for the Class A Notes. The absence of a secondary market for your Notes could limit your ability to resell them. This means that if you want to sell your Notes before they mature, you may be unable to find a buyer or, if you find a buyer, the selling price may be less than it would have been if a secondary market existed. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell your Notes.

**Financial market disruptions and a lack of liquidity in the secondary market could adversely affect the market value of your Notes and/or limit your ability to resell your Notes**

Over the past several years major disruptions in the global financial markets caused a significant reduction in liquidity in the secondary market for asset-backed securities. Volatility remains due to several factors, including the uncertainty surrounding the recent Brexit vote and the level and sustainability of the sovereign debt of several European countries. It is not certain whether future events will occur that could have an adverse effect on the liquidity of the secondary market. If there is a lack of liquidity in the secondary market it could adversely affect the market value of your Notes and/or limit your ability to resell your Notes.

**Ratings of the Notes**

The ratings assigned to the Listed Notes by the Rating Agencies take into consideration the structural and legal aspects associated with the Listed Notes and the underlying Receivables, the credit quality of the Receivables, the extent to which the Customers' payments under the Receivables are adequate to make the payments required under the Listed Notes as well as other relevant features of the structure, including the credit situation of the Account Bank, Black Horse and the Servicer (if different). Each Rating Agency's ratings reflect only the view of that Rating Agency. Each rating assigned to the Listed Notes addresses the likelihood of full and timely payment to the holders of the Listed Notes of all payments of interest on the Notes when due and the ultimate repayment of principal on the Final Legal Maturity Date. A change in rating methodology or future events, including events affecting the Account Bank, Black Horse and the Servicer (if different from Black Horse) could also have an adverse effect on the rating of the Listed Notes.

**The Class S Notes will not be rated by the Rating Agencies**

The ratings of the Notes are not recommendations to purchase, hold or dispose of the Notes and do not address market value or investor suitability. The ratings reflect the Rating Agencies' assessment of the creditworthiness of the Receivables, the credit enhancement on the Notes and the likelihood of repayment of the Notes. It is not certain whether the Receivables and/or the Notes will perform as expected or whether the ratings will be reduced, withdrawn or qualified in

the future as a result of a change of circumstances, deterioration in the performance of the Receivables, errors in analysis or otherwise. None of the Issuer, Black Horse or its affiliates will have an obligation to replace or supplement any credit enhancement or to take other action to maintain the ratings of the Notes.

The Rating Agencies may also change their criteria and/or their methodology at any time and the application of their revised criteria and/or methodology may lead to it lowering, withdrawing or qualifying its rating of the Listed Notes. If any rating assigned to the Listed Notes is downgraded or withdrawn, the market value of the/or liquidity of the Listed Notes may be reduced.

The Issuer has not engaged a rating of the Notes by any organisation other than the Rating Agencies listed in this Prospectus. However, rating organisations other than the Rating Agencies may seek to rate the Notes and if such shadow ratings or unsolicited ratings are lower than the comparable ratings assigned to the Notes by the Rating Agencies, such shadow or unsolicited ratings could have an adverse effect on the secondary market value of the Notes.

If the ratings on your Notes are reduced, suspended, withdrawn or qualified, it could adversely affect the market value of your Notes and/or limit your ability to resell your Notes.

You should make your own evaluation of the creditworthiness of the Receivables and the credit enhancement, and not rely solely on the ratings of the Notes.

As of the date of this Prospectus, each of the Rating Agencies is established in the EU and has been registered under the CRA Regulation and is included in the list of registered credit rating agencies published on the website of European Securities and Markets Authority at [www.esma.europa.eu](http://www.esma.europa.eu). In the event that ESMA withdraws or suspends the registration of any Rating Agency under the CRA Regulation, the rating assigned to the Notes by such Rating Agency would have to be withdrawn or suspended. If any rating assigned to the Notes is withdrawn or suspended, the market value and/or liquidity of the Offered Notes may be reduced.

*For more details about the rating agencies, you should read "Risk Factors – Regulatory Considerations – CRA3".*

### **Non Petition**

The Secured Parties (or any other person acting on behalf of any of them) and each other party to the Transaction Documents shall not be entitled to take any action or commence any proceedings to recover any amounts due and payable by the Issuer under the Transaction Documents (except for the Security Trustee and Trustee as permitted pursuant to the Transaction Documents) or to take any action or commence any proceedings or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or Insolvency Proceedings in relation to the Issuer whether under the laws of England and Wales or other applicable bankruptcy laws until two years and one day after the payment or extinguishment of all Secured Obligations of the Issuer.

### **Definitive notes**

It is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such a case a noteholder who, as a result of trading such amounts, holds a principal amount of less than £100,000 may not receive a definitive note representing such holding (should definitive notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

### **The Class A Notes may not be a suitable investment for all investors**

Each potential investor in the **Class A** Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the **Class A** Notes, the merits and risks of investing in the **Class A** Notes and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the **Class A** Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the **Class A** Notes;
- (d) understand thoroughly the terms of the **Class A** Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the **Class A** Notes, which are complex financial instruments, unless it has the expertise (either alone or with a financial adviser) to evaluate how the **Class A** Notes will perform under changing conditions, the resulting effects on the value of the **Class A** Notes and the impact this investment will have on the potential investor's overall investment portfolio.

## **II. Risks related to the Purchased Receivables**

### **The rate of prepayments on the Receivables will affect the timing of repayment of the principal of your Notes**

Faster or slower than expected rates of prepayments on the Receivables after the end of the Revolving Period will cause the Issuer to pay principal on your Notes earlier or later than expected and will shorten or lengthen the expected maturity of your Notes. Prepayments on the Receivables will occur if:

- Customers prepay their Receivables in whole or in part,
- early settlement of the Receivable Agreement occurs before its scheduled maturity date under the CCA,
- there is a voluntary termination of the Receivable Agreement under the CCA or a return by the Customer of the Vehicle under a PCP balloon option and the sale of the Vehicle,
- the Servicer receives Vehicle Proceeds on Defaulted Receivables, VT Receivables or PCP Handback Receivables,
- the Servicer receives proceeds from physical damage, credit life or other insurance policies covering the financed Vehicles or the Customers,
- the Servicer indemnifies or purchases Receivables due to breach of servicing obligations, and

- the Seller indemnifies or repurchases Receivables due to breach of representations and warranties.

A variety of economic, social and other factors will influence the rate of prepayments on the Receivables, including individual Customer circumstances, marketing incentives offered by vehicle manufacturers and the fact that the financed Vehicle may not be sold without the consent of the Seller. No prediction can be made about the actual prepayment rates that will occur for the Receivables.

If principal of your Notes is paid earlier than expected due to faster rates of prepayments on the Receivables, and interest rates at that time are lower than interest rates at the time principal would have been paid had those prepayments occurred as expected, you may not be able to reinvest the principal at a rate of return that is equal to or greater than the rate of return on your Notes. Alternatively, if principal of your Notes is paid later than expected due to slower rates of prepayments on the Receivables, and interest rates at that time are higher than interest rates at the time principal would have been paid had those prepayments occurred as expected, you may lose reinvestment opportunities. You will bear all reinvestment risk resulting from principal payments on your Notes occurring earlier or later than expected.

In addition, your Notes will be paid in full before maturity if the Issuer exercises its Clean-Up Call when the aggregate Principal Amount Outstanding of the Listed Notes is 10 per cent. or less than the initial aggregate Principal Amount Outstanding of the Listed Notes as at the Closing Date or its option to redeem for taxation reasons.

*For more details about the timing of repayment and other sources of prepayments, you should read "Maturity and Prepayment Considerations".*

### **Changing characteristics of the Receivables during the Revolving Period could adversely impact the Notes**

During the Revolving Period, subject to the Principal Priority of Payments, the Available Principal Collections and may be used to purchase Additional Receivables from the Seller. While each Additional Receivable must satisfy the Eligibility Criteria on the Sale Date, the Additional Receivables may not be of the same credit quality as the Initial Receivables. These Additional Receivables may be originated by the Seller using origination, purchasing and underwriting policies and procedures different from those applied by the Seller to the Initial Receivables.

For these reasons, the characteristics of the Receivables will change after the Closing Date. It is not certain whether the Receivables at any time in the future will have the same credit quality as the Initial Receivables. If the Additional Receivables are of a lower credit quality than the Initial Receivables, it will increase the likelihood of accelerated, reduced or delayed payments on your Notes.

*For more details on the origination and underwriting policies of the Seller, you should read "Seller, Servicer, Cash Manager and Subordinated Loan Provider — Servicing and Collections."*

### **The amortisation period may begin if the Seller is unable to sell, or chooses not to sell, Additional Receivables**

During the Revolving Period, no principal will be paid on the Notes. Instead, subject to the Principal Priority of Payments, the Available Principal Collections will be used to purchase Additional Receivables. If the Seller is unable to originate enough Additional Receivables, or does not sell Additional Receivables, and the amortisation period begins, then payments of principal will be made on the Notes before the otherwise expected final Payment Date. The Seller may be



unable to originate enough Additional Receivables due to a variety of reasons including a decline in Vehicle sales, Vehicle recalls or supply disruptions or competition from other financing sources.

### **Performance of the Receivables is uncertain**

Historical performance and reference to historical information cannot give assurance that performance will remain constant. The performance of the Receivables depends on a number of factors, including general economic conditions, unemployment levels, the circumstances of individual Customers, Black Horse's underwriting standards at origination, the resale value of repossessed or returned Vehicles, the terms of the Receivable Agreements which may be amended following origination and the success of Black Horse's servicing and collection strategies which may change over time.

Vehicles that are repossessed or returned by Customers are typically sold at auctions as used vehicles. The pricing of used vehicles is affected by supply and demand for those vehicles, which is influenced by many factors including consumer tastes, economic conditions, fuel costs, the introduction and pricing of new vehicle models, the impact of vehicle recalls or the discontinuation of vehicle models or brands. An adverse impact on the resale value for repossessed vehicles could result in increased losses on the Receivables and losses on your Notes.

Consequently, no accurate prediction can be made of how the Receivables will perform based on credit evaluation scores or other similar measures. Ultimately, this could result in losses on your Notes.

*For more details about the performance of the Receivables, you should read "Receivables" and "Seller and Servicer".*

### **Insolvency of Customers**

As the Customers are persons resident in England and Wales and Scotland, English and Scottish insolvency laws would apply to a Customer's bankruptcy.

If the Customer is an individual and the account is in arrears, unless Black Horse has agreed with the official receiver or the trustee in bankruptcy that the official receiver or trustee will adopt the Receivable Agreement (in which case the Receivable Agreement will be settled in full), the Customer's obligation to pay any shortfall remaining following repossession of the Vehicle or voluntary termination of the Receivable Agreement and the return and sale of the Vehicle may not be enforceable against the official receiver or trustee.

Consequently, in such circumstances the Issuer may receive payment of only part of the balance outstanding under a Receivable Agreement.

Furthermore, in the event of an individual voluntary arrangement, a Scottish protected trust deed for creditors, debt arrangement scheme or a creditor's voluntary arrangement the Issuer may receive payment of only part of the balance outstanding under a Receivable Agreement or payment of the balance may be extended beyond the original term of the contract. In such circumstances the Issuer may receive payment of only part of the balance outstanding under a Receivable Agreement or the full balance over an extended period of time.

The securitisation transaction has been structured to take into account potential defaults by the Customers but may not provide protection against all risks of loss and does not guarantee payment of interest and repayment of the entire principal amount of your Notes.

*For more details about the insolvency of the customers, you should read "Seller and Servicer — Servicing and Collections".*

### **Excessive prepayments and defaults on the higher weighted average annual percentage rate off the total charge per creditor (APR) Receivables may adversely impact your Notes**

Some of the Receivables will have APRs that are less than the interest rate on your Notes, plus fees and expenses of the Issuer. Payments on Receivables with higher APRs compensate for the payments made on Receivables with lower APRs. Excessive prepayments and defaults on the higher APR Receivables may adversely impact your Notes by reducing the amounts available to pay principal of and interest on your Notes.

### **Value of Financed Vehicles**

The Issuer will acquire from Black Horse the Initial Receivables and the Additional Receivables. The market value of the Financed Vehicles relating to such Receivables may be affected under certain circumstances if the relevant Vehicle manufacturer were to suffer financial difficulties. Several Vehicle manufacturers are subject to governmental information requests, inquiries and investigations as well as litigation relating to environmental, securities, criminal, antitrust and other laws and regulations in connection with diesel exhaust emissions. Several federal and state authorities, including in Europe, the United States and Asia, have inquired about and are investigating test results, of the emission control systems used in diesel Vehicles and as well as related legal issues and implications, including, but not limited to, under applicable environmental, securities, criminal and antitrust laws.

In addition international, national and local standards regarding emissions by Vehicles, including CO<sub>2</sub> emissions, fuel consumptions, engine performance and noise emissions are currently subject to discussions including the strengthening of the tax regime for diesel Vehicles and tighter regulatory standards for diesel Vehicles' exhaust emission benchmarks. It is not clear at this stage whether such standards will apply only to New Vehicles or be extended to Used Vehicles. As a result, there is a risk of decline of the market value of diesel Vehicles.

A recent feature of the Vehicle market has also been the production of hybrid and/or wholly electric Vehicles. Such developments in the auto industry may have an adverse impact on the resale market value of diesel Vehicles.

### **Geographic concentration may result in more risk to you**

As at the Provisional Pool Cut-Off Date, the Customers were spread across various regions in the United Kingdom as shown in the tables on page 70 (*Composition of the Receivables – Area Analysis*), with certain regions having larger concentrations than others. Economic conditions or other factors affecting these areas of the United Kingdom in particular could adversely impact the delinquency, credit loss or repossession experience of the Issuer and could result in delays in payments or losses on your Notes.

*For more details about delinquency, and credit loss experience for Black Horse's portfolio of receivable retail contracts, you should read "Seller, Servicer, Cash Manager and Subordinated Loan Provider — Current Delinquency Experience".*

### **Balloon payment receivables may result in higher losses**

A Receivable Agreement may be structured as a balloon receivable with a substantial portion of the original principal amount under the Receivable required to be repaid in a single instalment at maturity. By deferring the repayment of a substantial portion of the principal amount of the Receivable until its final maturity date, the impact of non-payment of the balloon payment under a balloon receivable will be greater than under an amortising receivable, assuming both receivables have the same term. This could result in delays in payments or losses on your Notes.

## **Right to financed Vehicles and reliance on residual value**

The Issuer will acquire from Black Horse interests in the Receivables, including rights to receive certain payments from Customers under the Receivable Agreements, the Vehicle Proceeds and other Ancillary Rights under the Receivable Agreements.

Black Horse will agree not to impair the rights of the Issuer in the Receivables except by the proper performance of its obligations under the Servicing Agreement.

Title to the Related Vehicles will remain with Black Horse until it is transferred to the relevant Customer under the terms of the relevant PCP or HP agreement or is sold by Black Horse following either (a) repossession of the Vehicle from the relevant Customer or (b) a return of a Vehicle under a VT Receivable or PCP balloon option by the relevant Customer.

It may be difficult to repossess a Financed Vehicle. In addition, Vehicle Proceeds may be less than the amount owed under the related Receivable Agreement and a Financed Vehicle may be subject to an existing lien (for example, mechanics' liens). Action to recover outstanding amounts may not be pursued if to do so would be uneconomic.

As the Issuer does not have any rights in, over or to the Vehicles but only to the Vehicle Proceeds thereof, if the Seller becomes insolvent, the Issuer is reliant on an administrator or liquidator of the Seller taking appropriate steps to sell a Vehicle that has been returned or repossessed. As the Vehicle Proceeds have been assigned or charged to the Issuer pursuant to the Receivables Sale Agreement or the Scottish Vehicle Proceeds Floating Charge, the Vehicles will have no economic value to the insolvent estate of the Seller and therefore to the Seller's creditors as a whole. It is unlikely that an administrator or liquidator of the Seller will have an incentive to take steps to deal with the Vehicles contrary to the contractual terms of the Transaction Documents.

To incentivise the liquidator or administrator to realise the value of the Vehicles or alternatively to cooperate in a realisation, following the appointment of a liquidator or administrator for the Seller, the Issuer is required to pay the Incentive Fee to the liquidator or administrator. The Incentive Fee may be set off from the Vehicle Proceeds.

However, there can be no certainty that an administrator or liquidator would take such actions to sell Vehicles returned or recovered. A failure or delay on the part of an administrator or liquidator to sell or consent to the sale of a Vehicle could also have an adverse effect on the ability of the Issuer to make payments on the Notes.

*For more details about the Vehicles that are repossessed or returned by Customers you should read "Performance of the Receivables is uncertain above".*

Under PCP Agreements, a Customer is given several options at the conclusion of the Receivable Agreement. A Customer can satisfy its obligations under a PCP Agreement by retaining the Financed Vehicle and paying the final balloon payment or by returning the Financed Vehicle to Black Horse instead of paying the balloon payment. If the Customer decides not to make the balloon payment and instead returns the Financed Vehicle to Black Horse, the Issuer will be exposed to the risk that the residual value of the Financed Vehicle may be less than anticipated at the outset of the Receivable Agreement and thus less than the amount outstanding under the relevant Receivable Agreement.

*For more details, you should read "The Provisional Portfolio — PCP Agreements".*

If Black Horse were to become insolvent or suffer sustained financial difficulties, the residual value of the Vehicles could be adversely affected. This could also have an adverse effect on dealers and could cause disruption or delay in the Vehicle return process for PCP Agreements.

Each Receivable Agreement requires the Customer to take out and maintain comprehensive vehicle insurance in the Customer's name, save for Receivable Agreements in respect of motorbikes where the Customer is required to take out and maintain, at a minimum, third party, fire and theft insurance. Black Horse does not have a registered interest with the insurer. Each Receivable Agreement also states that if the Vehicle is stolen or is considered a total loss for insurance purposes, the Customer must transfer all his rights to any monies in respect of a claim on the relevant insurance and agrees that the insurer must pay monies directly to Black Horse. Where the proceeds in the claim are insufficient to repay in full amounts owed to Black Horse by the Customer under the Receivable Agreement, Black Horse will look to the Customer to pay the difference, less any statutory rebate for early settlement. It should be noted that there can be no certainty that such insurance has in fact been taken out or maintained or that any proceeds from such insurance will be available to Black Horse, the Issuer or the Security Trustee.

*For more details, you should read "Receivables", "Seller, Servicer, Cash Manager and Subordinated Loan Provider" and "Risk Factors – General Legal Considerations".*

### **No transfer of title to Financed Vehicles**

The Issuer will not obtain title to the Financed Vehicles themselves nor will it have a direct right to repossess a financed Vehicle if a Customer defaults. The Issuer has acquired the rights to the proceeds deriving from the sale of the Vehicles relating to Receivable Agreements transferred to it by Black Horse. The Issuer is therefore dependent on Black Horse recovering such proceeds from the sale of the Vehicles and remitting to the Issuer any proceeds of such realisation.

Black Horse will agree not to impair in a material respect the rights of the Issuer or the Security Trustee in the Receivables except by the proper performance of its obligations under the Servicing Agreement. Black Horse will grant powers of attorney to the Issuer under which the relevant attorney should have a right to make demands and sue for amounts due under the Receivable Agreements or to repossess or sell the related Financed Vehicle.

*For more details, you should read "Risk Factors – General Legal Considerations – Equitable Assignment".*

### **Interests of other persons in the Receivables or the related Financed Vehicles could reduce funds available to pay your Notes**

If another person acquires an interest in a Receivable or a related Financed Vehicle that is superior to the Issuer's interest, the collections on that Receivable or the proceeds from the sale of that Financed Vehicle may not be available to make payments on your Notes.

*For more details, you should read "Risk Factors – General Legal Considerations – Equitable Assignment".*

### **No independent investigation and breach of warranties**

No investigations, searches or other steps to establish the creditworthiness or suitability of a Customer or to verify the details of a Customer, Receivable Agreement, Financed Vehicle, protected payments plan, historical performance data or the Black Horse servicing and collection procedures have been or will be performed by the Issuer, the Security Trustee, the Trustee, the Principal Paying Agent, the Arranger or the Lead Manager, each of whom will rely solely on warranties given by Black Horse about the Receivables and the Customers. The benefit of all such representations and warranties is assigned by the Issuer to the Security Trustee under the Deed of Charge.

If Black Horse makes a misrepresentation in respect of the receivables or is in breach of a warranty relating to the Receivables, the only remedy of the Issuer will be either to require Black Horse to remedy the matter giving rise to such misrepresentation or breach, indemnify the Issuer or to repurchase the affected Receivables. In such circumstances, the Issuer (and therefore the Noteholders) will be dependent on Black Horse's ability to fulfil its obligations to repurchase the relevant receivables or indemnify the Issuer. If Black Horse fails to repurchase or indemnify, you may experience losses or delays in payments on your Notes. Where a representation or warranty by Black Horse about a Receivable was given only with Black Horse's knowledge as at the Closing Date and the risk regarding such representation or warranty later materialises, Black Horse will not be required to remedy the matter or to repurchase the affected Receivable or indemnify the Issuer. Instead, the Issuer (and therefore the Noteholders) will bear the corresponding risk.

### **Risks resulting from consumer protection laws**

United Kingdom consumer protection laws regulate consumer credit contracts, including the Receivables. If a Receivable does not comply with these laws, the Servicer may be prevented from or delayed in collecting amounts due on the Receivable. Under a consumer credit contract, a customer may make a claim against the relevant creditor as well as a supplier for misrepresentations made by the supplier in a transaction between the supplier and the customer during negotiations between them before execution of the relevant regulated consumer credit contracts or for a breach of contract.

In addition, where a credit broker (such as a dealer) carries out antecedent negotiations with a debtor those negotiations will be deemed to be performed in the capacity of agent of the creditor as well as in his actual capacity. As a result a creditor will be potentially liable for misrepresentations made by a credit broker (such as a dealer) involved in introducing a customer to the creditor

A customer may have a statutory right to terminate a regulated consumer credit contract and return the vehicle to Black Horse. In this circumstance the customer must pay to Black Horse all arrears, one half of the total amount payable under the regulated consumer credit contract to maturity and all other sums due but unpaid under the contract. A customer may also have a statutory right to early settlement of the contract.

*For further details on the risks resulting from consumer protection laws and set-off and how they apply to Black Horse and the receivables you should read "Risk Factors – General Legal Considerations" below.*

### **Notice of assignment**

The assignment and transfer of the Receivables will only be disclosed to Customers on the termination of Black Horse as Servicer or the insolvency of Black Horse. The Customer may:

- until it has been notified of the assignment and transfer of the Receivables, effect payment with discharging effect to Black Horse or enter into other transactions regarding the Receivables with Black Horse with binding effect on the Issuer and the Security Trustee. It may also have a right to set off against Black Horse prior claims it may have against Black Horse;
- following such notification, raise defences against the Issuer and the Security Trustee resulting from its relationship with Black Horse which are existing at the time of the assignment and transfer of the Receivables; and

- following such notification, have the right to set off against the Issuer and the Security Trustee any claims against Black Horse, unless the Customer has knowledge of the assignment and transfer after acquiring these claims or the claims become due only after the Customer acquires this knowledge and after the respective instalments of the relevant Receivable become due either as scheduled under the related Receivable Agreement or in full as a consequence of an early termination;

all of which could result in delays in payments or losses on your Notes.

*For more details, you should read "Principal Transaction Documents — Receivables Sale Agreement — Notification of Assignment of Receivables" and "Risk Factors – General Legal Considerations — Restriction on Assignment".*

### **III. Regulatory Considerations**

#### **Increased regulation and changes of law**

In the UK, the U.S., the European Union and elsewhere, recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and there is heightened political and regulatory scrutiny of the banking industry and operation of institutions in the financial sector, with increased requests from regulators to perform wide-ranging reviews and investigations.

The UK Government, the Prudential Regulation Authority or the "**PRA**", the Financial Conduct Authority or the "**FCA**" and other regulators in the UK, the U.S., the European Union and elsewhere may intervene further to strengthen the liquidity and capital standards in the global banking system and in relation to areas of industry risk identified. It is not certain whether the more rigorous regulatory climate will impact financial institutions, and other European Union regulated investors such as certain types of investment fund managers, insurance and reinsurance undertakings, or the Notes.

Following the Brexit vote and the withdrawal notice, once the UK ceases to be a member of the European Union, all European Union legislation which currently has direct effect in the UK will cease to have such effect. The status of other European legislation that has been implemented in the UK through the enactment of UK legislation will depend on UK government decisions that are extremely difficult to anticipate.

It is not certain what the regulatory consequences of the Brexit vote and the withdrawal notice will be or what impact these may have on entities authorised by the PRA and regulated by the FCA (such as the Account Bank) (each a "**Relevant Entity**") and a Relevant Entity's ability to perform its obligations under the Transaction Documents.

It is not certain whether the circumstances described in the above paragraphs could adversely affect the ability of the Issuer to make payments under your Notes, the market value of your Notes and/or your ability to resell your Notes.

In addition, the structure and the ratings of the Notes are based on English law and various regulatory, accounting and administrative practices in effect as at the date of this Prospectus, and on the UK's current membership of the European Union. Black Horse has considered the expected tax treatment of all relevant entities under the tax law and the published practice of the tax authorities of the United Kingdom as at the date of this Prospectus. It is not certain whether the impact of a possible change to law, whether as a result of a UK departure from the European Union or otherwise, or the regulatory, accounting or administrative practice, or their interpretation or administration, or the published practices of the United Kingdom tax authorities or tax

authorities of any other relevant taxing jurisdiction, after the date of this Prospectus could adversely affect the ability of the Issuer to make payments under your Notes, the market value of your Notes and/or your ability to resell your Notes and Black Horse's ability to perform its obligations under the Transaction Documents.

In addition, Black Horse is exposed to various forms of legal and regulatory risk in its current, past and future operations, including the risk of acting in breach of legal or regulatory principles or requirements, any of which could have a material adverse effect on Black Horse and/or the Notes. These risks could include, but are not limited to:

(a) certain aspects of Black Horse's business (including the sale of products or the handling of complaints relating to such products) may be determined by the FCA, the FOS or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion;

(b) the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians; the FCA in particular continues to drive focus on conduct of business activities through its supervision activity;

(c) Black Horse may be liable for damages to third parties (including customers) harmed by the conduct of its business; and

(d) the risk of regulatory proceedings, and/or private litigation, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions.

Further details of specific risks are set out under "*Receivable Agreements regulated by the Consumer Credit Act 1974 (as amended)*".

Risks identified above may materially adversely impact Black Horse undertaking its role in relation to the Receivables.

### **CRA3**

Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013 ("**CRA3**") provides for certain additional disclosure requirements in relation to structured finance transactions (the "**Article 8b Requirements**"). Such disclosures need to be made via a website to be set up by the ESMA. On 26 January 2015, the Commission Delegated Regulation (EU) 2015/3 of 30 September 2014 came into force containing regulatory technical standards ("**RTS**") adopted by the European Commission to implement provisions of CRA3. The RTS specify (i) the information that the issuer, originator and sponsor of a structured finance instrument ("**SFI**") established in the European Union must jointly disclose on the ESMA website, (ii) the frequency with which this information is to be updated and (iii) the presentation of this information by means of standardised disclosure templates. The RTS applies with effect from 1 January 2017. On 27 April 2016 ESMA announced that, due to several issues in preparing for the establishment of the SFIs website, it was unlikely that the SFIs website would be available to reporting entities by 1 January 2017. At the date of this Prospectus, the ESMA website is not available to the reporting entities. In addition, ESMA did not publish the related technical instructions by 1 July 2016. In relation to SFIs issued between the date of entry into force of the RTS and the date of their application, the issuer, originator and sponsor are only required to comply with the reporting requirements in relation to the SFIs which are still outstanding at the date of application of the RTS.

The Article 8b Requirements are repealed by Regulation (EU) 2017/2402 (the "**Securitisation Regulation**"), which applies (subject to certain exceptions) to securitisations the securities of which are issued on or after 1 January 2019. The Securitisation Regulation puts in place revised disclosure requirements (the "**SR Disclosure Requirements**"), for securitisations to which it applies and securitisations that seek to obtain simple, transparent and standardised ("**STS**") status. Disclosure requirements for securitisations to which the Securitisation Regulation do not apply and which do not seek to obtain STS status are not explicitly provided for under the SR Disclosure Requirements, and an ESMA consultation dated 19 December 2017 suggests that "non-STS securitisations" (such as this Transaction) appear to be exempt from disclosure requirements. At the date of this Prospectus, there remains uncertainty as to what the consequences would be for the Issuer, related third parties and investors resulting from any potential non-compliance by the Issuer with the Article 8b Requirements.

### **Basel Capital Accord and regulatory capital requirements**

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**Basel II framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

The Basel Committee has subsequently approved significant changes and extensions to the Basel II framework (such changes and extensions being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base (including an increase in the minimum Tier 1 capital requirement), measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (the latter being referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**", respectively). The European Union authorities have now incorporated the Basel III framework into EU law, primarily through Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive - "**CRD**") and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation - "**CRR**") known as the "**CRD IV Package**", which generally entered into application in the EU on 1 January 2014. It should be noted that, whilst the provisions of the CRD were required to be incorporated into the domestic law of each EU member state, the CRR has direct effect, and does not need to be implemented into the relevant national law.

Additionally, in accordance with Article 460 of the CRR, on 17 January 2015, the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions (the "**LCR Regulation**") was published in the Official Journal of the European Union; this subsequently entered into application on 1 October 2015. The LCR Regulation sets out assumed asset inflow and outflow rates to better reflect actual experience in times of stress. Further, it sets out the EU application of the Liquidity Coverage Ratio, and defines specific criteria for assets to qualify as "high quality liquid assets", the market value of which shall be used by credit institutions for the purposes of calculating their relevant Liquidity Coverage Ratio. As the LCR Regulation is relatively new, and given the lack of EU-level guidance on the interpretation of the LCR Regulation, no assurance can be given as to whether the Notes qualify



as high quality liquid assets in each participating country and the Issuer makes no representation as to whether such criteria are met by the Notes. It should also be noted that, although the Liquidity Coverage Ratio entered into general application with the remainder of the LCR Regulation on 1 October 2015, under certain transitional provisions the minimum liquidity coverage requirement was only initially 60 per cent, before rising in stages to reach 100 per cent. on 1 January 2018. The Net Stable Funding Ratio was also expected to enter into general application in January 2018; however, this has not yet occurred and is now likely to form part of CRR II, as referred to below.

The changes under CRD IV and Basel III as described above may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisors as to the regulatory capital requirements in respect of the Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and, in particular, by the CRD IV Package, CRR II and CRD V (as referred to below) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

You should note that if you are subject to prudential requirements under any other regulations (such as the Solvency II Regulation, as defined below) you should consult your own advisers as regards the regulatory capital requirements applicable to the Notes and as regards the consequences to and effect on them of holding any of the Notes.

### **Risk retention and due diligence requirements**

Article 405 of the CRR places an obligation on a credit institution that is subject to the CRD which assumes exposure to the credit risk of a securitisation (as defined in Article 242 of the CRR) to ensure that the originator, sponsor or original lender has explicitly disclosed that it will retain a material net economic interest of not less than 5 per cent. in the securitisation, and has a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of their exposures to the transaction. Furthermore, Article 405 of the CRR restricts an EU regulated credit institution from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 405 of the CRR. Failure to comply with one or more of the requirements set out in Article 405 of the CRR will result in the imposition of a penal capital charge (potentially a risk weight of up to 1250 per cent. as set out below) on the Notes acquired by the relevant investor.

Investors should therefore make themselves aware of the requirements of Article 405-410 of the CRR as well as the respective national implementation legislation, where applicable to them, in addition to any other regulatory requirements applicable to them with respect to their investment in the Notes.

Black Horse has given certain undertakings in relation to the retention of a material net economic interest and the term of information in compliance with Articles 404-410 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation. In particular, for so long as listed Notes are outstanding, Black Horse, as the originator, will retain the Class S Notes which equal, as at the Closing Date, a material net economic interest of not less than 5 per cent. of the nominal amount of the securitised exposures in this securitisation transaction in compliance with Article

405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation, the method of compliance being paragraph (1) sub (d) of Article 405 of the CRR, paragraph (1) sub (d) of Article 51 of the AIFMR and paragraph (2) sub (d) of Article 254 of the Solvency II Regulation.

The outstanding balance of the retained exposures may be reduced over time by, amongst other things, amortisation and allocation of losses or defaults on the underlying Purchased Receivables. The Monthly Reports will also set out monthly confirmation as to the Seller's continued holding of the original retained exposures. It should be noted that there is no certainty that references to the retention obligations of the Seller in this Prospectus will constitute explicit disclosure (on the part of the Seller) or adequate due diligence (on the part of the Noteholders) for the purposes of Article 406 of the CRR.

Article 406 of the CRR also places an obligation on credit institutions that are subject to the CRD, before investing in a securitisation transaction and thereafter, to analyse, understand and stress test their securitisation positions, and monitor on an on-going basis and in a timely manner performance information on the exposures underlying their securitisation positions. After the Closing Date, the Seller or the Servicer will provide information for the Monthly Report wherein relevant information with regard to the Purchased Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller with a view to complying with Article 409 of the CRR.

Where the relevant retention requirements are not complied with in any material respect and there is negligence or omission in the fulfilment of the due diligence obligations on the part of a credit institution that is investing in the Notes, a proportionate additional risk weight of no less than 250 per cent. of the risk weight (with the total risk weight capped at 1250 per cent) which would otherwise apply to the relevant securitisation position shall be imposed on such credit institution, progressively increasing with each subsequent infringement of the due diligence provisions. Potential investors should make themselves aware of the provisions of the CRD IV Package and make their own investigation and analysis as to the impact of the CRD IV Package on any holding of the Notes.

If the Seller does not comply with its obligations under the CRD IV Package, the ability of the Noteholders to sell, and/or the price investors receive for, the Notes in the secondary market may be adversely affected.

Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with the CRD IV Package and none of the Issuer, the Seller, the Corporate Services Provider, the Arranger nor the Lead Manager makes any representation that the information described above is sufficient in all circumstances for such purposes.

Article 405 CRR came into force as of 1 January 2014. The European Banking Authority ("**EBA**") published on 17 December 2013 the final draft technical standards to be made under the re-cast risk retention and due diligence requirements which do not largely replicate the previous guidelines published by the Committee of European Banking Supervisors ("**CEBS**"). On 13 March 2014, the European Commission published the final draft of the Delegated Regulation supplementing CRR by way of Regulatory Technical Standards ("**RTS**") specifying the requirements for investor, sponsor, original lenders and originator institutions relating to exposures to transferred credit risk. The final RTS were published in the Official Journal of the European Union on 13 June 2014 and took effect on 3 July 2014. The final RTS do not differ significantly from the version submitted to the European Commission by the EBA, but there are some key additions and changes. Noteholders should take their own advice and/or seek

guidance from their regulator on compliance with, and the application of, the provisions of the CRD IV Package and Article 405 of the CRR in particular.

You should also be aware of section 5 of Chapter III of the Commission Delegated Regulation (EU) No 231/2013 implementing the EU Alternative Investment Fund Managers Directive (2011/61/EC) ("**Section 5**"). The provisions of Section 5 introduced risk retention and due diligence requirements (which took effect from 22 July 2013 in general) in respect of alternative investment fund managers that are required to become authorised under the EU Alternative Investment Fund Managers Directive – "**AIFMD**" and which assume exposure to the credit risk of a securitisation on behalf of one or more alternative investment funds. While the requirements under Section 5 are similar to those which apply under Article 405 of the CRR et seqq. (including in relation to the requirement to disclose to alternative investment fund managers that the originator, sponsor or original lender will retain, on an on-going basis, a material net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures), they are not identical and, in particular, additional due diligence obligations apply to relevant alternative investment fund managers. The undertaking by the Seller in the Transaction Documents to retain a net economic interest of 5 per cent. in the Transaction does not address compliance with the due diligence requirement imposed by Section 5 on the investors. Similarly, investors should be aware of Article 135 of the EU directive on the taking up and pursuit of the business of insurance and reinsurance (2009/138/EC) ("**Solvency II**") and Article 254 of Commission Delegated Regulation (EU) No 2015/35 implementing Solvency II, which requires the imposition of similar requirements on insurers and reinsurers authorised in the EU, which again are not identical to the CRR provisions. Investors should undertake their own due diligence, take their own legal advice and/or seek guidance from their relevant national regulator in relation to compliance with Section 5 and Solvency II.

The regulatory capital treatment of the Notes for investors is likely to be affected by future implementation of and changes to the CRD IV Package, Section 5 or other regulatory or accounting changes.

In November 2016, the European Commission published details of its proposals for an amended version of CRR and CRD IV, namely (i) CRR II (COM(2016)850) for implementation no earlier than January 2019, and (ii) CRD V (COM(2016)854), to be transposed into national law within one year of the date of its entry into force. CRD V and CRR II are currently under consideration by the European Parliament and the Council following the EU's normal legislative procedure. It is uncertain how CRD V and CRR II will affect investors as the full scope of the proposed amendments to the CRD IV Package are as yet unclear. These will be the subject of political negotiation during 2018, and binding regulatory technical standards to be developed by the EBA.

On 30 September 2015 the European Commission issued two draft regulations on securitisations. These regulations were approved on 17 January 2018. They will make some major changes to EU securitisation rules. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by Basel Committee on Banking Supervision (the "**CRR Amending Regulation**") and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. The Securitisation Regulation also aims to create common foundation criteria for identifying "**STS securitisations**". The requirements imposed under the Securitisation Regulation and CRR Amending Regulation are more onerous and have a wider scope than those imposed under current legislation. There are material differences between this legislation and the current requirements including with respect to the parties that are responsible for ensuring compliance with the retention requirements and the originator entities eligible to retain the required interest. The Securitisation Regulations will apply to securitisations in respect of which securities are

issued on or after 1 January 2019, except that certain provisions of the CRR may continue to apply for a certain grace period thereafter in relation to securitisations concluded before 1 January 2019. Prior to 1 January 2019 the EBA and ESMA will develop technical standards clarifying certain requirements under the Securitisation Regulation, including STS. No assurance can be given that the transaction will be designated as an "STS securitisation" under the Securitisation Regulation at any point in the future.

Notably, the risk weights applicable to securitisation exposures for credit institutions and investment firms will in general increase substantially under the new securitisation framework implemented under the CRR Amending Regulation and the Securitisation Regulation and these new risk weights will apply from 1 January 2019 or 1 January 2020, depending on the features of the particular securitisation exposure.

Prospective investors should carefully consider (and, where appropriate, take independent advice) in relation to the capital charges associated with an investment in the Notes, especially during this transition period. In particular, investors should carefully consider the effects of the change (and likely increase) to the capital charges associated with an investment in the Notes for credit institutions and investment firms expected to take effect from 1 January 2019 or 1 January 2020, depending on the particular exposure. These effects may include, but are not limited to, a decrease in demand for the Notes in the secondary market, which may lead to a decreased price for the Notes. It may also lead to decreased liquidity and increased volatility in the secondary market. Prospective investors are themselves responsible for monitoring and assessing changes to the EU risk retention rules and their regulatory capital requirements.

Additionally, in July 2016, the Basel Committee on Banking Supervision published its own standard for the regulatory capital treatment of securitisation exposures that includes the regulatory capital treatment for "simple, transparent and comparable" (STC) securitisations.

There can be no guarantee that the regulatory capital treatment of the Notes for investors will not be affected by any future implementation of and changes to the CRD IV Package, Section 5, Solvency II, the Securitisation Regulation, the CRR Amending Regulation or other regulatory or accounting changes.

## **U.S. Risk Retention**

The U.S. Risk Retention Rules generally require the "**sponsor**" of a "**securitization transaction**" to retain at least 5 per cent. of the "**credit risk**" of "**securitized assets**", as such terms are defined for purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligations.

The transaction will not involve retention by the Seller as contemplated by the U.S. Risk Retention Rules, but instead will be made in reliance on an exemption from the U.S. Risk Retention Rules for non-U.S. transactions. To qualify for the "foreign offering" exemption, non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the securities issued in the securitisation transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules and referred to in this Prospectus as "**Risk Retention U.S. Persons**"); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or Issuer organised or located in the United States.

The Notes may not be purchased by Risk Retention U.S. Persons as part of the initial distribution of the Notes. Prospective investors should note that, although the definition of "U.S. person" in the U.S. Risk Retention Rules is similar to the definition of "U.S. person" in Regulation S, the definitions are not identical and persons who are not "U.S. persons" under Regulation S may be "U.S. persons" under the U.S. Risk Retention Rules.

Notwithstanding the foregoing, the Issuer can, with the consent of, and in reliance on, the Seller, sell a limited portion of the Notes to, or for the account or benefit of, Risk Retention U.S. Persons under the "foreign offering" exemption from the U.S. Risk Retention Rules.

It is not certain whether the "foreign offering" exemption from the U.S. Risk Retention Rules will be available. Failure of the offering to comply with the U.S. Risk Retention Rules (regardless of the reason for the failure to comply) could give rise to regulatory action against the Seller which may adversely affect the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by a transaction to comply with the U.S. Risk Retention Rules could negatively affect the market value and secondary market liquidity of the Notes.

In addition, after the Closing Date, the U.S. Risk Retention Rules may have adverse effects on the Issuer and/or the holders of the Notes. The U.S. Securities and Exchange Commission (the "**SEC**") has indicated in contexts separate from the U.S. Risk Retention Rules that an "offer" and "sale" of securities may arise when amendments to securities are so material as to require holders to make a new "investment decision" with respect to such securities. Thus, if the SEC were to take a similar position with respect to the U.S. Risk Retention Rules, they could apply to future material amendments to the terms of the Notes, to the extent such amendments require investors to make such a new investment decision with respect to the Notes. There can be no assurance that the exemption provided for in Section \_\_.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions or any other exemption will be available in connection with any such refinancing or amendment occurring after the Closing Date. As a result, the U.S. Risk Retention Rules may adversely affect the Issuer (and the performance, market value or liquidity of the Notes) if the Issuer is unable to undertake any such amendment. Furthermore, no assurance can be given as to whether the U.S. Risk Retention Rules would have any future material adverse effect on the market value or secondary market liquidity of the Notes.

### **The Volcker Rule**

The Issuer has been structured so as not to constitute a "covered fund" for the purposes of the Volcker Rule. In making this determination, the Issuer is relying on the "loan securitization exclusion" under sub-section 10(c)(8) of the Volcker Rule although other exclusions or exemptions may also be available to the Issuer. The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. Under the Volcker Rule, unless otherwise jointly determined by specified federal regulators, a "covered fund" includes an issuer that would be an "investment company" under the U.S. Investment Company Act of 1940 but for the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the U.S. Investment Company Act of 1940. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.

### **Eurosystem eligibility**

The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. On the Closing Date, the Class A Notes will be issued under NSS. This means that the Class A Notes are intended upon issue to be deposited with Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem (the "**Eurosystem eligible collateral**") either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria set out in the Guideline (EU) 2015/510 of the European Central Bank (the "**ECB**") of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (recast) as amended from time to time (the "**ECB Guideline**"), which was published in the Official Journal of the European Union on 2 April 2015 and applies from 1 May 2015. The Class S Notes will not currently qualify for Eurosystem eligibility.

Neither the Issuer, the Arranger, the Trustee, the Security Trustee nor the Lead Manager gives any representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or any or at all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any prospective investor in the Class A Notes should consult its professional advisors with respect to whether or not the Class A Notes constitute Eurosystem eligible collateral at any point of time during the life of the Class A Notes.

### **Bank of England Eligibility**

Certain investors in the Class A Notes may wish to consider the use of the Class A Notes as eligible securities for the purposes of the Bank of England's Funding for Lending Scheme, Term Funding Scheme, Discount Window Facility or Indexed Long-Term Repo Scheme. Recognition of the Class A Notes as eligible securities for the purposes of such schemes will depend upon satisfaction of the eligibility criteria as specified by the Bank of England. If the Class A Notes do not satisfy the criteria specified by the Bank of England, there is a risk that the Class A Notes will not be eligible collateral for such schemes. None of the Issuer, the Arranger nor the Lead Manager gives any representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements of such schemes and be recognised as eligible collateral for such schemes. Any potential investor in the Class A Notes should make its own determinations and seek its own advice with respect to whether or not the Class A Notes constitute eligible collateral for such schemes.

## **IV. General Legal Considerations**

### **Receiver as Agent**

A receiver of a company would generally be the agent of the company until its liquidation and therefore, while acting within his powers, only incurs liability on behalf of the company. If, however, the receiver's appointer unduly directed or interfered with or influenced the receiver's actions, a court may decide that the receiver was the agent of his appointer and that his appointer should be responsible for the receiver's acts and omissions. Following an Event of Default, the Security Trustee may appoint a receiver for the Issuer. Payments to, among others, the Trustee and the Security Trustee (which have the right to receive remuneration, reimbursement for their expenses and an indemnity for its potential liabilities) will rank ahead of the interest and principal due under the Notes. Accordingly, should the Security Trustee become liable for the acts of such a receiver, the amount that would otherwise be ultimately available for payment to you under the Notes may be reduced.

### **Recharacterisation of Fixed Security Interest**

An English court could hold that the fixed security interests expressed to be created by the Issuer under the Deed of Charge could take effect as floating charges as the description given to them under the Deed of Charge as fixed charges is not determinative. There is no equivalent concept of recharacterisation in relation to fixed security interests constituted under Scots law.

Whether any fixed security interests created under the Deed of Charge will be upheld under English law as fixed security interests rather than floating security interests will depend, among other things, on whether the Security Trustee has the requisite degree of control over the relevant assets and if so, whether such control is exercised by the Security Trustee in practice. Where the chargor is free to deal with the secured assets, or any proceeds received on realisation of the secured assets, without the consent of the chargee, the court will be likely to hold that the security interest in question is a floating charge, notwithstanding that it is described as a fixed charge. If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors (if any) of the Issuer, related to that part of the net property of the Issuer which is ring fenced as a result of the Enterprise Act 2002 (see "*Share of floating charge assets for unsecured creditors*" below) and (ii) certain statutorily defined preferential creditors of the Issuer may have priority over your rights to the proceeds of enforcement of such security. Under the Enterprise Act 2002 the only remaining categories of preferential debts are certain amounts payable for occupational pension schemes, employee remuneration, levies on coal and steel production, debts owed to the Financial Services Compensation Scheme, or the "**FSCS**", retail banking deposits whose amount is protected under the FSCS and certain retail banking deposits owed to depositors that are not otherwise protected by the FSCS. The Issuer will not have employees, so it is unlikely to have preferential creditors.

A receiver or administrative receiver appointed by the Security Trustee under the Deed of Charge would be obliged to pay preferential creditors and set aside funds for ring fenced assets out of floating charge realisations in priority to payments to the secured parties (including the Noteholders).

### **Share of floating charge assets for unsecured creditors**

Section 176A of the Insolvency Act 1986 provides that where a company has gone into liquidation or administration, or where there is a provisional liquidator or receiver, a "prescribed part" of the company's net property is to be applied in satisfaction of unsecured debts in priority over floating charge holders. The amount available for unsecured creditors will depend on the value of the company's net property, being the amount of the company's property which would otherwise be available for satisfaction of the claims of floating charge holders or holders of a debenture secured by a floating charge. As at the date of this Prospectus, the "prescribed part" has been set as 50 per cent. of the first £10,000 of a company's net property and 20 per cent. of the net property that exceeds £10,000 up to a maximum of £600,000. Where the company's net property is less than a prescribed minimum of £10,000, the liquidator, administrator or receiver may disapply this rule without application to the court for a company if it believes that the cost of making a distribution to unsecured creditors would outweigh the benefits. If the company's net property is more than the prescribed minimum, the liquidator, administrator or receiver may apply to the court for an order that the rule may be disapplied on the same ground.

Therefore, floating charge realisations upon the enforcement of the Deed of Charge granted by the Issuer may be reduced by the operation of these "ring fencing" provisions, up to a maximum of £600,000. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure that the Issuer has no significant creditors other than the Secured Parties under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely

affected by any such reduction in floating charge realisations upon the enforcement of the Security.

### **Administration expenses**

If the Security Trustee is prohibited from appointing an administrative receiver, whether by virtue of the amendments made to the Insolvency Act 1986 by the Enterprise Act 2002 or otherwise, or fails to exercise its right to appoint an administrative receiver within the relevant notice period, and an administrator is appointed to the Issuer, the expenses of the administration would also rank ahead of the claims of the Security Trustee as floating charge holder. Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the Security Trustee would have the same priority for the property of the company representing the floating charge assets disposed of (if any) as it would have had for such floating charge assets. If an administrative receiver is not appointed for the Issuer, then this may lead to the ability to realise the security created by the Issuer being delayed and/or the value of that security being impaired.

### **Reduction of Floating Charge Realisations by Liquidation Expenses**

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of the *Leyland Daf* case applies in respect of all liquidations commenced on or after 6 April 2008.

As a result of the changes described above, which bring the position in a liquidation into line with the position in an administration, upon the enforcement of the floating charge security granted by the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of the Secured Parties may be reduced by any liquidation or administration expenses. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

### **Receivable Agreements regulated by the Consumer Credit Act 1974 (as amended)**

#### **UK Regulatory Structure**

The FCA is responsible for the consumer credit regime in the UK. The FCA regulates firms in the sector both prudentially and through extensive conduct of business requirements ensuring that business across the sector is conducted in a way which advances the interests of all users and participants.

#### **Regulatory framework**

The regulatory framework for consumer credit in the UK consists of the Financial Services and Markets Act 2000 ("**FSMA**") and its secondary legislation, including the Financial Services and Markets Act (Regulated Activities) Order 2001 (the "**RAO**"), retained provisions in the Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006, and its retained associated secondary legislation (the "**CCA**"), and rules and guidance in the FCA Handbook, including the Consumer Credit sourcebook ("**CONC**"). Article 60B of the RAO defines a regulated credit agreement as an agreement between an individual ("A") and any other person ("B") under which



B provides A with credit of any amount and which is not an exempt agreement under articles 60C to 60HA of the RAO. Article 60C of the RAO contains an exemption for consumer credit contracts exceeding the value of £25,000, which are entered into wholly or predominantly for the debtor's business purposes.

The CCA applies to regulated consumer credit contracts. The application of the CCA to the receivable agreements will have several consequences including the following:

(a) *Voluntary Terminations*

At any time before the last payment falls due under the relevant regulated consumer credit contract, the Customer may, under sections 99 and 100 of the CCA, terminate the relevant regulated consumer credit contract. Customers do not have to state a reason for exercising their rights under these sections. Generally Customers may take advantage of the right of voluntary termination when they are in financial difficulty, or when the residual value of the Vehicle on part-exchange is less than the amount that would be payable on early settlement. To terminate the regulated consumer credit contract, the Customer is required to give notice to Black Horse and after notification the Customer must return the Vehicle, at its own expense, to an address as reasonably required by Black Horse, together with everything supplied with the Vehicle.

In such a case Black Horse has a right to:

- (i) all arrears of payments due and damages incurred for any other breach of the regulated consumer credit contract by the Customer before such termination;
- (ii) the amount (if any) by which one half of the total amount which would have been payable under the regulated consumer credit contract if it had run its course exceeds the aggregate of sums already paid by the Customer and amounts due from the Customer under the regulated consumer credit contract immediately before exercise by the Customer of its statutory right of termination;
- (iii) possession of the relevant vehicle subject to the regulated consumer credit contract being terminated; and
- (iv) any other sums due but unpaid by the Customer under the regulated consumer credit contract.

Following the voluntary termination of a Receivable Agreement, Black Horse will take possession of the relevant Vehicle and will sell such Vehicle according to its customary servicing and collection procedures. Black Horse will apply (a) any amounts received per paragraphs (i) and (ii) above and (b) any Vehicle Proceeds to reduce the Outstanding Principal Balance of the Receivable Agreement that remains outstanding following the voluntary termination. Following such application, any remaining amounts of Outstanding Principal Balance on the Receivable Agreement that has been the subject of the voluntary termination will be written-off and reduced to zero.

During the Revolving Period, all amounts of Available Principal Collections will be applied on each Payment Date to purchase any Additional Receivables or to the extent not used on such Payment Date will be credited to the Replenishment Ledger and may be used to purchase Additional Receivables on a future Sale Date. Following the termination of the Revolving Period, the exercise by a Customer of its right to terminate the relevant contract may result in the Notes being redeemed earlier than anticipated.

If a Customer terminates a Receivable Agreement under section 99 of the CCA, it is possible that the Issuer will not receive the full amount of the principal amount outstanding on the relevant Receivable and an amount of principal will accordingly be written-off. This in turn could trigger losses under the Notes.

(b) *Early Settlement of regulated consumer credit contracts*

The Customer has a statutory right to discharge his payment liability, and obtain title to the Vehicle, under a regulated consumer credit contract in advance of its scheduled final repayment date by paying Black Horse all unpaid scheduled payments through to the scheduled final repayment date together with all other amounts due and payable under the relevant regulated consumer credit contract less a rebate calculated under the Consumer Credit (Early Settlement) Regulations 2004, or the "**Early Settlement Regulations**" (see "*Rebate on Early Settlement or on Termination of a regulated consumer credit contract by Black Horse*" below).

In addition, from 1 February 2011 the Customer under a regulated consumer credit contract entered into after 11 June 2010 has a right to make partial early repayments of the regulated consumer credit contract. One or more partial early repayment(s) may be made at any time during the life of the relevant regulated consumer credit contract, subject to the Customer taking certain steps as outlined in Section 94 of the CCA. The terms on partial early settlement are largely the same as those for full early settlement and the framework operates in much the same way.

(c) *Termination of regulated consumer credit contracts*

Black Horse has the right to terminate a regulated consumer credit contract in the event of an unremedied material breach of agreement by the Customer. In such case Black Horse has the right to repossess the Vehicle (however, where the Customer has paid at least one-third of the total amount payable, the Vehicle becomes "protected" under the CCA with the consequences described in "Protected Goods" below) and recover either:

- (i) all arrears of payments due and damages incurred for any breach of the regulated consumer credit contract by the Customer before such termination;

all Black Horse's expenses of recovering or trying to recover the Vehicle, storing it and tracing the Customer and any shortfall relating to the sale or other disposal of vehicle (including all expenses of sale); and

any other sums due but unpaid by the Customer under the regulated consumer credit contract less a rebate calculated in compliance with the Early Settlement Regulations (see "*Rebate on Early Settlement or on Termination of a regulated consumer credit contract by Black Horse*" below).

- (ii) or such lesser amount as a court considers will compensate Black Horse for its loss.

Court decisions have conflicted on whether the amount payable by the Customer on termination by the lender (for example, for repudiatory breach by the Customer) is restricted to the amount calculated by the one-half formula for termination by the Customer. The agreements provide that the amounts payable by the Customer on termination by Black Horse are any repayments payable under the agreement which are overdue at that time plus, by way of compensation or agreed damages, an amount equal to half of the total amount payable under

the agreement less the repayments paid or due up to that time so the agreements reflect those court decisions favourable to Black Horse on this point.

(d) *Rebate on Early Settlement or on Termination of a regulated consumer credit contract by Black Horse*

In the case of regulated consumer credit contracts, a rebate of credit charges may be due on early settlement. The amount of the rebate is calculated under the Early Settlement Regulations. The rebate is available only in the circumstances specified in the Early Settlement Regulations. No rebate is required where the Customer exercises his right to terminate a regulated consumer credit contract as described in (a) above, as the Customer may terminate the relevant regulated consumer credit contract, without discharging in full the total amount payable under the regulated consumer credit contract.

(e) *Time Orders*

If, for a regulated consumer credit contract, certain default or enforcement proceedings are taken or notice of early termination is served on a Customer, the Customer can apply to the court for a time order to change the timing of payments under his contract or to repay the outstanding sum by lower instalments than provided for in his regulated consumer credit contract. Under the CCA the court has a wide discretion to order amendments to the relevant regulated consumer credit contract as it considers fit, to achieve the objectives of the time order.

(f) *Bona fide purchaser*

A disposition of the Vehicle by the Customer to a bona fide private purchaser without notice of the HP Agreement or the PCP Agreement will transfer to the purchaser Black Horse's title to the Vehicle.

(g) *Enforcement of improperly executed or modified regulated consumer credit contracts*

If a regulated consumer credit contract has been "improperly executed" (as described in the CCA) or improperly modified under the CCA, it may be unenforceable unless a court order has been obtained.

(h) *Interpretation of technical rules*

Black Horse has interpreted certain technical rules under the CCA in a way common with many other lenders in the vehicle finance market. If such interpretation were held to be incorrect by a court or other dispute resolution authority, then the contract would be unenforceable without a court order. If such interpretation were challenged by a significant number of Customers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts. Where agreements are unenforceable without a court order due to minor documentary defects, lenders have historically pursued such debts as though they are enforceable, until such time as those defects were raised by the borrower and/or the court in any claim. To mitigate the risks associated with this approach, lenders currently rely on the decision in *McGuffick v Royal Bank of Scotland [2010] 1 All ER 634*, in which the High Court ruled that, in relation to agreements which were unenforceable by reason of failures to provide copies under section 77 and 78 of the CCA, steps which fell short of obtaining a court judgment against the borrower were not "enforcement" within the meaning of the CCA.

(i) *"Unfair relationship"*

The court has power under section 140A of the CCA to determine that the relationship between a lender and a customer arising out of the credit agreement (whether alone or with any related agreement) is unfair to the consumer. In applying the unfair relationship test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the lender's conduct before and after making the agreement. There is no statutory definition of "unfair" as the intention is for the test to be flexible and subject to judicial discretion.

The Supreme Court has given general guidance in respect of unfair relationships in *Plevin v Paragon Personal Finance Ltd [2014] 1 WLR 4222*. Whilst the court acknowledged that it is not possible to state a precise or universal test for an unfair relationship, which must depend on the court's judgment of all the relevant facts, the court did give the guidance on the nature of the test which should be applied. The Supreme Court acknowledged that what must be unfair is the relationship between the debtor and the creditor. Although the court is concerned with hardship to the debtor, there may be features which operate harshly against the debtor but it does not necessarily follow that the relationship is unfair because the features in question may be required in order to protect a legitimate interest of the creditor. The FCA principles are also relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once a Customer alleges that an unfair relationship exists, the burden of proof is on the lender to prove the contrary.

*Plevin v Paragon [2014] UKSC 61*, a November 2014 Supreme Court judgment, clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

(j) *Financial Ombudsman Service*

The Financial Ombudsman Service is an out-of-court dispute resolution scheme with jurisdiction to determine complaints against authorised persons under the FSMA relating to conduct in the course of specified regulated activities including in relation to consumer credit.

Under FSMA, the Financial Ombudsman Service is required to make decisions on, among others, complaints relating to the terms in agreements on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, among others, law and guidance. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Financial Ombudsman Service may order a money award to a customer, which may adversely affect the value at which the receivable agreement could be realised and accordingly the ability of the Issuer to meet its obligations under the Notes. The jurisdiction of the Financial Ombudsman Service has applied since 6 April 2007.

(k) *Private rights of action under the FSMA*

A customer who is a private person may have a right to claim damages for loss suffered as a result of any contravention by an FCA authorised person of a rule under the FSMA.

From 1 April 2014, such rules include rules in the CONC, which transposes certain requirements previously made under the CCA and in OFT guidance. The customer may set off the amount of the claim for contravention of CONC against the amount owing under the regulated consumer credit contract or any other credit agreement he has taken with the authorised person (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

(l) *Enforcement action by the FCA*

The FCA has a broad range of enforcement powers under the FSMA which it can take against authorised firms where the firm breaches a requirement of the FSMA. These powers include the ability to order restitution under Section 382 of FSMA and to implement consumer redress schemes under Section 404 of FSMA. In addition where a lender or broker does not have the relevant permission an agreement will be unenforceable against the customer without a written notice from of the FCA.

(m) *Servicing Requirements*

Black Horse must comply with certain post contract information requirements under the CCA. Failure to comply with these requirements may have a significant impact. For example: (a) the credit agreement is unenforceable against the customer for any period when the lender fails to comply with requirements as to periodic statements, arrears notices or default fee notices (although any such unenforceability may be cured prospectively by the lender complying with requirements as to periodic statements, arrears notices and default fee notices); (b) the customer is not liable to pay interest or default fees for any period when the lender fails to comply with requirements as to periodic statements or arrears notices; and (c) interest on default fees is restricted to nil until the 29th day after the day on which a notice of default fees is given and then to simple interest (i.e. interest may only be calculated on the principal amount of the default fee).

**Liability for misrepresentations and breach of contract and set-off**

(a) *Regulated consumer credit contracts*

Under section 75 of the CCA, a Customer may make a claim against Black Horse as well as a supplier for misrepresentations made by the supplier in a transaction between the supplier and the Customer during negotiations between them before execution of the relevant regulated consumer credit contracts or for a breach of contract. This liability arises in relation to, for example, insurance products where the creditor can be liable to the Customer for misrepresentation or breach of contract by an insurer (or a dealer on its behalf) in relation to an insurance contract between the insurer and the Customer and financed by a regulated consumer credit contract. A Customer may set-off the amount of the claim against the amount owing under the regulated consumer credit contract (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

In all the above circumstances, Black Horse normally has a right to be reimbursed by the supplier for any amount paid to the customer regarding the customer's claim and any costs (including legal costs) incurred in defending the claim.

In addition under section 56 of the CCA where a credit broker, such as a dealer, carries out antecedent negotiations with a debtor those negotiations will be deemed to be performed in the capacity of agent of the creditor as well as in his actual capacity. As a

result Black Horse will be potentially liable for misrepresentations made by a credit broker involved in introducing a Customer to Black Horse. This liability arises in relation to the Vehicle, and applies for example, to the dealer's promise to the customer on the quality or fitness of the Vehicle, and can extend, for example, to the dealer's promise to apply a part-exchange allowance to discharge an existing credit agreement. If such pre-contractual statement is a misrepresentation or implied condition in the regulated consumer credit contract, then the Customer has a right to, amongst other things, rescind the contract and return the goods, and to treat the contract as repudiated by Black Horse and accept such repudiation by notice, and is not liable to make further payments, and may claim repayment of the amounts paid by the Customer under the contract and damages such as the cost of hiring an alternative vehicle. The Customer may set-off the amount of such money claim against the amount owing by the customer under the credit agreement or any other credit agreement he has taken with Black Horse (or exercise analogous rights in Scotland). Such set-off may adversely affect the Issuer's ability to make payments in full when due on the Notes.

(b) *All receivable agreements (including regulated consumer credit contracts)*

Under the Supply of Goods (Implied Terms) Act 1973 a Customer may also make a claim for breach of contract against Black Horse or, potentially, terminate the Receivable Agreement for repudiatory breach if the Vehicle is not of satisfactory quality (which includes an assessment of whether it is fit for its intended purpose).

For agreements entered into on or after 1 October 2015 by a Customer acting wholly or mainly outside that Customer's trade, business, craft or profession) equivalent protections are set out in the Consumer Rights Act 2015.

Black Horse cannot exclude liability for breach of a consumer's statutory rights arising either under the Supply of Goods (Implied Terms) Act 1973 or the Consumer Rights Act 2015 and any exclusion where the Customer is a business customer will be subject to a test of reasonableness.

In the above circumstances, Black Horse will normally have a right to claim against the dealer or supplier for any amount paid to the Customer regarding the Customer's claim and any costs (including legal costs) incurred in defending the claim. If such case arises and the Customer's claim is successful, Black Horse would also ordinarily seek to sell the Vehicle back to the dealer.

### **Protected Goods**

If, under a regulated consumer credit contract, the Customer has paid Black Horse one-third or more of the total amount payable under the relevant regulated consumer credit contract, the Vehicle becomes "protected" under section 90 of the CCA and Black Horse does not have the right to repossess it, unless Black Horse first obtains an order from the court to this effect. If, however, the Customer terminates the regulated consumer credit contract, the Vehicle ceases to be "protected" and Black Horse may effect repossession unless the court grants the Customer a "time order" rescheduling the Customer's outstanding liabilities under the regulated consumer credit contract, or otherwise exercises any other discretion which it may have under the CCA. If any of the Vehicles used by Customers are protected, this could cause delays in recovering amounts due from the Customers and may reduce amounts available to Noteholders.

### **Unfair Terms in Consumer Contracts Regulations 1999**

The Unfair Terms in Consumer Contracts Regulations 1999 (the "**UTCC Regulations**") apply in relation to the HP Agreements involving consumers entered into prior to 1 October 2015. A Customer may challenge a term in an agreement on the basis that it is "unfair" within the meaning of the UTCC Regulations and therefore not binding on the Customer.

A term shall be regarded as unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties' rights and obligations arising under the contract to the detriment of the consumer. It should be noted that there is no strict definition as to what will constitute an "unfair" term, although Schedule 2 to the UTCC Regulations provides a (non-exhaustive) list of terms that may potentially be deemed to be unfair. The assessment of unfairness will take into account all the circumstances attending the conclusion of the contract.

Ultimately, only a court can decide whether a term is fair; however, it will take into account any relevant guidance published by the Competition and Markets Authority or the FCA. The FCA had previously published guidance on how it would interpret the UTCC Regulations. This guidance was withdrawn in March 2015 following a number of decisions by the Court of Justice of the European Community and the then impending enactment of the CRA15 on 1 October 2015 and the repeal on that date of the UTCC Regulations. The FCA will also consider the terms of agreements, and how the terms are applied in light of their "Treating Customers Fairly" principle. In particular, they will look at whether satisfactory outcomes have been achieved for customers.

For transactions entered into on and after 1 October 2015, the CRA15 will apply in place of the UTCC Regulations. The CRA15 continues to provide consumers with substantially the same rights as they enjoyed under the UTCC Regulations and also extends protection to announcements or other communications, whether or not in writing, that may be seen by the consumer that are related to the HP Agreement. The CRA15 makes both consumer contracts and consumer notices unenforceable if they fail the fairness test; introduces a more stringent test for fairness by making main subject matter of the contract or terms which set the price subject to the fairness test if they are not both transparent and prominent; and introduces new terms into the list of potentially unfair clauses in consumer contracts.

No assurance can be given that the implementation of the CRA15 or changes to guidance will not have an adverse effect on the Purchased Receivables, Black Horse, the Servicer, the Issuer and their respective businesses and operations. The broad and general wording of the UTCC Regulation and the CRA15 makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any agreements made with consumers may contain unfair terms, which may result in the possible unenforceability of those unfair terms. This may adversely affect the ability of the Issuer to dispose of Purchased Receivables, or any part thereof, in a timely manner and/or the realisable value of the Purchased Receivables, or any part thereof, and accordingly affect the ability of the Issuer to meet its obligations under the Notes when due.

No assurance is given that future changes to the CRA15, the manner in which the CRA15 is applied, interpreted or enforced or changes to guidance relating to the CRA15 will not have an adverse effect on the Purchased Receivables, Black Horse, the Servicer, the Issuer and their respective businesses and operations. This may adversely affect the ability of the Issuer to dispose of Purchased Receivables, or any part thereof, in a timely manner and/or the realisable value of the Purchased Receivables, or any part thereof, and accordingly affect the ability of the Issuer to meet its obligations under the Notes when due.

### **Unfair Commercial Practices Directive 2005**

On 11 May 2005, the European Parliament and the Council adopted the Unfair Commercial Practices Directive (SI 2005/29/EC), or the "**UCPD**". The UCPD is a maximum harmonisation

Directive, which means that (except for financial services and immoveable property) Member States may not impose more stringent terms than those provided for by the UCPD.

The UCPD seeks to harmonise unfair trading laws in all Member States by: (i) introducing a general prohibition on traders not to treat consumers unfairly; (ii) obliging businesses not to mislead consumers through acts or omissions or through subjecting them to aggressive commercial practices such as high pressure selling techniques; and (iii) introducing a prohibition of specified practices that will be deemed unfair in all circumstances. The UCPD has a wide scope in that it prohibits unfair business-to-consumer practices in all sectors, however, it only focuses on the protection of economic interests. Other interests such as health, safety, taste or decency are outside its scope.

The UCPD is intended to protect only the collective interests of consumers; it does not seek to provide individual consumers with a private right of action.

The Consumer Protection from Unfair Trading Regulations 2008 (SI 2008/1277), or the "**Consumer Protection Regulations**", which implement the UCPD, came into force on 26 May 2008.

The Consumer Protection Regulations include three key restrictions:

- (a) Regulation 3 sets out a general prohibition of unfair commercial practices, so as to catch all practices which do not fall into the specific prohibitions of misleading and aggressive practices or the specifically banned practices. Under Regulation 3, a commercial practice is "unfair" if:
  - (i) the practice contravenes the requirements of "professional diligence" (which is the special skill and care a trader may be reasonably expected to exercise commensurate with honest market practice or the general principle of good faith in its field of activity; and
  - (ii) the practice materially distorts or is likely to materially distort the economic behaviour of the average consumer with regard to the product in question.
- (b) Regulations 5 to 7 set out specific prohibitions regarding misleading actions or omissions, and aggressive practices, respectively.
- (c) Schedule 1 to the Consumer Protection Regulations contains a list of 31 specified commercial practices that are in all circumstances to be deemed unfair. Evidence of their effect, or likely effect, on the average consumer is not required to prove a breach under the Consumer Protection Regulations.

Enforcers (such as the Competition Markets Authority, FCA and local trading standards authorities) may take civil enforcement action regarding a breach of the Consumer Protection Regulations. Consumers also have a right to redress for breach of the Consumer Protection Regulations, including a right to unwind agreements, claim damages or obtain a discount. In the event that multiple claims are made against Black Horse by consumers for breach of the Consumer Protection Regulations no assurance can be given as to whether any action under the Consumer Protection Regulations will have a material adverse effect on the Receivable Agreements and accordingly on the Issuer's ability to make payments in full when due on the Notes.

The Consumer Protection Regulations require the Competition and Markets Authority (or before 1 April 2014, the OFT) and local trading standards authorities to enforce the Consumer Protection Regulations by prosecution or by seeking an enforcement order to prevent a business from



carrying on unfair practices. In addition, the FCA (or before 1 April 2014, the OFT) addresses unfair practices in its regulation of consumer finance. No assurance can be given that any regulatory action or guidance related to the Consumer Protection Regulations will have a material adverse effect on the Receivable Agreements and accordingly on the Issuer's ability to make payments in full when due on the Notes.

### **FCA on-going work in the motor finance market**

As set out in its Business Plan 2017-18, the FCA is looking at the motor finance market to develop its understanding of the relevant products and how they are sold, and to assess whether the products cause harm to consumers and if the market is functioning as well as it could. The FCA is focusing on whether risks in relation to transparency, potential conflicts of interest and irresponsible lending in the sector are appropriately mitigated. The FCA published an interim report in March 2018 and is expected to publish a consultation paper on potential rule changes in September 2018. It is also possible that individual firm feedback may be provided; and/or the FCA may take action against any firm in respect of any breach of existing FCA rules in line with its enforcement policy and process.

### **Equitable Assignment**

The assignment by Black Horse in its capacity as Seller to the Issuer of the benefit of the Receivables which are governed by the laws of England will take effect in equity because no notice of the assignment will be given to Customers on the Closing Date. The Issuer has granted the Security Trustee a charge over, among other things, its beneficial interest in the Receivables.

The lack of notice to a Customer of the assignments by Black Horse has the following legal consequences:

- (a) notice to the Customer would mean that the Issuer would take priority over any interest of a later encumbrancer or assignee of the rights of Black Horse who has no notice of the assignment to the Issuer;
- (b) notice to a Customer would mean that the Customer should no longer make payment to Black Horse as creditor under the relevant Receivable Agreement but should make payment instead to the Issuer. If the Customer were to ignore a notice of assignment and pay Black Horse for its own account, the Customer would still be liable to the Issuer for the amount of such payment. However, for so long as Black Horse remains Servicer under the Servicing Agreement it is also the agent of the Issuer for the purposes of the collection of the Receivables and will, accordingly, be accountable to the Issuer for any amount paid to it regarding the Receivables;
- (c) until notice is given to the Customer, equitable set-offs (such as for misrepresentation and breach of contract as referred to in "Liability for misrepresentations and breach of contract" above) and other rights of set-off (for example, the statutory set-off rules applicable on insolvency of the Seller) may accrue in favour of the Customer regarding his obligation to make payments under the relevant Receivable Agreement. These may, therefore, result in the Issuer receiving less moneys than anticipated from the Receivables. The assignment of the Receivables to the Issuer will be subject both to any prior equities which have arisen in favour of the Customer before the assignment and to any equities which may arise in the Customer's favour after the assignment until such time (if ever) as he receives actual notice of the assignment. Set-off rights arising under claims arising out of a transaction connected with a Receivable Agreement will not be affected by that notice;

- (d) notice to the Customer would prevent Black Horse and the Customer amending a Receivable Agreement without the involvement of the Issuer. However, Black Horse will agree not to impair in a material respect the rights of the Issuer or the Security Trustee in the Receivable Agreements, other than according to its usual operating policies (as described below); and
- (e) lack of notice to the Customer means that the Issuer will have to join Black Horse as a party to any legal action which the Issuer may choose to take against any Customer. Black Horse will, however, grant powers of attorney to the Issuer and the Security Trustee (or appoint the Issuer and the Security Trustee as substitute attorneys) under which the relevant attorney or substitute attorneys will have the right to make demands and sue for amounts due under the Receivable Agreements.

### **Scottish Receivables**

Legal title to Receivables governed by the law of Scotland (the “**Scottish Receivables**”) will remain with Black Horse because no formal assignation thereof, duly intimated to the relevant Customers, will be made. The transfer of the benefit of the Scottish Receivables by Black Horse to the Issuer will be given effect to by the Scottish Trusts constituted pursuant to each Scottish Transfer under which Black Horse will hold the benefit of the Scottish Receivables on trust for the Issuer. The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences to the holding of an equitable interest in England and Wales, as set out above. The transfer of the benefit by Black Horse to the Issuer of Vehicle Proceeds governed by Scots law is given effect to by the Scottish Vehicle Proceeds Floating Charge granted by Black Horse in favour of the Issuer.

The security granted by the Issuer in favour of the Security Trustee includes an assignation in security of the Issuer’s interest in the Scottish Receivables.

It should be noted that it may be difficult to trace and repossess a Vehicle, that the Vehicle Proceeds may be less than the net present value of the relevant Receivable Agreement, that a Vehicle may be subject to an existing lien (for example, related to repairs performed by a garage for which no payment has yet been made) and that action to recover outstanding amounts may not be pursued if to do so would be uneconomic.

### **Insurance**

Each Receivable Agreement requires the Customer to take out comprehensive motor insurance, save for Receivable Agreements in respect of motorbikes where the Customer is required to take out and maintain, at a minimum, third party, fire and theft insurance and to assign to the Seller the proceeds of any claim for the loss, theft or damage beyond repair of the Financed Vehicle, and to pay such proceeds over to the Seller in part settlement of the relevant Receivable Agreement.

Because Black Horse does not track that insurance is maintained on the Financed Vehicle, it is not certain whether such insurance is in place or that it is effectively assigned by way of security to the Issuer or that Black Horse will receive any moneys from such insurance.

### **Restriction on Assignment**

If Black Horse has agreed or agrees with any Customer on restrictions on the assignment of the Receivables, such Receivables may not be validly assigned to the Issuer under the Receivables Sale Agreement. Any assignment of a Receivable which contravenes such restriction on assignment generally will be invalid. Where such Receivable Agreement is entered into with a company, merchant or sale trader as Customer, such assignment would not be invalid, but such

Customer may continue to repay the Receivables to Black Horse with discharging effect, notwithstanding notice of assignment being given to it. The terms of Black Horse's standard Receivable Agreements, however, do not prohibit Black Horse from assigning rights under such standard Receivable Agreements.

### **Banking legislation**

The Banking Act 2009 or the "**2009 Act**", as amended by the Financial Services (Banking Reform) Act 2013 or the "**Banking Reform Act**", gives the UK Treasury, the Bank of England and the Prudential Regulation Authority powers to act, under a special resolution regime, to address situations where all or part of the business of a United Kingdom institution with permission to accept deposits, or a "**UK Deposit-Taker**", such as the Account Bank) (each a "**Relevant Entity**"), has encountered, or is likely to encounter, financial difficulties. The UK Treasury and the Bank of England have been given wide powers to support the implementation of the stabilisation measures contemplated by the 2009 Act and the Banking Reform Act. The UK Treasury may take a UK Deposit-Taker into temporary public ownership by means of a share transfer order. The Bank of England may also transfer all or part of a UK Deposit-Taker's business to a private sector purchaser or a bridge bank wholly owned by the Bank of England. A transfer to a bridge bank may be achieved by a property transfer. The Bank of England may also modify contractual arrangements (including those with group companies). The Banking Reform Act has also introduced a "bail-in option", which is an additional power for the Bank of England to enable it to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors.

In addition to the stabilisation powers mentioned above, the 2009 Act provides for two special insolvency proceedings, referred to as a modified form of liquidation or "bank insolvency" and a modified administration procedure or "bank administration" in relation to a residual bank where there has been a partial property transfer to a bridge bank or a private sector purchaser which may be started by specified UK authorities in relation to relevant UK Deposit-Takers.

Certain amendments were also made to the 2009 Act with effect from 1 August 2014 pursuant to the Financial Services Act 2012, including extending certain stabilising powers to, amongst others, "banking group companies". A "banking group company" is defined by reference to the definition of "group undertaking" set out in section 1161 of the Companies Act 2006 as being a company in the same group as a UK bank. Whether a company is a group undertaking as defined in section 1161 of the Companies Act 2006 with respect to a UK bank (or other relevant UK entity for these purposes) is in practice likely to be primarily an accounting consolidation test based on relevant accounting principles.

It is not certain whether the noteholders will be adversely affected by action taken against a Relevant Entity under the 2009 Act or the Banking Reform Act and/or whether this would affect the ability of the Issuer to satisfy all or any of its obligations under your Notes.

### **Banking Reform Act 2013**

As a result of the Banking Recovery and Resolution Directive 2014/59/EU of 15 May 2014 or "**BRRD**", it is possible that a credit institution or investment firm with its head office in an EEA state and/or certain group companies could be subject to certain resolution actions in that state. Any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

On 23 November 2016, the European Commission presented a comprehensive package of reforms in order to further strengthen the resilience of banks resident in the European Union, to

improve banks' lending capacity and to improve liquidity of the markets, including a proposal to amend the BRRD. To fast-track selected parts of the proposal, the Directive (EU) 2017/2399 amending the BRRD (the "**BRRD Amending Directive**") as regards the ranking of unsecured debt instruments entered into force on 28 December 2017. At this stage it cannot be predicted when and in which form the remaining parts of the proposal may be implemented, nor the impact of the BRRD Amending Directive and future amendments on the Noteholders

## **V. Tax Risks**

### **Securitisation Company Regulations**

The Issuer will be subject to corporation tax solely on its retained amount for so long as it remains a "securitisation company" as defined in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). The Issuer has been advised that it will be a "securitisation company". If the Issuer ceases to qualify as a securitisation company for the purposes of those regulations, the Issuer will be subject to corporation tax in the United Kingdom under general principles. In these circumstances, the ability of the Issuer to meet its payment obligations to you under the Notes may be prejudiced.

*For more details about the application of UK tax law on the Notes and the Issuer, you should read "Taxation".*

### **Withholding tax (including FATCA)**

The Notes will not provide for gross-up of payments if payments on the Notes become subject to withholding taxes. As of the date of this Prospectus, no withholding or deduction for or on account of United Kingdom income tax will be required on interest payments to any holders of the Offered Notes provided that the Offered Notes are and continue to be listed on a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for such purposes, and the Offered Notes will be treated as listed on the London Stock Exchange if the Offered Notes are listed and admitted to trading on the Main Market of the London Stock Exchange.

All payments to be made by the Seller, the Servicer and/or the Cash Manager will be made without withholding or deduction from or on account of taxes, unless required by law (or under FATCA), in which case they will be made net of required withholding or deduction and in this case you may suffer a loss as the Issuer may not have sufficient funds to make payments of interest and/or principal on the Notes.

All payments to be made by the Customers under the Receivables will be made without withholding or deduction for taxes, unless required by law (or under FATCA), in which case, payments made by the Customers will be made net of required withholding or deduction and consequently, payments on your Notes could be reduced or delayed.

*For more details about the tax status of the Notes and FATCA, you should read "Taxation".*

### **Financial transactions tax**

On 14 February 2013, the EU Commission adopted a proposal (the "**Commission's Proposal**") for a Council Directive) on a common financial transaction tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT is still subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

**THE ISSUER BELIEVES THAT THE RISKS DESCRIBED ABOVE ARE THE PRINCIPAL RISKS FOR THE NOTEHOLDERS, BUT THE INABILITY OF THE ISSUER TO PAY INTEREST AND PRINCIPAL ON THE NOTES MAY OCCUR FOR OTHER REASONS AND THE ISSUER DOES NOT REPRESENT THAT THE ABOVE STATEMENTS REGARDING THE RISK OF HOLDING THE NOTES ARE EXHAUSTIVE. ALTHOUGH THE ISSUER BELIEVES THAT THE VARIOUS STRUCTURAL ELEMENTS DESCRIBED IN THIS PROSPECTUS MITIGATE SOME OF THESE RISKS FOR THE NOTEHOLDERS, THERE CAN BE NO ASSURANCE THAT THESE MEASURES WILL BE SUFFICIENT TO ENSURE FULL PAYMENTS TO THE NOTEHOLDERS OF INTEREST AND PRINCIPAL ON A TIMELY BASIS OR AT ALL.**

## **SELLER, SERVICER, CASH MANAGER AND SUBORDINATED LOAN PROVIDER**

### **General**

Black Horse Limited (**Black Horse**) was incorporated in England and Wales on 1 June 1960 (registration number 00661204). Black Horse's registered office is at 25 Gresham Street, London EC2V 7HN. Black Horse is an indirect subsidiary of Lloyds Bank plc. The company regarded as the ultimate parent and controlling party of Black Horse is Lloyds Banking Group plc.

Black Horse has operated under its current name since 5 July 2001. Black Horse is one of the largest independent point of sale finance providers in the United Kingdom for the car, motorcycle and caravan market. Black Horse originates business through a network of franchised and independent dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland. In addition, Black Horse provides a range of motor finance retail products to assist customers with vehicle ownership. Black Horse also administers a range of wholesale products to support dealers with funding demonstrators and vehicle stocking.

Black Horse is authorised as a finance provider under the Financial Services and Markets Act 2000 (**FSMA**) as amended by the Financial Services Act 2012. Black Horse is authorised and regulated by the Financial Conduct Authority (**FCA**).

*For more details, you should read "Seller and Servicer — Servicing and Collections".*

### **Securitisation Experience**

Black Horse has been involved in two previous securitisation transactions, (i) a public securitisation in February 2011 with Cardiff Auto Receivables Securitisation 2011-1 Plc and (ii) a private securitisation in October 2011 with Private Asset Receivables Securitisation 2011-1 Plc, with both transactions being redeemed in 2012.

### **Black Horse's Vehicle Finance Business**

Within the vehicle finance industry in the UK, Black Horse is one of the major providers of point of sale (POS) car finance. Black Horse, having originated assets relating to motor finance (excluding contract hire) of approximately £9.5 billion at 31st December 2017. Black Horse originated the following amounts of Hire Purchase (HP) and Personal Contract Purchase (PCP) business in the UK in the last five years:

### **Motor vehicle hire-purchase and personal contract purchase originated by Black Horse**

## Black Horse Limited POS Car Finance

New Business Volume (£m)

	2013	2014	2015	2016	2017
<b>HP</b>					
<b>Cars</b>	1,070	1,334	1,339	1,439	1,608
<b>Motorbikes</b>	30	42	85	103	73
<b>LCV's</b>	89	122	134	133	147
	<b>1,189</b>	<b>1,498</b>	<b>1,558</b>	<b>1,675</b>	<b>1,828</b>
<b>PCP</b>					
<b>Cars</b>	274	1,396	1,997	2,554	2,920
<b>Motorbikes</b>	24	53	71	92	103
<b>LCV's</b>	-	30	38	15	3
	<b>298</b>	<b>1,479</b>	<b>2,106</b>	<b>2,661</b>	<b>3,026</b>
<b>Total</b>					
<b>Cars</b>	1,344	2,729	3,336	3,993	4,528
<b>Motorbikes</b>	54	96	156	196	176
<b>LCV's</b>	89	152	173	148	150
	<b>1,487</b>	<b>2,977</b>	<b>3,665</b>	<b>4,336</b>	<b>4,854</b>

Black Horse originates vehicle hire-purchase business through a network of dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland.

*For more details about the pool of Receivables, you should read "Receivables — Composition of the Receivables".*

### Origination, Underwriting and Purchasing

#### Origination Channels

Black Horse originates vehicle hire-purchase and personal contract purchase business through a network of dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland.

Black Horse's vehicle finance business is introduced by third party motor dealers at the point of sale. Where dealers introduce contracts, they are responsible for collecting all customer application data such as the applicant's name, address and occupation, which is recorded on an application form on Black Horse's or the dealers own point of sale system.

#### HP Agreements

HP Agreements are available for both New Vehicles and Used Vehicles. HP Agreements contain standard rental terms where an initial payment may be required and the balance is either (i) amortised in equal monthly instalments or (ii) in addition to monthly instalments, the final rental payment is greater than the previous payments and such final rental payment is not optional in accordance with the terms of such contract. At the end of the term of the HP Agreement, following payment of an "option to purchase" fee, title in the vehicle will pass to the Customer.

### ***PCP Agreements***

PCP Agreements are similar to HP Agreements but with an optional additional larger "balloon" final rental payment at the end of the term of the PCP Agreement, where the Customer can either settle the contract by paying the balloon final rental payment (and thereby purchase the vehicle) or, subject to the vehicle being in a condition acceptable to Black Horse and within agreed mileage, return the vehicle to Black Horse in full and final settlement of the PCP Agreement.

Where the Customer chooses to retain the vehicle under a PCP Agreement, title in the vehicle passes to the Customer when the Customer pays the balloon final rental payment (which includes the "option to purchase" fee). The balloon final rental payment is less than or equal to a 'guaranteed future value' ("**GFV**") agreed when the contract was arranged. The GFV is established with reference to the vehicle specification (model and equipment), the term and mileage.

Where the Customer chooses to return the Vehicle, Black Horse then sells the Vehicle. The sale proceeds of the Vehicle are transferred to the Issuer as Vehicle Proceeds, with any shortfall being written off by the Issuer and not recovered from the Customer.

### ***Application Processing***

Black Horse's standard application processing procedures require completion of an application in respect of each applicant. If the applicant is a consumer, the form will contain certain information about the prospective customer (such as information about his employment and whether he is a home owner) for the purpose of assessing his creditworthiness. All new applications are captured electronically, online, via dealer point of sale technology in motor dealer premises. The information obtained from the application is processed by Black Horse staff and is used in the credit scoring system described below. An application is accepted or rejected after applying this credit scoring process.

If an application is accepted, in over 65 per cent. of circumstances the agreement form is signed electronically by the customer at the relevant dealer's premises with the remaining forms being signed by the customer and forwarded to Black Horse's business operations team. The contract details, together with any other relevant information, are stored on computer and used for future contract servicing. A scan of the finance agreement is retained for a period of 10 years from the date of completion of the relevant contract so that appropriate legal remedies may be pursued against the customer if necessary.

### ***Car Data Registration and Credit Assessment***

The car data registration team (the "**CDR Team**") ensures that vehicles are protected and correctly registered. The CDR Team look for any vehicles which have had a plate change, not been registered with the DVLA, are subject to a prior or subsequent interest and deal with each appropriately to ensure that Black Horse's vehicles are properly registered and protected.

Black Horse invests considerable resources vetting applications to assess the creditworthiness of applicants. The decision to grant credit in respect of any application is made in accordance with the company's credit policy. A mandate structure exists so that those cases where the applicant requires a larger amount of credit or where the terms are perceived to represent a higher risk are referred to experienced credit assessors.

All motor lending decisions are handled by Black Horse's motor operations team Cardiff.

### ***Consumer applications***



Once the application form, which has been completed at the dealer's premises, has been checked for completeness, it is subject to two elements of credit assessment. Firstly, a reference is obtained from a credit reference agency, through direct online links with Experian Limited. This allows the applicant's name and address to be verified and gives a credit history. This credit history will include data on current and prevailing credit facilities utilised by an individual, including (where available) the repayment profile under each facility. The reference will show any facility which has been terminated by a lender for breach and any county court judgments which have been made against the applicant. A vehicle data check is also carried out to ensure that nothing adverse is recorded against the vehicle such as being a stolen vehicle, an insurance write-off or already on finance with another provider.

Secondly, the application is credit scored, a process which involves a statistical method of credit assessment which gives certain weightings to individual characteristics, which have proved historically to be predictive of actual credit performance, and generates a credit score. Characteristics included in the scorecard incorporate the results of the credit reference check, alongside demographic data given by the applicant. The credit score is checked against a predetermined cut-off level. An application with a credit score which fails to attain that level can only be accepted after specific intervention by a Black Horse credit assessor, in accordance with an approved mandate structure. The volume and performance of the cases where there has been specific intervention is separately monitored. In addition, the company applies a number of lending policy rules governing the size of deposits and the term of agreements.

Since 1994, Black Horse has used in-house expertise to develop its own score cards. Scorecards may be redeveloped as required, and are subject to regular periodic monitoring and review. They are also subject to review via an independent model monitoring team. Redevelopment may be for numerous reasons, including a change in business strategy or risk appetite, consistent and marked deterioration in current model performance or legislative change. The performance of each score card is subject to two forms of continuing assessment. The first compares the demographic characteristics of current applicants with those of the applicants used to develop the score card. The second compares actual credit performance with that predicted by the scorecard.

With respect to motor fraud, Black Horse adopts a number of policies to aid in its prevention. Policy rules and a rule-based fraud index look to refer any potentially risky cases to lending officers to help determine whether a potential fraudulent application has been received. The "Hunter" assessment tool is also utilised by fraud prevention specialists to assist in spotting any fraudulent applications. In addition, an acceptance condition of all motor agreements is for a driving licence or a provisional driving licence in the customer's name and bearing a declared address to be submitted by the dealer in line with money laundering "Know Your Customer" regulations. This proof of identity is electronically validated by software embedded into the funding process.

### ***Deposits paid by Customers***

Customers entering into contracts to finance motor vehicles or motorbikes may pay a deposit. The amount of the deposit paid by customers varies as a percentage of the cash price of the vehicle being financed. The level of deposits paid by customers affects the exposure Black Horse has in recovering amounts owed to it out of the sale proceeds of vehicles following repossession. Further information on the level of customer deposits is set out below in the section entitled "*The Provisional Portfolio - Summary of Provisional Portfolio*".

### ***Payment-Clearing Procedure***

All new hire-purchase and personal contract purchase contracts are set up with a direct debit mandate in place. This is actioned through the generation, on a daily basis, of a computer tape

passed to the Association for Payment Clearing Services. Following signing of the contract, a customer may be permitted in certain circumstances to complete a standing order via the customer services team, instructing the customer's bank to pass funds to Black Horse, which receives, on a daily basis, a computer tape from the Association for Payment Clearing Services recording the amounts which have been paid. The use of standing orders is typically only permitted to help resolve any technical repayment issues a Customer may be facing. Thirdly, customers may pay in cash or by cheque at a branch of Lloyds Bank plc or of another clearing bank or through the post to Black Horse's central office. Customers can also make payments using the IVR or web self-service facility using their debit card or via internet banking.

### ***Dealer Arrangements***

When Black Horse enters into a vehicle hire-purchase agreement with a customer introduced by a dealer, the dealer enters into a contract of sale with Black Horse whereby the dealer sells the vehicle to Black Horse for the purpose of leasing it on hire-purchase to the customer. If there is a breach of any of the express and implied terms of the contract of sale, Black Horse has a right of action against the dealer.

### **Servicing and Collections**

The company's collection policy is controlled centrally. Responsibility for arrears and default control lies with Black Horse's collection centres at Black Horse's motor operations teams.

Collections procedures have been established, based on computerised systems, with clearly defined rules set out by Black Horse. These rules will not be amended without the prior written consent of the Security Trustee (acting on the instructions of the Controlling Class) (except changes required by applicable law or regulatory guidance) if, in the reasonable opinion of Black Horse, the result of such amendment could reasonably be expected to adversely affect the Issuer or its interest in the Purchased Receivables.

In accordance with current practice, the arrears policy is based upon the risk categorisation of a particular customer case. In the first instance, cases deemed to be a high risk will be dealt with on a different timetable compared to those customers deemed to be of a medium or low risk. For example, in a high risk case direct contact or a personal visit would typically be made with the relevant customer at the point at which they were six days in arrears. With respect to a medium risk case, outbound contact attempts would not be sent until the customer was 24 days in arrears. A low risk case would typically be contacted by outbound methods only after the customer was one month in arrears. The collection policy also allows for contact to be made by personal visits, text messages, letters, auto-voice systems, IVR and online self-service; where required tracing and repossession work is also completed. Letters are not impacted by the risk categorisation with the first one issued at eight days in arrears.

Once a case (irrespective of risk profile) is over 121 days in arrears it is also subject to tracing and repossession work, use of text messages and personal visits in order to attempt to return the relevant account to order if it will add value, for example, if we have identified a new address following tracing work. If repossession work is unsuccessful and we are aware of the location of the goods, the arrears policy looks to enforcement. In this scenario action is taken through the courts for the return of goods through litigation and enforcement action. A write off only occurs where all options have been exhausted and it is no longer economic to pursue the debt. At this point a debt sale may occur if the relevant account is eligible for sale.

In accordance with the Credit and Collection Procedures, Black Horse crystallises a loss with respect to an asset either following the sale of the relevant account to a third party or on sale of the Related Vehicle. For the purpose of the transaction, the Servicer will crystallise a loss on a

Receivable and credit a corresponding amount to the Principal Deficiency Ledger where a Receivable becomes a Defaulted Receivable, PCP Handback Receivable or VT Receivable, as applicable. Any such loss recorded on the Principal Deficiency Ledger will be recorded gross of any Recoveries and/or Vehicle Proceeds (if applicable).

The rights under each hire-purchase contract are pursued including the taking of legal action in all cases where the circumstances make such action economic and practicable.

### ***VT Receivables and Defaulted Receivables***

Any excess Vehicle Proceeds on Defaulted Receivables or VT Receivables are transferred to the Customer.

### ***Modifications, Relaxations***

In certain cases where a customer has been delinquent, Black Horse may, at its option, permit the terms of the contract (such as monthly payment amounts or payment dates) to be modified or relaxed if Black Horse believes that such a modification or relaxation will enhance the likelihood of settlement in full.

Under the Receivables Servicing Agreement, Black Horse has agreed that no changes shall be made to the Receivable Agreements comprised in the Portfolio unless such changes are Permitted Variations. In addition, if Black Horse agrees to any amendment or modification to any Receivable Agreement comprised in the Portfolio which is a Non-Permitted Variation, the Seller must repurchase such Receivable and the Related Receivable Agreement subject to such modifications on or before the end of the Calculation Period in which such Non-Permitted Variation occurs in accordance with the terms of the Receivables Sale Agreement.

### ***Vehicle Accident Insurance***

Although Black Horse owns the vehicle under a hire-purchase/personal contract purchase agreement, the customer, in possession of the vehicle, is legally responsible for obtaining (and maintaining) fully comprehensive insurance cover in respect of the vehicle, save for Receivable Agreements in respect of motorbikes where the Customer is required to take out and maintain, at a minimum, third party, fire and theft insurance. In seeking cover, the customer is obliged to state that the vehicle being insured is the subject of a hire-purchase contract or PCP contract, and the policy will be noted accordingly. Under the terms of the Receivable Agreement, the insurer must pay Black Horse any proceeds received in respect of an insurance claim not exceeding an amount equal to all amounts outstanding under the contract. In some circumstances, the relevant insurance company may settle an insurance claim by providing a replacement vehicle. In these circumstances, the contract with the customer is amended to reflect Black Horse's ownership of the replacement vehicle.

## Historical Performance

The below tables show the cumulative gross losses and cumulative recoveries from defaults over the entire portfolio of Black Horse. Historical performance cannot give assurance that performance will remain constant. Please see the risk factor entitled "*Performance of the Receivables is uncertain*" for more details.

Cumulative Gross Losses Defaults - Total Portfolio																						
		Months since Origination																				
		0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60
Quarter of Origination	Q1 2012	0.0%	0.1%	0.3%	0.5%	0.8%	1.0%	1.3%	1.6%	1.9%	2.1%	2.3%	2.6%	2.7%	2.9%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%	3.2%
	Q2 2012	0.0%	0.1%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.8%	2.0%	2.4%	2.7%	2.9%	3.0%	3.1%	3.1%	3.2%	3.2%	3.3%	3.3%	3.3%
	Q3 2012	0.0%	0.1%	0.3%	0.5%	0.7%	0.9%	1.1%	1.4%	1.5%	1.7%	2.1%	2.3%	2.5%	2.6%	2.7%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%
	Q4 2012	0.0%	0.1%	0.3%	0.5%	0.8%	1.0%	1.2%	1.4%	1.5%	1.7%	2.0%	2.2%	2.4%	2.4%	2.6%	2.6%	2.6%	2.7%	2.7%	2.7%	2.8%
	Q1 2013	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.1%	1.3%	1.5%	1.8%	2.0%	2.1%	2.3%	2.4%	2.4%	2.4%	2.5%	2.5%	2.5%	2.6%
	Q2 2013	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	0.9%	1.1%	1.3%	1.4%	1.6%	1.8%	2.0%	2.1%	2.2%	2.3%	2.4%	2.4%	2.4%	2.4%	2.5%
	Q3 2013	0.0%	0.1%	0.3%	0.4%	0.6%	0.7%	0.9%	1.1%	1.3%	1.4%	1.7%	1.9%	2.1%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.5%
	Q4 2013	0.0%	0.1%	0.2%	0.4%	0.5%	0.7%	0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.1%	2.3%	2.4%	2.5%	2.5%	2.6%	2.6%	2.6%	
	Q1 2014	0.0%	0.1%	0.1%	0.2%	0.4%	0.4%	0.6%	0.7%	0.9%	1.0%	1.2%	1.4%	1.6%	1.7%	1.8%	1.9%	2.0%	2.0%	2.0%		
	Q2 2014	0.0%	0.1%	0.1%	0.2%	0.4%	0.5%	0.7%	0.8%	1.0%	1.2%	1.4%	1.6%	1.8%	1.9%	2.0%	2.1%	2.1%	2.2%			
	Q3 2014	0.0%	0.1%	0.1%	0.3%	0.4%	0.6%	0.7%	0.9%	1.1%	1.3%	1.4%	1.6%	1.8%	1.9%	2.0%	2.1%	2.1%				
	Q4 2014	0.0%	0.1%	0.2%	0.3%	0.5%	0.6%	0.8%	0.9%	1.1%	1.3%	1.6%	1.8%	2.0%	2.2%	2.3%	2.4%					
	Q1 2015	0.0%	0.0%	0.1%	0.2%	0.4%	0.5%	0.7%	0.9%	1.1%	1.3%	1.5%	1.7%	1.9%	2.0%	2.1%						
	Q2 2015	0.0%	0.0%	0.1%	0.3%	0.5%	0.7%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%							
	Q3 2015	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.1%	1.3%	1.5%	1.7%	2.0%	2.2%	2.4%								
	Q4 2015	0.0%	0.1%	0.1%	0.3%	0.5%	0.7%	1.0%	1.2%	1.4%	1.6%	1.8%	2.1%									
	Q1 2016	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.1%	1.3%	1.5%	1.8%	2.0%										
	Q2 2016	0.0%	0.1%	0.2%	0.4%	0.6%	0.9%	1.2%	1.4%	1.7%	1.9%											
	Q3 2016	0.0%	0.0%	0.2%	0.4%	0.6%	0.8%	1.1%	1.3%	1.6%												
	Q4 2016	0.0%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.3%													
	Q1 2017	0.0%	0.1%	0.2%	0.4%	0.6%	0.9%	1.1%														
Q2 2017	0.0%	0.1%	0.2%	0.5%	0.8%	1.0%																
Q3 2017	0.0%	0.1%	0.2%	0.4%	0.7%																	

	Q4 2017	0.0%	0.1%	0.2%	0.5%																	
	Q1 2018	0.0%	0.1%	0.2%																		
	Q2 2018	0.0%	0.0%																			
	Q3 2018	0.0%																				

**Cumulative Recoveries from Default - Total Portfolio**

		Months since Default																				
		0	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60
Quarter of Default	Q1 2012	0.0%	44.6%	50.1%	53.8%	56.2%	58.4%	60.1%	61.2%	62.3%	63.2%	63.8%	64.2%	64.6%	64.8%	65.0%	65.2%	65.3%	65.3%	65.4%	65.4%	65.6%
	Q2 2012	0.0%	42.5%	47.5%	51.3%	54.2%	56.5%	58.3%	59.6%	60.5%	61.4%	61.8%	62.1%	62.4%	62.7%	62.9%	63.0%	63.1%	63.2%	63.3%	63.3%	63.4%
	Q3 2012	0.0%	44.0%	49.9%	53.5%	56.1%	58.2%	59.6%	60.9%	61.5%	62.0%	62.4%	62.7%	63.0%	63.4%	63.6%	63.7%	63.8%	63.8%	63.9%	63.9%	64.2%
	Q4 2012	0.0%	41.6%	50.6%	54.4%	57.6%	59.3%	60.7%	61.6%	62.5%	63.1%	63.6%	64.0%	64.3%	64.6%	64.7%	65.0%	65.2%	65.2%	65.4%	65.4%	65.5%
	Q1 2013	0.0%	45.4%	53.1%	57.6%	59.9%	61.7%	62.8%	63.6%	64.0%	64.5%	65.0%	65.2%	65.4%	65.7%	65.8%	66.0%	66.2%	66.4%	66.5%	66.6%	66.7%
	Q2 2013	0.0%	44.2%	50.8%	54.6%	56.6%	58.4%	59.5%	60.1%	60.5%	61.2%	61.7%	61.9%	62.1%	62.2%	62.4%	62.5%	62.6%	62.7%	62.8%	62.9%	62.9%
	Q3 2013	0.0%	42.4%	48.9%	53.3%	55.7%	57.3%	58.2%	58.9%	59.7%	60.6%	61.1%	61.4%	61.8%	62.0%	62.2%	62.5%	62.7%	62.8%	62.9%	62.9%	63.0%
	Q4 2013	0.0%	44.9%	52.6%	56.4%	58.4%	59.5%	60.6%	61.3%	61.8%	62.2%	62.6%	63.0%	63.4%	63.6%	63.8%	64.0%	64.1%	64.2%	64.3%	64.3%	
	Q1 2014	0.0%	44.0%	52.1%	55.3%	56.9%	58.3%	59.5%	60.2%	60.6%	61.1%	61.4%	61.9%	62.3%	62.6%	62.7%	62.9%	63.0%	63.1%	63.1%		
	Q2 2014	0.0%	41.1%	46.6%	49.6%	51.2%	52.6%	54.2%	55.2%	55.6%	56.2%	56.7%	57.2%	57.5%	57.8%	57.9%	58.1%	58.1%	58.2%			
	Q3 2014	0.0%	41.9%	48.7%	52.9%	55.2%	57.0%	58.7%	59.7%	60.6%	61.2%	61.8%	62.2%	62.6%	62.7%	63.0%	63.1%	63.3%				
	Q4 2014	0.0%	38.2%	46.5%	50.5%	52.9%	54.7%	56.3%	57.1%	57.7%	58.6%	59.5%	60.2%	60.7%	60.9%	61.2%	61.3%					

Q1 2015	0.0%	41.7%	49.2%	52.3%	54.5%	56.4%	58.0%	59.5%	60.6%	61.8%	62.4%	62.8%	63.2%	63.7%	63.8%						
Q2 2015	0.0%	39.3%	46.1%	49.2%	51.5%	53.3%	55.0%	56.3%	57.1%	58.3%	58.6%	58.9%	59.1%	59.5%							
Q3 2015	0.0%	40.5%	47.6%	52.3%	55.0%	56.8%	58.7%	60.5%	61.5%	62.3%	62.8%	63.3%	63.6%								
Q4 2015	0.0%	35.2%	45.0%	49.0%	51.5%	53.1%	54.3%	55.4%	56.3%	57.3%	58.0%	58.6%									
Q1 2016	0.0%	39.5%	46.5%	50.6%	53.3%	55.4%	57.7%	58.9%	60.1%	61.1%	62.1%										
Q2 2016	0.0%	36.7%	45.1%	50.3%	52.8%	55.3%	56.7%	58.2%	58.9%	59.8%											
Q3 2016	0.0%	35.2%	43.3%	48.0%	51.7%	54.3%	55.4%	56.7%	57.6%												
Q4 2016	0.0%	35.4%	43.4%	48.1%	51.4%	52.7%	54.2%	55.3%													
Q1 2017	0.0%	39.4%	46.3%	50.0%	52.5%	55.1%	57.0%														
Q2 2017	0.0%	34.9%	42.9%	47.3%	50.5%	52.7%															
Q3 2017	0.0%	35.9%	43.8%	48.0%	51.0%																
Q4 2017	0.0%	35.7%	43.1%	47.5%																	
Q1 2018	0.0%	37.1%	45.5%																		
Q2 2018	0.0%	37.0%																			
Q3 2018	0.0%																				

## **Retained Interest**

For so long as the listed Notes are outstanding, Black Horse, as the Originator, will retain the Class S Notes which equal, as at the Closing Date, a material net economic interest of not less than 5 per cent. of the nominal amount of the securitised exposures in this securitisation transaction in compliance with Article 405, paragraph (1) sub (d) of the CRR, Article 51 paragraph (1) sub (d) of the AIFMR and Article 254, paragraph (2) sub (d) of the Solvency II Regulation.

Information about Black Horse's retained interest will be included in the Monthly Reports in compliance with Article 405 paragraph (1) sub (d) of the CRR, Article 51 paragraph (1) sub (d) of the AIFMR and Article 254 paragraph (2) sub (d) of the Solvency II Regulation.

Black Horse, as the Originator, has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation which broadly include:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits,
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures,
- (c) diversification of credit portfolios given Black Horse's target market and overall credit strategy, and
- (d) policies and procedures in relation to risk mitigation techniques.

## THE PROVISIONAL PORTFOLIO

### General

Information contained in this section is based on the Provisional Portfolio as at the Provisional Pool Cut-off Date.

The Provisional Portfolio is comprised of Receivables originated by the Seller and, subject to subsequent repayments, redemptions or changes in eligibility, is expected to be purchased by the Issuer on the Closing Date. All Receivables in the Portfolio are derived from Receivable Agreements.

The Purchased Receivables which comprise the Portfolio will be purchased (and, as applicable, held under the Scottish Transfers) by the Issuer from Black Horse as Seller pursuant to the terms of the Receivables Sale Agreement to be entered into on the Closing Date. The information contained in this section relates to the Receivables which will satisfy the Eligibility Criteria as at the Closing Date, on which date the Purchased Receivables will be transferred by the Seller.

### The Receivables

The Receivables that will be sold to the Issuer by the Seller consist of a revolving pool of HP Agreements and PCP Agreements originated in the UK for the sale of Vehicles. On the Closing Date, Black Horse will sell the Initial Receivables, together with the Ancillary Rights and the Vehicle Proceeds arising under such Initial Receivables. After the Closing Date, Black Horse will sell Additional Receivables together with the Ancillary Rights and the Vehicle Proceeds arising under such Additional Receivables, to the Issuer. The sale of the Initial Receivables and the Additional Receivables will be completed under the Receivables Sale Agreement described in "*Principal Transaction Documents — Receivables Sale Agreement*".

The Issuer's assets will be:

- the Receivables and Collections on the Receivables applied after the applicable Sale Date,
- proceeds of sale of Financed Vehicles,
- rights under the Receivable Agreements,
- proceeds from claims on insurance policies covering the Financed Vehicles or the Customers,
- rights under the Scottish Vehicle Proceeds Floating Charge,
- rights under the Collection Account Trust,
- rights in the Issuer's reserve account and distribution account, and
- rights under the Transaction Documents.

The Receivables sold to the Issuer will not include the portion of the amount outstanding which relates to any amount paid by a Customer and applied on or before the applicable Sale Date:

The Receivables comprise claims against Customers in respect of payments due under Receivable Agreements for the provision of credit for the purchase of Vehicles.



Although the Customer is the registered keeper of the Vehicle, Black Horse retains title to the Vehicles. The Receivable Agreements contain provisions entitling, but not obliging, the Customer to purchase the Vehicle at the end of the hire period, normally on payment of a specified purchase fee.

The Receivable Agreements are governed by English law and Scottish law and take the form of hire purchase agreements ("**HP Agreements**") and personal contract purchase agreements ("**PCP Agreements**" or "**PCP**") between Black Horse and Customers.

### **HP Agreements**

The HP Agreements are available for both New Vehicles and Used Vehicles. HP Agreements contain standard rental terms where an initial payment may be required and the balance is either (i) amortised in equal monthly instalments or (ii) in addition to monthly instalments, the final rental payment is greater than the previous payments and such final rental payment is not optional in accordance with the terms of such contract. At the end of the term of the HP Agreement, following payment of an "option to purchase" fee, title in the vehicle will pass to the Customer.

### **PCP Agreements**

PCP Agreements are used for the financing of New Vehicles and Used Vehicles in the retail market. PCP Agreements are similar to HP Agreements but with an optional additional larger "balloon" final rental payment at the end of the term of the PCP Agreement, where the Customer can either settle the contract by paying the balloon final rental payment (and thereby purchase the Vehicle) or, subject to the Vehicle being in a condition acceptable to Black Horse and within agreed mileage, return the Vehicle to Black Horse in full and final settlement of the PCP Agreement.

Where the Customer chooses to retain the vehicle under a PCP Agreement, title in the vehicle passes to the Customer when the Customer pays the balloon final rental payment (which includes the "option to purchase" fee). The balloon final rental payment is less than or equal to a 'guaranteed future value' ("**GFV**") agreed when the contract was arranged. The GFV is established with reference to the vehicle specification (model and equipment), the term and mileage.

Where the Customer chooses to return the Vehicle, Black Horse then sells the Vehicle. The sale proceeds of the Vehicle are transferred to the Issuer as Vehicle Proceeds, with any shortfall being written off by the Issuer and not recovered from the Customer.

### **Selection of Receivables**

The Initial Receivables were and the Additional Receivables will be selected by Black Horse from its portfolio of retail Receivable Agreements that meet the Eligibility Criteria using selection procedures that Black Horse believes not to be adverse to Noteholders. The Eligibility Criteria include that:

- (1) As at the Initial Cut-Off and applicable Cut-Off Date during the Revolving Period each Receivable:
  - (a) has been randomly selected from a pool of eligible loans;
  - (b) relates to a New Vehicle or Used Vehicle; and
    - (i) an HP Standard Agreement designed as a fully amortising fixed rate hire-purchase agreement;

- (ii) a Lease Purchase Agreement designed as a fixed rate hire purchase agreement; or
- (iii) a PCP Agreement designed as a fixed rate personal contract purchase agreement;
- (c) is denominated and payable in Sterling;
- (d) is not a Defaulted Receivable, a PCP Handback Receivable or a VT Receivable;
- (e) has an Outstanding Principal Balance of not less than £1,000 or greater than £80,000;
- (f) is not a Delinquent Receivable;
- (g) has had at least one monthly payment made in respect of it by the Customer;
- (h) is not a Receivable Agreement in respect of which insurance products have been sold or financed;
- (i) does not have an annual percentage rate of the total charge for credit (APR) in excess of 25 per cent;
- (j) has a credit score of "A", "B" or "C" in accordance with the Seller's Credit and Collection Procedures;
- (k) is freely transferable by the Seller;
- (l) in respect of which no withholding taxes are applicable to any payments made under the relevant Receivable Agreement;
- (m) in respect of which no stamp duty or stamp taxes are payable in connection with the assignment or transfer over or in respect of the Receivables or Ancillary Rights to the Issuer;
- (n) does not result in more than 75 per cent. of the Portfolio by Aggregate Outstanding Principal Balance comprising Purchased Receivables in respect of which the Related Receivable Agreements are PCP Agreements;
- (o) in respect of which, the Seller's interest in relation to the Related Vehicle is registered with a nationally recognised agency that regulates and records interests in vehicles (including Car Data Register);
- (p) is not classified on the Seller's systems or identified in its records as "Refer to File" indicating that it falls into one or more specified categories which, for example, indicates quality disputes, modified agreements, voluntary terminations, insurance claim pending, cast doubt on the creditworthiness of the Customer, such as where fraud is suspected or legal proceedings have been commenced;
- (q) is due from a Customer who does not have a credit assessment indicating, based on the originator's underwriting policy, a significant risk that contractually agreed payments will not be made; and
- (r) has a remaining term of not less than two months.
- (2) As at the relevant origination date, in respect of each Receivable, the Related Receivable Agreement:

- (a) is due from a Customer who:
  - (i) was resident in England, Wales or Scotland;
  - (ii) was not insolvent or bankrupt and no proceedings for the commencement of insolvency proceedings are pending in any jurisdiction against it (to the best knowledge of the originator); and
  - (iii) has not had a county court judgment (or the Scottish equivalent) entered or awarded against him on or in the three years prior to the date of origination of the relevant Receivable.
- (b) was originated at point of sale, and not by direct lending;
- (c) has been entered into with a Customer that is an individual;
- (d) was originated after 31 March 2017;
- (e) did not have a loan-to-value ratio of over 100 per cent;
- (f) had an term of not more than:
  - (i) 50 months if the underlying contract is a PCP Agreement; or
  - (ii) 61 months if the underlying contract is an HP Agreement; and
- (g) had a term of not less than six months.
- (3) On each date on which a Variation is agreed in respect of a Purchased Receivable, the Variation is not a Non-Permitted Variation.

### Composition of the Receivables

The following tables show the characteristics and distributions of some pool characteristics of the pool of Receivables on the Provisional Pool Cut-Off Date. The percentages in the following tables may not sum to 100 per cent. due to rounding.

### Summary of Provisional Portfolio (as of the Provisional Pool Cut-off Date)

#### All Grades

1	Number of Receivable Agreements	196,667
2	Total current Outstanding Principal Balance	3,030,245,416.07
3	Average current Outstanding Principal Balance	15,408.00
4	Minimum current Principal Balance	1,000.00
5	Maximum current Principal Balance	79,976.19
6	Weighted Average APR	7.14%
7	Minimum APR	0.00%
8	Maximum APR	19.38%
9	Weighted Average Scheduled Remaining Term (months)	38.12
10	Minimum Scheduled Remaining Term (months)	2
11	Maximum Scheduled Remaining Term (months)	59

12	Latest Maturity Date	25/08/2023
13	Minimum Original Maturity (months)	12
14	Maximum Original Maturity (months)	61
15	Weighted Average Seasoning (months)	8.01
16	Agreements paying by Direct Debit	195,485
17	Outstanding Principal Balance of Direct Debit Agreements	3,012,992,195.54

Black Horse originates vehicle hire-purchase business through a network of dealers which gives it a broad geographic spread of business throughout England and Wales, Scotland and Northern Ireland as illustrated by the table below:

### Area Analysis

Geographical Region	Outstanding Principal Balance (£)	Number of Receivable Agreements	Percentage Distribution by Balance (%)	Percentage Distribution by number (%)
Greater London	306,908,971	16,381	10%	8%
South East	583,915,291	32,440	19%	16%
South West	259,430,130	16,778	9%	9%
East Anglia	104,026,288	7,168	3%	4%
East Midlands	158,665,278	10,301	5%	5%
West Midlands	353,476,862	19,947	12%	10%
Northern England	157,160,596	11,276	5%	6%
North West	330,954,935	21,615	11%	11%
Yorkshire & Humberside	226,278,612	13,991	7%	7%
Scotland	448,209,179	38,812	15%	20%
Wales	101,219,273	7,958	3%	4%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Distribution by Annual Yield**

<b>Apr Range</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
	<b>(£)</b>		<b>(%)</b>	<b>(%)</b>
Interest Free	49,387,752	6,890	1.6%	3.5%
0.00% - 0.99%	80,591	14	0.0%	0.0%
1.00% - 1.99%	53,258,105	939	1.8%	0.5%
2.00% - 2.99%	19,218,621	801	0.6%	0.4%
3.00% - 3.99%	40,945,279	1,779	1.4%	0.9%
4.00% - 4.99%	167,808,569	8,107	5.5%	4.1%
5.00% - 5.99%	822,564,807	31,869	27.1%	16.2%
6.00% - 6.99%	650,156,711	29,115	21.5%	14.8%
7.00% - 7.99%	339,972,183	28,661	11.2%	14.6%
8.00% - 8.99%	252,367,962	21,269	8.3%	10.8%
9.00% - 9.99%	260,741,786	25,253	8.6%	12.8%
10.00% - 10.99%	160,816,584	14,394	5.3%	7.3%
11.00% - 11.99%	63,743,210	7,965	2.1%	4.0%
12.00% - 12.99%	92,430,209	10,357	3.1%	5.3%
13.00% - 13.99%	30,801,181	4,611	1.0%	2.3%
14.00% - 14.99%	9,777,531	1,655	0.3%	0.8%
15.00% - 15.99%	3,583,391	898	0.1%	0.5%
16.00% - 16.99%	1,628,038	483	0.1%	0.2%
17.00% - 17.99%	897,814	148	0.0%	0.1%
18.00% - 18.99%	9,872,405	1,386	0.3%	0.7%
19.00% - 19.99%	192,688	73	0.0%	0.0%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

### Distribution by Month of Origination

Month of Origination	Outstanding Principal Balance	Number of Receivable Agreements	Percentage Distribution by Balance	Percentage Distribution by number
	(£)		(%)	(%)
Apr-17	123,789,932	10,203	4.1%	5.2%
May-17	128,493,624	10,226	4.2%	5.2%
Jun-17	130,298,756	10,030	4.3%	5.1%
Jul-17	135,647,309	10,811	4.5%	5.5%
Aug-17	117,293,402	10,104	3.9%	5.1%
Sep-17	263,998,804	15,082	8.7%	7.7%
Oct-17	164,104,401	11,572	5.4%	5.9%
Nov-17	171,759,360	10,854	5.7%	5.5%
Dec-17	151,970,503	8,663	5.0%	4.4%
Jan-18	172,092,184	11,494	5.7%	5.8%
Feb-18	150,231,031	10,541	5.0%	5.4%
Mar-18	386,605,408	18,830	12.8%	9.6%
Apr-18	225,209,925	14,591	7.4%	7.4%
May-18	247,582,033	15,264	8.2%	7.8%
Jun-18	231,648,467	14,084	7.6%	7.2%
Jul-18	209,957,278	13,246	6.9%	6.7%
Aug-18	19,562,998	1,072	0.6%	0.5%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

### Distribution by Term at Origination

Original Term	Outstanding Principal Balance	Number of Receivable Agreements	Percentage Distribution by Balance	Percentage Distribution by number
	(£)		(%)	(%)
0 - 12 Months	46,577,226.12	1,433.00	1.5%	0.7%
13 - 24 Months	64,103,990.75	6,561.00	2.1%	3.3%
25 - 36 Months	314,294,323.31	29,121.00	10.4%	14.8%
37 - 48 Months	1,143,963,075.31	74,655.00	37.8%	38.0%
49 - 60 Months	1,459,690,325.05	84,703.00	48.2%	43.1%
61 Months	1,616,475.53	194.00	0.1%	0.1%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Distribution by Elapsed Term**

<b>Elapsed Term</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
	<b>(£)</b>		<b>(%)</b>	<b>(%)</b>
0 - 12 Months	2,443,646,162.87	149,248.00	80.6%	75.9%
13 - 24 Months	586,599,253.20	47,419.00	19.4%	24.1%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Distribution by Remaining Term**

<b>Remaining Term</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
	<b>(£)</b>		<b>(%)</b>	<b>(%)</b>
0 - 12 Months	79,275,412	3,955	2.6%	2.0%
13 - 24 Months	230,233,471	21,300	7.6%	10.8%
25 - 36 Months	912,445,994	58,362	30.1%	29.7%
37 - 48 Months	1,473,787,571	81,449	48.6%	41.4%
49 - 60 Months	334,502,968	31,601	11.0%	16.1%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Distribution by Original Principal**

<b>Original Principal</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
	<b>(£)</b>		<b>(%)</b>	<b>(%)</b>
Less than £5,000.00	66,689,715	23,301	2.2%	11.8%
£5,000.00 - £9,999.99	389,302,009	60,099	12.8%	30.6%
£10,000.00 - £14,999.99	413,173,707	38,658	13.6%	19.7%
£15,000.00 - £19,999.99	283,261,210	18,454	9.3%	9.4%
£20,000.00 - £24,999.99	243,120,956	12,088	8.0%	6.1%
£25,000.00 - £29,999.99	250,788,180	9,960	8.3%	5.1%
£30,000.00 - £34,999.99	316,103,867	10,546	10.4%	5.4%
£35,000.00 - £39,999.99	235,221,100	6,845	7.8%	3.5%
£40,000.00 - £44,999.99	168,332,529	4,308	5.6%	2.2%
£45,000.00 - £49,999.99	142,773,788	3,229	4.7%	1.6%
£50,000.00 - £54,999.99	133,516,401	2,741	4.4%	1.4%
£55,000.00 - £59,999.99	107,672,629	2,031	3.6%	1.0%
£60,000.00 - £64,999.99	90,711,492	1,581	3.0%	0.8%
£65,000.00 - £69,999.99	66,463,893	1,069	2.2%	0.5%
£70,000.00 - £74,999.99	52,415,058	785	1.7%	0.4%
£75,000.00 - £79,999.99	37,901,476	534	1.3%	0.3%
£80,000.00 - £84,999.99	22,349,846	299	0.7%	0.2%
£85,000.00 - £89,999.99	7,260,384	96	0.2%	0.0%
£90,000.00 - £94,999.99	2,326,102	31	0.1%	0.0%
£95,000.00 - £99,999.99	567,420	8	0.0%	0.0%
£100,000.00 & above	293,657	4	0.0%	0.0%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>



**Distribution by Outstanding Principal Balance**

<b>Current Principal</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
	<b>(£)</b>		<b>(%)</b>	<b>(%)</b>
Less than £5,000.00	114,641,675	34,470	3.8%	17.5%
£5,000.00 - £9,999.99	468,775,870	63,193	15.5%	32.1%
£10,000.00 - £14,999.99	396,884,680	32,618	13.1%	16.6%
£15,000.00 - £19,999.99	277,024,005	16,020	9.1%	8.1%
£20,000.00 - £24,999.99	244,967,878	10,927	8.1%	5.6%
£25,000.00 - £29,999.99	289,681,673	10,529	9.6%	5.4%
£30,000.00 - £34,999.99	314,779,012	9,758	10.4%	5.0%
£35,000.00 - £39,999.99	197,812,273	5,307	6.5%	2.7%
£40,000.00 - £44,999.99	151,430,322	3,570	5.0%	1.8%
£45,000.00 - £49,999.99	151,919,468	3,201	5.0%	1.6%
£50,000.00 - £54,999.99	130,037,359	2,483	4.3%	1.3%
£55,000.00 - £59,999.99	97,562,443	1,702	3.2%	0.9%
£60,000.00 - £64,999.99	73,670,815	1,182	2.4%	0.6%
£65,000.00 - £69,999.99	55,366,459	822	1.8%	0.4%
£70,000.00 - £74,999.99	39,379,612	545	1.3%	0.3%
£75,000.00 - £79,999.99	26,311,872	340	0.9%	0.2%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Distribution by Vehicle Manufacturer (Top Twenty)**

<b>Vehicle Manufacturer</b>	<b>Outstanding Principal Balance</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance (%)</b>	<b>Percentage Distribution by number (%)</b>
LAND ROVER	1,251,005,755	37,086	41%	19%
JAGUAR	351,256,670	13,895	12%	7%
MERCEDES-BENZ	202,947,494	11,484	7%	6%
FORD	169,376,907	20,062	6%	10%
VAUXHALL	142,636,882	18,093	5%	9%
BMW	106,413,382	7,229	4%	4%
AUDI	91,988,662	6,727	3%	3%
VOLKSWAGEN	83,343,990	8,361	3%	4%
TESLA	75,051,920	1,285	2%	1%
NISSAN	48,888,494	5,330	2%	3%
RENAULT	44,666,891	5,486	1%	3%
KIA	43,579,559	4,564	1%	2%
HYUNDAI	38,924,065	4,415	1%	2%
PEUGEOT	34,069,575	4,850	1%	2%
TRIUMPH	32,056,255	4,477	1%	2%
FIAT	29,717,570	4,287	1%	2%
KAWASAKI	26,630,228	4,547	1%	2%
HARLEY DAVIDSON	26,154,742	2,762	1%	1%
CITROEN	25,644,615	3,845	1%	2%
YAMAHA	25,598,371	5,868	1%	3%
OTHER	180,293,391	22,014	6%	11%
<b>Total</b>	<b>3,030,245,416</b>	<b>196,667</b>	<b>100%</b>	<b>100%</b>

**Balloon Amount by Contract Type**

<b>Contract Type</b>	<b>Outstanding Principal Balance</b>	<b>Percentage Distribution by number (%)</b>	<b>Number of Receivable Agreements</b>	<b>Percentage Distribution by Balance (%)</b>	<b>Balloon Balance</b>	<b>Balloon % of Total</b>
HP	785,183,041	49.1%	96,627	25.9%	0	0.0%
LP	9,754,440	0.2%	476	0.3%	4,939,093	50.6%
PCP	2,235,307,935	50.6%	99,564	73.8%	1,340,062,806	59.9%
<b>Total</b>	<b>3,030,245,416</b>	<b>100%</b>	<b>196,667</b>	<b>100%</b>	<b>1,345,001,900</b>	<b>44%</b>

**Obligor Concentration - Top 20**

<b>Contract Type</b>	<b>Outstanding Principal Balance</b>	<b>Percentage Distribution by Balance</b>
		<b>(%)</b>
Obligor 1	79,976	0.003%
Obligor 2	79,958	0.003%
Obligor 3	79,920	0.003%
Obligor 4	79,920	0.003%
Obligor 5	79,877	0.003%
Obligor 6	79,874	0.003%
Obligor 7	79,871	0.003%
Obligor 8	79,859	0.003%
Obligor 9	79,846	0.003%
Obligor 10	79,844	0.003%
Obligor 11	79,833	0.003%
Obligor 12	79,803	0.003%
Obligor 13	79,764	0.003%
Obligor 14	79,720	0.003%
Obligor 15	79,712	0.003%
Obligor 16	79,702	0.003%
Obligor 17	79,699	0.003%
Obligor 18	79,692	0.003%
Obligor 19	79,688	0.003%
Obligor 20	79,686	0.003%
<b>Total</b>	<b>1,596,243</b>	<b>0.053%</b>

**PCP Balloon as a % of Original Balance**

	<b>Current Outstanding Balance</b>	<b>Number of Underlying Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
			<b>(%)</b>	<b>(%)</b>
0.0000 - 9.999	3,171,481	336	0.1%	0.3%
10.000 - 19.999	1,999,181	179	0.1%	0.2%
20.000 - 29.999	39,236,641	3,101	1.8%	3.1%
30.000 - 39.999	320,433,006	22,819	14.3%	22.9%
40.000 - 49.999	526,085,427	24,253	23.5%	24.4%
50.000 - 59.999	580,264,316	19,999	26.0%	20.1%
60.000 - 69.999	377,227,299	14,108	16.9%	14.2%
70.000 - 79.999	191,081,344	7,538	8.5%	7.6%
80.000 - 89.999	82,066,732	3,316	3.7%	3.3%
90.000 - 99.999	102,598,398	3,489	4.6%	3.5%
100	11,144,108	426	0.5%	0.4%
<b>Total</b>	<b>2,235,307,935</b>	<b>99,564</b>	<b>100%</b>	<b>100%</b>

**PCP Quarter of Maturity Distribution**

	<b>Current Outstanding Balance</b>	<b>Number of Underlying Agreements</b>	<b>Percentage Distribution by Balance</b>	<b>Percentage Distribution by number</b>
			<b>(%)</b>	<b>(%)</b>
Q4 2018	9,261,132	300	0.4%	0.3%
Q1 2019	20,442,186	607	0.9%	0.6%
Q2 2019	29,518,987	884	1.3%	0.9%
Q3 2019	16,039,084	533	0.7%	0.5%
Q4 2019	9,245,965	378	0.4%	0.4%
Q1 2020	10,418,212	447	0.5%	0.4%
Q2 2020	76,248,113	4,052	3.4%	4.1%
Q3 2020	91,917,059	4,782	4.1%	4.8%
Q4 2020	115,410,857	4,956	5.2%	5.0%
Q1 2021	99,814,045	4,117	4.5%	4.1%
Q2 2021	307,344,163	14,839	13.7%	14.9%
Q3 2021	267,951,040	13,798	12.0%	13.9%
Q4 2021	290,183,037	12,346	13.0%	12.4%
Q1 2022	286,616,735	13,313	12.8%	13.4%
Q2 2022	408,134,007	16,603	18.3%	16.7%
Q3 2022	196,763,314	7,609	8.8%	7.6%
<b>Total</b>	<b>2,235,307,935</b>	<b>99,564</b>	<b>100%</b>	<b>100%</b>

## **ACCOUNT BANK AND BACK-UP SERVICER FACILITATOR**

Lloyds Bank plc (“**Lloyds Bank**”) was incorporated under the laws of England and Wales on 20 April 1865 (registration number 2065). Lloyds Bank's registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom. Lloyds Bank is authorised by the PRA and regulated by the FCA and the PRA. Lloyds Bank (together with its subsidiary and associated undertakings, “**Lloyds Bank Group**”) is a wholly owned subsidiary of Lloyds Banking Group plc.

### **Overview**

Lloyds Bank Group provides a wide range of banking and financial services in the UK and in certain locations overseas.

### **Business and activities**

As at 30 June 2018, Lloyds Bank Group's activities were organised into two financial reporting segments: Retail and Commercial Banking.

#### ***Retail***

Retail offers a broad range of financial service products, including current accounts, savings, mortgages, credit cards, motor finance and unsecured loans to personal and business banking customers. Retail operates a multi-brand and multi-channel strategy and continues to simplify the business and provide more transparent products, helping to improve service levels and reduce conduct risks, whilst working within a prudent risk appetite.

#### ***Commercial Banking***

Commercial Banking has a client-led, low risk, capital efficient strategy, helping UK-based clients and international clients with a link to the UK. Through its four client facing segments – SME, Mid Markets, Global Corporates and Financial Institutions – it provides clients with a range of products and services such as lending, transactional banking, working capital management, risk management and debt capital markets services.

#### ***Ring-fencing***

During May 2018, as part of an internal reorganisation within Lloyds Banking Group to comply with the requirements of the ring-fencing regulations, Lloyds Bank transferred its subsidiary, Scottish Widows Group Limited, to Lloyds Banking Group plc, and, also transferred elements of its commercial banking businesses to Lloyds Bank Corporate Markets plc, a fellow Lloyds Banking Group undertaking.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales under the Companies Act 2006 on 19 December 2017 as a public company with limited liability under the name of Cardiff Auto Receivables Securitisation 2018-1 plc with company number 11118369. The registered office of the Issuer is 35 Great St. Helen's, London, EC3A 6AP, telephone +44 (0) 207 398 6300. The issued share capital of the Issuer is 50,000 ordinary shares of £1 each (one of which is fully paid and 49,999 of which are quarter paid up). Cardiff Auto Receivables Securitisation Holdings Limited holds the entire issued share capital of the Issuer. The Issuer has no subsidiaries.

### Principal Activities

The Issuer is permitted, pursuant to the terms of its articles of association, *inter alia*, to issue the Notes and to acquire the Purchased Receivables and the Ancillary Rights.

The Issuer was established as a special purpose vehicle solely for the purposes of issuing the Notes. The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation and issue of the Notes and of the other documents and matters referred to or contemplated in this document to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

There is no intention to accumulate surpluses in the Issuer.

### Directors and Company Secretary

The directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Paivi Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London, EC3A 6AP	Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London, EC3A 6AP	Director

As at the date of this prospectus, there are no conflicts or potential conflicts between the directors' personal interests and their obligations to the Issuer.

The company secretary of the Issuer is Intertrust Corporate Services Limited.

As at the date hereof, the Issuer has no employees, non-executive directors or premises.

The Directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their business addresses and principal activities are as follows:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Abrahams	35 Great St Helen's, London, EC3A 6AP	Director
Paivi Helena Whitaker	35 Great St Helen's, London, EC3A 6AP	Director
Michelle O'Flaherty	35 Great St Helen's, London, EC3A 6AP	Director
Clive Matthew Short	35 Great St Helen's, London, EC3A 6AP	Director
Andrea Ayodele Williams	35 Great St Helen's, London, EC3A 6AP	Director

### **Capitalisation Statement**

The following table shows the capitalisation of the Issuer as at the date of this Prospectus:

#### **Share capital**

*Issued:*

50,000 ordinary shares of £1 each, 49,999 issued and paid up as to £0.25 and one issued fully paid share.

12,500.75 paid.

The accounting reference date of the Issuer is 31 December.

## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales under the Companies Act 2006 on 19 December 2017 as a private company with limited liability under the name Cardiff Auto Receivables Securitisation Holdings Limited with company number 11118330. The registered office of Holdings is at 35 Great St. Helen's, London, EC3A 6AP, telephone +44 (0) 207 398 6300. The share capital of Holdings is one ordinary share of £1 which is issued and is credited as fully paid. The entire issued share capital of Holdings is held on trust for discretionary purposes by Intertrust Corporate Services Limited under the terms of a share trust deed dated 8 January 2018.

### Principal Activities of Holdings

Pursuant to the terms of its articles of association, Holdings is permitted, inter alia, to hold shares in the Issuer.

Holdings has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and those matters referred to or contemplated in this document and any matters which are incidental or ancillary to the foregoing.

### Directors and Company Secretary of Holdings

The directors of Holdings and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Paivi Helena Whitaker	35 Great St. Helen's, London, EC3A 6AP	Director
Intertrust Directors 1 Limited	35 Great St. Helen's, London, EC3A 6AP	Director
Intertrust Directors 2 Limited	35 Great St. Helen's, London, EC3A 6AP	Director

The company secretary of Holdings is Intertrust Corporate Services Limited.

As at the date hereof, Holdings has no employees, non-executive directors or premises.



The Directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their business addresses and principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Susan Abraham	35 Great St Helen's, London, EC3A 6AP	Director
Paivi Helena Whitaker	35 Great St Helen's, London, EC3A 6AP	Director
Michelle O'Flaherty	35 Great St Helen's, London, EC3A 6AP	Director
Clive Matthew Short	35 Great St Helen's, London, EC3A 6AP	Director

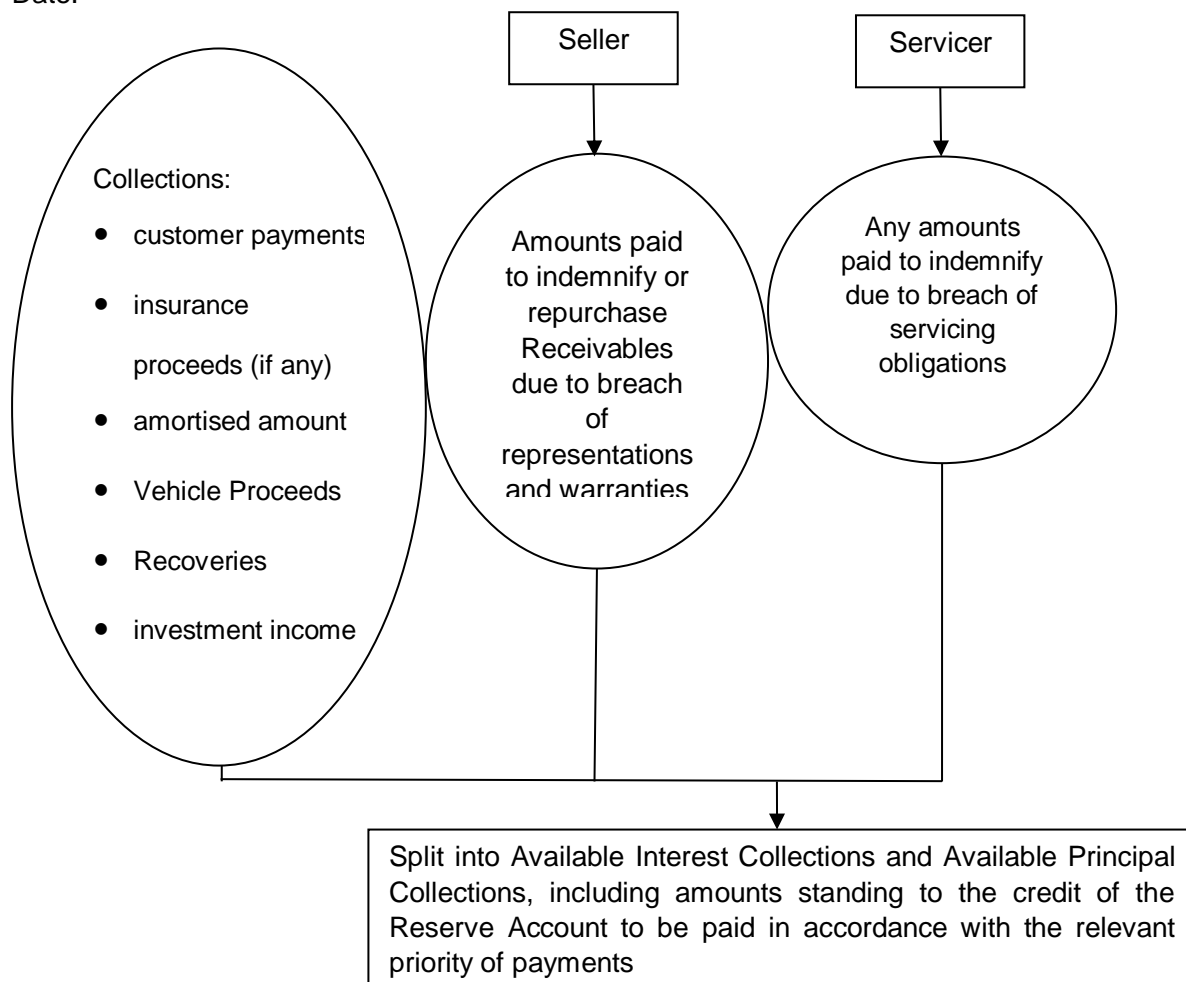
## DESCRIPTION OF THE NOTES

*The following overview is intended only to be an overview and is qualified in its entirety by reference to the "Terms and Conditions of the Notes" and to the detailed terms of the trust deed between the Issuer and the Trustee by which the Notes are constituted.*

### Available Funds for Payment

The Issuer will issue the Notes constituted under a trust deed between the Issuer and the Trustee. The Notes do not represent obligations of Black Horse or any other party other than the Issuer.

The following diagram shows the sources of funds available to make payments on each Payment Date.



### Form and Denomination

The issue in the aggregate nominal amount of £2,130,000,000 consists of registered Class A Notes and Class S Notes with Class A Notes of £100,000 and integral multiples of £1,000 in excess of £100,000, up to and including £199,000. Except in limited circumstances, definitive notes will not be available, and no definitive notes will be issued with a denomination above £199,000. For so long as Black Horse is the sole registered holder of the Class S Notes, notwithstanding the terms and conditions of such, there will be one single Class S note represented by one single definitive note in the denomination of £720,000,000.

## Global Notes

Interests in each of the Class A Notes will be represented by a global note without interest coupons attached. The global note representing the Class A Notes will be deposited on the Closing Date with Clearstream, Luxembourg which will act as Common Safekeeper for the Class A Notes.

The Class A global notes will be issued under the new safekeeping structure applicable to debt securities in global registered form recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations since 1 October 2010, or "**NSS**". The Common Safekeeper will hold the Class A Notes in custody for Euroclear and Clearstream, Luxembourg. It does not mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either on issue or at any or all times during their life. Such recognition will depend on the satisfaction of the Eurosystem eligibility criteria. The Class A Notes will not satisfy all of the applicable criteria that are currently in force to be recognised as Eurosystem eligible collateral on issue.

The interests in the Class A Notes are transferable according to applicable rules and regulations of Clearstream, Luxembourg and Euroclear. The global notes will not be exchangeable for definitive notes except in the following circumstances:

- the closure of one of the Clearing Systems;
- an Event of Default; or
- adverse tax consequences to the Issuer as a result of the Notes being in global form.

So long as the Class A Notes are represented by a global note and the relevant Clearing Systems so permit, such Notes will be tradable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000, up to and including £199,000, under the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

In addition, the global notes will contain terms that modify the conditions of the Class A Notes as they apply to the global notes. The following is an overview of certain of those terms:

- Payments on each global note will be made and, in the case of payment of principal in full with all interest accrued on such note, through Clearstream, Luxembourg and/or Euroclear and such payments will be effective to satisfy and discharge the corresponding liabilities of the Issuer of the Notes.
- Payments of interest, principal or other amounts on a global note will be made through Clearstream, Luxembourg and/or Euroclear without any requirement for certification. The record date in respect of the cleared Notes shall be one Clearing System Business Day prior to the relevant Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the cleared Notes are being held is open for business.
- For so long as any of the Class A Notes are represented by a global note and such note(s) is/are held on behalf of Clearstream, Luxembourg or Euroclear, each person (other than Clearstream, Luxembourg or Euroclear) who is for the time being shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a particular nominal amount of Notes (each an "**accountholder**") will be treated as the holder of that nominal amount for all purposes (including but not limited to for the purposes of quorum

requirements of, or the right to demand a poll or, meetings of the noteholders and giving notice to the Issuer under Condition 10 (*Events of Default*) other than regarding payment of principal and interest on the Notes, the right to which will be vested, as against the Issuer, solely in the registered holder of such global note under and subject to its terms. Each accountholder must look solely to Clearstream, Luxembourg or Euroclear for its share of each payment made to the registered holder of such global note.

- While the Class A Notes are represented by global note and the global note is deposited with a Common Safekeeper, for Clearstream, Luxembourg and Euroclear, Notices to Noteholders may be given by delivery of the relevant notice through Clearstream, Luxembourg and Euroclear and such notices will be deemed to have been given to the Noteholders in compliance with Condition 15 (*Notices*) on the seventh day after the date of delivery to Clearstream, Luxembourg and Euroclear. However, for so long as the Class A Notes are listed on the London Stock Exchange and its rules so require, all notices concerning such Notes will be published on the website of the London Stock Exchange ([www.londonstockexchange.com](http://www.londonstockexchange.com)). This website does not form part of this Prospectus.

Although the above sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among participants of Euroclear and Clearstream, Luxembourg, none of Euroclear or Clearstream, Luxembourg is under an obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Security Trustee, the Principal Paying Agent, the Lead Manager or an affiliate of any of the above, or a person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

### **Status and Security**

**Status.** The Notes are secured, limited recourse obligations of the Issuer, ranking, as between each Class of Notes, *pro rata* and *pari passu* without preference among themselves (subject as described in the "*Terms and Conditions of the Notes*").

**Relationship between the Notes.** The Class A Notes will rank in priority to the Class S Notes. Each Class of Notes will rank equally among themselves.

**Notes held by Black Horse.** Notes held by Black Horse or its affiliates will not be included for purposes of determining whether a required percentage of a Class of Noteholders have taken action under any Transaction Document if Black Horse or its affiliates hold only some (but not all) of the relevant class of Notes.

**Security.** As security for the Notes and other Secured Obligations of the Issuer, the Issuer has entered into the Deed of Charge (together with Scottish Supplemental Charges entered into under the Deed of Charge over its interest in the Scottish Trusts and the Scottish Vehicle Proceeds Floating Charge) creating security over its assets in favour of the Security Trustee for itself and on trust for the Secured Parties.

**Enforcement of the security.** The Security becomes enforceable when the Trustee serves an Enforcement Notice on the Issuer and the Security Trustee. Following delivery of an Enforcement Notice, the Trustee may at its discretion direct the Security Trustee to take action to enforce the Security, and will direct the Security Trustee to take such action to enforce the Security as directed by the Controlling Class acting by way of a Written Resolution or by way of an

Extraordinary Resolution, subject to each of the Trustee and the Security Trustee having been indemnified and/or secured and/or prefunded to their satisfaction.

To the extent that the Trustee acts in compliance with such directions of the Controlling Class acting by way of a Written Resolution or by way of an Extraordinary Resolution, it will have no obligation to take the interests of any other party into account or to follow a direction given by any other party. Only the Trustee and the Security Trustee may enforce the rights of the Noteholders against the Issuer, whether the same arise under general law, the terms and conditions of the Notes, a Transaction Document or otherwise.

### **Available Funds**

Payments of interest and, after the end of the Revolving Period (expected to be 12 months), payments of principal on the Notes will be made from Available Interest Collections and Available Principal Collections, or "**Available Funds**", which for any Payment Date generally will be equal to collections on the Receivables for the prior Collection Period and amounts paid to the Issuer by Black Horse to indemnify for any CCA Compensation Amount Receivables Indemnity Amount, or Set-Off Indemnity Amount, and to repurchase Receivables that become Repurchased Receivables, plus the amount standing to the credit of the Reserve Account and accrued interest.

For each Collection Period:

- Available Interest Collections are (a) the aggregate Interest Collections for Purchased Receivables during such Collection Period, (b) the aggregate Recoveries for all Purchased Receivables during such Collection Period, (c) interest earned on the Issuer Accounts, (d) income on Authorised Investments, (e) all amounts standing to the credit of the Reserve Account (except on the Listed Note Repayment Date, any amount to be used as Available Principal Collections), (f) the aggregate of all Available Principal Collections (if any) which are (i) applied to make up any Interest Collections Shortfall on the relevant Payment Date (only to the extent required after calculating any Interest Collections Shortfall) and (ii) any Surplus Available Principal Collections, (g) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale Agreement in respect of an exercise by the Issuer of the Clean-Up Call, such amount of the Final Repurchase Price received by the Issuer on such Payment Date representing amounts other than the Outstanding Principal Balance of the Final Receivables as at such Payment Date, and (h) any other amounts received by the Issuer in respect of the Purchased Receivables which is not in respect of the Principal Element of such Purchased Receivables; and
- Available Principal Collections are (a) the aggregate Principal Collections for all Purchased Receivables during such Collection Period, (b) the amount, if any, to be credited to the Principal Deficiency Ledger pursuant to item (viii) of the Interest Priority of Payments on the relevant Payment Date, (c) on the Listed Note Repayment Date only, any amounts standing to the credit of the Reserve Account to be used as Available Principal Collections, (d) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale Agreement in respect of an exercise by the Issuer of the Clean-Up Call, such amount of the Final Repurchase Price received by the Issuer on such Payment Date representing the Outstanding Principal Balance of the Final Receivables as at such Payment Date, (e) any other amounts received by the Issuer in respect of the Purchased Receivables which is in respect of the Principal Element of such Purchased Receivables and (f) the Released Replenishment Amount.

*For more details about the available interest collections and available principal collections, you should read "Terms and Conditions of the Notes".*

### **Payments of Interest**

Interest will accrue on the Notes at the *per annum* Interest Rate for each Class specified on the cover of this Prospectus and will be due to the Noteholders on each Payment Date. The Issuer will make interest payments on each Payment Date to the Noteholders of record on the Clearing System Business Day prior to such Payment Date.

The Class A Notes and Class S Notes will accrue interest on a "**30/360**" basis.

The Class A Notes will bear interest at a rate of 1.80 per cent. per annum. The Class S Notes will bear interest at 4.00 per cent. *per annum*.

All interest due but not paid on any Payment Date will be due on the next Payment Date, together with interest on the unpaid amount at the applicable interest rate. Failure to pay interest that is due on the Controlling Class of Notes that continues for 5 Business Days after its due date will be an Event of Default. Failure to pay interest that is due on a class of Notes that is not part of the Controlling Class will not be an Event of Default.

The Issuer will pay interest payments on the Notes on each Payment Date from Available Interest Collections. Interest payments will not be made on the Class A Notes until the Retained Amount, the amounts due to the Security Trustee and the Trustee, the amounts due to the Agents, the amounts due to any third party creditors of the Issuer and the amounts due to the relevant Transaction Parties (including the Servicing Fee) are paid in full.

If the amount of Available Interest Collections is insufficient to pay all interest due on a Class of Notes on a Payment Date, each holder of Notes of that Class will receive its *pro rata* share of the funds that are available.

*For more details about the priority of payments made from Available Funds on each Payment Date, including priority payments of principal of senior Classes of Notes, you should read "— Priority of Payments" below.*

If the Notes are accelerated after an Event of Default, interest due on the Class A Notes will not be paid until all items ranking senior to interest on the Class A Notes pursuant to the applicable Priority of Payments are paid in full. Interest due on the subordinated Classes of Notes will then not be paid until both interest on and principal of more senior Classes are paid in full. *For more details about the payment priorities following an acceleration of the Notes, you should read "Accelerated priority of payments" below.*

### **Payments of Principal**

No principal will be paid on the Notes during the Revolving Period. Instead, on each Payment Date during the Revolving Period, the Available Principal Collections will be used by the Issuer to pay for Additional Receivables or will be retained in the Replenishment Ledger. The Issuer will make payments of principal on the relevant Payment Date to the Noteholders of record on the Clearing System Business Day prior to such Payment date, in accordance with the applicable Priority of Payment.

After the end of the Revolving Period, the Issuer will pay principal on the Notes on each Payment Date in the amounts described in the "Terms and Conditions of the Notes". Principal payments will be made sequentially to each Class in order of seniority, starting with the Class A Notes. The Issuer will not pay principal on any Class of Notes until the principal amounts of all more senior

Classes are paid in full. The principal amount of each Class of Notes is expected to be repaid by that Class's Final Legal Maturity Date. On the Final Legal Maturity Date for each Class of Notes, no interest will be paid on the Class S Notes until both interest and principal on the Class A Notes are paid in full. If the principal amount of a Class of Notes is not repaid in full by its Final Legal Maturity Date an Event of Default will occur and the principal amount of all Classes of Notes may be declared immediately due and payable.

If the Notes are accelerated after an Event of Default, principal due on the Class A Notes will not be paid until all Issuer expenses, the Servicing Fee and interest on the Class A Notes are paid in full. Principal and interest due on Class S Notes will then not be paid until both interest and principal on all Class A Notes are paid in full.

### **Priority of Payments**

**General rule.** On each Payment Date during the Revolving Period, the Cash Manager will apply Available Funds from the Collection Period to make payments in the Priority of Payments listed below.

**Interest priority of payments.** On each Payment Date before the service of an Enforcement Notice, the Available Interest Collections will be applied in the following order of priority:

- (i) *Retained Amount* – to be retained by the Issuer to (amongst other things) discharge its liability to corporation tax and the Tax Creditors for Taxes (to the extent not paid out of the Retained Amount) and any arrears remaining unpaid for any such liabilities or expenses, *pari passu* and *pro rata* amongst themselves;
- (ii) *Amounts due to Security Trustee and Trustee* – to the Security Trustee and the Trustee, respectively, any fees, costs and expenses due to them and any arrears remaining unpaid for any such liabilities, indemnities or expenses, *pari passu* and *pro rata* amongst themselves;
- (iii) *Amounts due to the Principal Paying Agent and the Registrar* – to the Principal Paying Agent and the Registrar, any amounts or fees, costs and expenses due and any arrears remaining unpaid for any such liabilities or expenses;
- (iv) *Amounts due to third parties* – to any third party creditors of the Issuer, to whom payment has not already been provided for elsewhere, any amounts due and any arrears remaining unpaid for any such liabilities or expenses (up to a maximum amount equal to £20,000), *pari passu* and *pro rata* amongst themselves;
- (v) *Amounts due to Transaction Parties* – to the Cash Manager, the Servicer, the Corporate Services Provider, the Account Bank, the Back-Up Servicer Facilitator (if applicable), the Auditors and other professionals, any amounts due, *pari passu* and *pro rata* amongst themselves, and any applicable Incentive Fees payable;
- (vi) *Class A Interest* — to the Class A Noteholder, interest due on the Class A Notes;
- (vii) *Reserve Account* — to the Reserve Account, the amount required to replenish the Reserve Account to the Reserve Account Required Amount;
- (viii) *Principal Deficiency Ledger* – to the Principal Deficiency Ledger in the following order to apply amounts to reduce:

- (a) the Class A Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class A Principal Deficiency Ledger);
- (b) the Class S Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class S Principal Deficiency Ledger);

in each case by transferring an appropriate amount to the Principal Deficiency Ledger;

- (ix) Class S Interest — to the Class S Noteholder, interest due on the Class S Notes;
- (x) Other amounts due by Issuer — to any other party, any amounts due by the Issuer under the Transaction Documents (to the extent that it is not provided for above);
- (xi) Subordinated Loan Interest — to the Subordinated Loan Provider, any interest due and payable on the Subordinated Loan;
- (xii) Subordinated Loan Principal — to the Subordinated Loan Provider, any principal amount due and payable on the Subordinated Loan; and
- (xiii) Deferred Purchase Price — to the Seller, all remaining Available Interest Collections in the form of the Deferred Purchase Price.

**Principal Priority of Payments.** On each Payment Date before the service of an Enforcement Notice, the Available Principal Collections will be applied in the following order of priority:

During the Revolving Period:

- (i) *Interest Collections Shortfall* — to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
- (ii) *Purchase Price* — to the Seller, the Initial Purchase Price for Additional Receivables being sold to the Issuer, such that the total Outstanding Principal Balance is an amount up to the Principal Amount Outstanding of the Notes; and
- (iii) *Replenishment Amount* — to the extent there are insufficient Additional Receivables, to the Replenishment Ledger of the Distribution Account, any Replenishment Amount, such that the total Outstanding Principal Balance plus the Replenishment Amount is an amount up to the Principal Amount Outstanding of the Notes.

After the end of the Revolving Period:

- (i) *Interest Collections Shortfall* — to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
- (ii) *Class A Principal* — to the Class A Noteholders, principal of the Class A Notes until paid in full;
- (iii) *Class S Principal* — to the Class S Noteholder, principal of the Class S Notes until paid in full; and
- (iv) *Available Interest Collections* — to apply any remaining amounts to Available Interest Collections.



The Issuer will not pay principal on a Class of Notes until the principal amount of all Classes of Notes senior in priority to that Class are paid in full.

If and during such time period that a Monthly Report is not provided to the Cash Manager, the Cash Manager will determine the amounts payable under the Interest Priority of Payments and the Principal Priority of Payments to the Noteholders and the other transaction parties in compliance with the Cash Management Agreement.

***Accelerated priority of payments.*** After the service of an Enforcement Notice, the Security Trustee will apply moneys available for distribution to satisfy the amounts owing by the Issuer to the extent permitted by applicable law, in the following order of priority:

- (i) *Amounts due to Security Trustee and Trustee* — to the Security Trustee and the Trustee, respectively, any fees, costs and expenses due to them and any arrears remaining unpaid for any such liabilities, indemnities or expenses, *pari passu* and *pro rata* amongst themselves;
- (ii) *Retained Amount* — to be retained by the Issuer to discharge its liability to corporation tax and the Tax Creditors for Taxes (to the extent not paid out of the Retained Amount) and any arrears remaining unpaid for any such liabilities or expenses, *pari passu* and *pro rata* amongst themselves;
- (iii) *Amounts due to the Principal Paying Agent and the Registrar* — to the Principal Paying Agent and the Registrar, any amounts or fees, costs and expenses due and any arrears remaining unpaid for any such liabilities or expenses;
- (iv) *Amounts due to third parties* — to any third party creditors of the Issuer, to whom payment has not already been provided for elsewhere, any amounts due and any arrears remaining unpaid for any such liabilities or expenses (up to a maximum amount equal to £20,000), *pari passu* and *pro rata* amongst themselves;
- (v) *Amounts due to Transaction Parties* – to the Cash Manager, the Servicer, the Corporate Services Provider, the Account Bank, the Back-Up Servicer Facilitator (if applicable), the Auditors and other professionals, any amounts due, *pari passu* and *pro rata* amongst themselves, and in the case of an Insolvency Official of the Seller only, any applicable Incentive Fees payable;
- (vi) *Class A Interest and Principal* — to the Class A noteholders, to pay interest due on the Class A Notes and then to pay principal of the Class A Notes until paid in full;
- (vii) *Class S Interest and Principal* — to the Class S noteholders, to pay interest due on the Class S Notes and then to pay principal of the Class S Notes until paid in full;
- (viii) *Any other amounts due* — to pay any other amounts due and payable by the Issuer under the Transaction Documents (to the extent not already covered above);
- (ix) *Subordinated Loan Interest* — to the Subordinated Loan Provider, any interest due and payable on the Subordinated Loan;
- (x) *Subordinated Loan Principal* — to the Subordinated Loan Provider, any principal amount due and payable on the Subordinated Loan; and
- (xi) *Deferred Purchase Price* — to the Seller, payment of any amount remaining in the form of the Deferred Purchase Price;

in each case only to the extent that all payments of a higher priority due to be paid or provided for have been made in full.

If and during such time period that a Monthly Report is not provided to the Cash Manager, the Cash Manager will determine the amounts payable under the Accelerated Priority of Payments to the Noteholders and the other transaction parties in compliance with the Cash Management Agreement.

### **Option to purchase**

The Issuer may, at its option, redeem all of the Notes at their aggregate Principal Amount Outstanding, together with interest on a Payment Date if the Seller has exercised its option to redeem the Notes for taxation reasons or it has exercised its "clean-up call option" to purchase all of the receivables. For more details, you should read "*Principal Transaction Documents — Receivables Sale Agreement — Clean-Up Call Option*". The Seller will give notice to the Issuer of the exercise of its clean-up call option at least 10 business days in advance. The Seller will exercise the option by paying to the Issuer the purchase price for the receivables on the date that the clean-up call repurchase agreement is entered into, and the Issuer will transfer to the Seller without recourse, representation or warranty all of the Issuer's right, title and interest in and to all receivables and all documents relating to such receivables.

### **Taxation**

All payments of principal and interest on the Notes will be made without withholding or deduction for, or on account of, present or future taxes, duties, assessments or governmental charges of any nature by the Issuer or any paying agent unless required by law (or under FATCA), in which case the Issuer or that paying agent will make that payment net of such withheld or deducted amounts and will account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any paying agent will be obliged to make any additional payments to noteholders for such withholding or deduction. If a tax event occurs, it may lead to the early redemption of the Notes.

### **Events of Default and Remedies**

Each of the following will be an "**Event of Default**" under the Notes:

- the Issuer fails to pay interest due on Notes of the Controlling Class within five Business Days of payment becoming due on such Notes;
- the Issuer fails to pay the principal amount of a class of Notes in full on its Final Legal Maturity Date;
- the Issuer breaches its obligations under the Transaction Documents and such breach is in the opinion of the Trustee (acting on the instructions of the Controlling Class) (a) incapable of remedy or (b) if capable of remedy, remains unremedied for 60 calendar days;
- the Security granted under the Transaction Documents becoming void, unenforceable or ineffective; or
- an Insolvency Event occurs regarding the Issuer.

If an Event of Default occurs, the Trustee at its absolute discretion may, and, if so requested by the Controlling Class acting by way of a Written Resolution or by way of an Extraordinary Resolution, will (subject to being indemnified and/or secured and/or prefunded to its satisfaction)

give an Enforcement Notice to the Issuer, the Security Trustee, the Account Bank, the Back-Up Servicer Facilitator, the Cash Manager and the Principal Paying Agent declaring the Notes due and payable and each Note will accordingly become immediately due and payable at its Principal Amount Outstanding together with accrued interest and the Security will become enforceable.

### **Enforcement and Non-Petition**

Only the Trustee may pursue the remedies available under the Trust Deed and only the Security Trustee may take action to enforce payment on the Notes under the Deed of Charge .

None of the Secured Parties may take action, or have rights, against the Issuer to recover any amount still unpaid once the Security is enforced and the net proceeds of such enforcement distributed in accordance with the Accelerated Priority of Payments (*for more details you should read "Priority of Payments" above*), and any such liability will be extinguished.

In particular, none of them may, until the expiry of two years and one day after the payment of all sums outstanding under the Notes, petition or take any other step for the winding-up of the Issuer provided that the Trustee and the Security Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party and may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

### **Voting rights and Noteholder Meetings**

The Trust Deed contains provisions for convening separate meetings of each Class of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Conditions, the Trust Deed or the other Transaction Documents.

A meeting of Noteholders may be convened by the Issuer or by the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or prefunded and/or secured to its satisfaction upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of Notes.

### **Amendments and waiver**

Condition 12 (*Meetings of Noteholders; amendments, waiver, substitution and exchange*) provides that certain modifications or waivers may be agreed by the Trustee without the consent or sanction of the Noteholders or any other Secured Party.

In particular, the Trustee may agree, without the consent or sanction of the Noteholders or any other Secured Party, to: (i) amendments or changes that are, in the opinion of the Trustee, of a formal, minor or technical nature or made to correct a manifest error, and (ii) amendments or changes (but other than in respect of Basic Terms Modification) that are, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. The Issuer shall notify the Noteholders of any such amendment or waiver.

In addition, Condition 12(b) (*Amendments and waiver*) provides that the Trustee shall concur with the Issuer or any other relevant parties in making any modification to the Trust Deed, the Deed of Charge or the other Transaction Documents (irrespective of whether the same may be materially prejudicial to the interests of the Noteholders (but other than for a Basic Terms Modification) provided that the Servicer or the Issuer has certified in writing to the Trustee that such modification is required) in circumstances set forth in the Condition 12(b).

In each case the Issuer shall notify the Noteholders of any such amendment or waiver in accordance with Condition 12 (*Meetings of Noteholders; amendments, waiver, substitution and exchange*).

### **Substitution and exchange**

So long as the Trustee believes that the interests of the Noteholders will not be materially prejudiced, but without the consent of the Noteholders or the Secured Parties, subject to the detailed terms of the Trust Deed, the Trustee may agree to (i) the substitution of any other company or other entity in place of the Issuer as principal debtor under the Trust Deed and the Notes and replacement for it under the Deed of Charge and the other Transaction Documents, provided that the Rating Agencies confirm that such substitution will not adversely affect the then current rating of each Class of Listed Notes, or (ii) the exchange of the Notes for other securities or instruments, provided that the then current rating of each Class of Listed Notes by the Rating Agencies is assigned to any such new securities or instruments.

### **Entitlement of the Trustee**

In the exercise of its powers, trusts, authorities or discretions, the Trustee (i) will only take into consideration the interests of the Controlling Class if there is a conflict between the interests of the Controlling Class and more junior Classes of Noteholders, (ii) will only take into consideration the interests of the Noteholders as a Class and will not take into consideration the consequences of such exercise for individual Noteholders and (iii) will only have regard to the Noteholders and not to the other Secured Parties for so long as the Notes are outstanding.

### **Governing Law**

The Notes and all non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law.

## RIGHTS OF NOTEHOLDERS

*Please refer to the section entitled "Terms and Conditions of the Notes" for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Parties.*

**Prior to an Event of Default:** Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding are entitled to convene a Noteholders' meeting to consider any matter affecting their interests.

**Following an Event of Default:** Following the occurrence of an Event of Default, the Controlling Class may by way of an Extraordinary Resolution, instruct the Trustee to give an Enforcement Notice to the Issuer, the Security Trustee, the Account Bank, the Cash Manager and the Principal Paying Agent declaring the Notes as immediately due and payable at its principal amount outstanding together with accrued interest.

The Trustee may, and may direct the Security Trustee to, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not be subject to specified conditions and treated as such.

See further the section entitled "*Terms and Conditions of the Notes*" for more information.

<b>Noteholders meeting provisions:</b>	Notice Period:	21 clear days for the initial meeting	10 clear days for the adjourned meeting
	Quorum:	20 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for the initial meeting for all Ordinary Resolutions; 50 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for the initial meeting to pass an Extraordinary Resolution (other than a Basic Terms Modification, which requires at least 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes)	Any holding for the adjourned meeting (other than a Basic Terms Modification, which requires 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes)
	Required majority:	More than 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per	More than 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per

cent. of votes cast for matters requiring Extraordinary Resolution	cent. of votes cast for matters requiring Extraordinary Resolution
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Written Resolution: At least 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes. A Written Resolution has the same effect as an Extraordinary Resolution.

**Matters requiring Extraordinary Resolution:**

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute an Event of Default under the Notes;
- to remove the Trustee and/or the Security Trustee and to approve the appointment of a new Trustee and/or Security Trustee;
- to authorise the Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to give any other authorisation or approval which under the Trust Deed or the Notes is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders and to convey upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

**Relationship between Classes of Noteholders:**

Except in respect of certain matters set out in Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*) and the Trust Deed, an Extraordinary Resolution of Noteholders of the Class A Noteholders shall be binding on the Class S Notes. For further details see Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*).

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes.

**Relationship between Noteholders and**

So long as the Notes are outstanding, the Trustee will have regard to the interests of both the Noteholders and the other Secured Parties, but if in the Trustee's sole opinion there is a conflict between their interests it will

**other Secured** have regard solely to the interests of the Noteholders.  
**Parties:**

**Provision of** Information in respect of the underlying Portfolio will be available on  
**Information to the** [https://www.lloydsbankinggroup.com/investors/fixed-income-](https://www.lloydsbankinggroup.com/investors/fixed-income-investors/securitisation/)  
**Noteholders:** [investors/securitisation/](https://www.lloydsbankinggroup.com/investors/fixed-income-investors/securitisation/) in the form of Monthly Reports pursuant to the  
terms of the Servicing Agreement.

## PRINCIPAL TRANSACTION DOCUMENTS

*The following is intended only to be an overview of the principal Transaction Documents and is qualified in its entirety by reference to the detailed terms of the relevant agreement which will be available at the office of the Principal Paying Agent, as described in "General Information".*

### Receivables Sale Agreement

**Sale and Purchase.** Under the Receivables Sale Agreement, on the Closing Date, and on each Payment Date during the Revolving Period, Black Horse will sell, and the Issuer has agreed to purchase, Receivables, together with the Ancillary Rights that Black Horse has represented and warranted satisfy the Eligibility Criteria. The Portfolio sold to the Issuer on the Closing Date will comprise all or part of the Provisional Portfolio.

On the Closing Date, Receivables with an aggregate outstanding principal balance of approximately £2,850,000,000 will be transferred to the Issuer. On each Payment Date during the Revolving Period (expected to be 12 months), the Available Principal Collections will be used, to the extent possible, by the Issuer to pay the Initial Purchase Price for Additional Receivables.

Black Horse will have a right to receive all remaining Available Funds in the form of the Deferred Purchase Price, subject to the applicable Priority of Payments.

Pursuant to the terms of the Receivables Sale Agreement, Black Horse will enter into the Scottish Transfers and the Scottish Vehicle Proceeds Floating Charge which will give effect to the sale of the Scottish Receivables and Ancillary Rights.

*For more details about the Seller, you should read "Seller and Servicer" and for more details about the Receivables, you should read "Receivables".*

**Title.** Title to the Related Vehicles will remain with Black Horse until it is transferred to the relevant Customer under the terms of the relevant Receivable Agreement or is sold by Black Horse following repossession of the Vehicle from the relevant Customer or a return of a Vehicle under a VT Receivable or PCP balloon option by the relevant Customer.

**Representations and Warranties of Black Horse about the Receivables.** Black Horse will make representations and warranties about the Receivables to the Issuer and the Security Trustee. Generally, these representations and warranties relate to legal standards for origination and transfer of the Receivables, terms of the agreements, and the nature of the interest in the Receivables and the Financed Vehicles. Black Horse will also represent and warrant that the Receivables satisfy the criteria described under "*The Provisional Portfolio - Selection of the Receivables*".

Black Horse will represent, on the Closing Date (in respect of the Initial Receivables) or a Sale Date (in respect of Additional Receivables to be sold on that Sale Date), that:

- (a) **Compliance with Eligibility Criteria:** Each Receivable and each Related Receivable Agreement complies in all respects with the Eligibility Criteria;
- (b) **Status:** Each Related Receivable Agreement was entered into on the terms of one of the Standard Form Contracts without alteration or addition to the form (other than the form being completed in accordance with the Seller's policies) and no Related Receivable Agreement is a "modifying agreement" as defined in section 82(2) of the CCA (broadly, an agreement varying or supplementing an earlier Related Receivable Agreement) or a novated agreement;



- (c) **Valid and Binding:** Each Related Receivable Agreement (i) is governed by English or Scottish law and (ii) is a legal, valid and binding obligation of the relevant Customer and, subject to any laws from time to time in effect relating to bankruptcy, liquidation or any other laws or other procedures affecting generally the enforcement of creditors' rights, is in all material respects enforceable in accordance with its terms and is non-cancellable and freely assignable;
- (d) **No prior assignment, set-off or defence:** No Related Receivable Agreement is subject to any claim, equity, defence, right of retention or set-off by the Customer except by virtue of (i) section 56 or 75 of the CCA and (ii) regulation 7 or 8 of the Unfair Terms in Consumer Contracts Regulations 1999;
- (e) **Legal and beneficial ownership:** Immediately prior to the Closing Date, the Seller is and (subject to any prior Encumbrance which has been subsequently discharged) always has been the sole legal and beneficial owner of each Receivable and the Ancillary Rights relating thereto and is selling each Receivable and the Ancillary Rights relating thereto free from any Encumbrance (including rights of attaching creditors and trust interests) and, save as provided for in the Transaction Documents and save for the rights of the Customer under the relevant Related Receivable Agreement, there is no option or right to acquire or create any Encumbrance, on, over or affecting the Receivable or the Ancillary Rights relating thereto;
- (f) **No Default:** So far as the Seller is aware, there is no material default, breach or violation under any Related Receivable Agreement which has not been remedied or any event which, with the giving of notice and/or the making of any determination and/or the expiration of any applicable grace period, would constitute such default, breach or violation, provided that any default, breach or violation shall be material if it in any way affects the amount or the collectability of the Receivables arising under the Related Receivable Agreement and provided further that (i) any breach relating to non-payment shall not be material unless it would be such as would cause the relevant Receivable not to comply with the Eligibility Criteria and (ii) a default relating to a non-payment will not constitute a default for the purposes of this sub-clause (f) unless it would cause the relevant Receivable not to comply with item (1)(f) of the Eligibility Criteria;
- (g) **Option to purchase and return of goods:** No Related Receivable Agreement provides for (i) an option to purchase fee greater than £150 or (ii) an option to return the Vehicle instead of paying the final repayment due under the HP Agreement (excluding any option fees, the right of the Customer to voluntarily terminate an HP Agreement pursuant to Section 99 of the CCA and where a Customer returns the Related Vehicle rather than paying the relevant final option to purchase fee);
- (h) **The Seller's Records:** The Seller (or the Seller's agents on the Seller's behalf) has maintained records relating to each Receivable and Related Receivable Agreement which are accurate and complete in all material respects and which, to the best of the knowledge, information and belief of the Seller, are sufficient to enable such Related Receivable Agreement to be enforced against the relevant Customer and such records are held by or to the order of the Seller;
- (i) **Credit and Collection Procedures:** Each Related Receivable Agreement (i) was originated in accordance with the Seller's Credit and Collection Procedures and (ii) is serviced in accordance with the Credit and Collection Procedures;
- (j) **Insurance:** The terms of each Related Receivable Agreement require the Customer thereunder to insure the Vehicle which is the subject thereof comprehensively against all

normally insurable risks, or in the case of a Receivable Agreement in respect of a motorbike, maintain at a minimum, third party, fire and theft insurance (subject to all normal excesses and deductibles);

(k) **Consumer Credit:**

- (i) Each Related Receivable Agreement was originated by the creditor named as such in the Related Receivable Agreement, as sole principal, and without any agent lender;
- (ii) the Seller has at all material times held and continues to hold and will maintain at all material times a CCA licence or FSMA authorisation (as applicable) to carry on consumer credit business; and
- (iii) so far as the Seller is aware (i) each Dealer and (ii) each other person who carried on in relation to a Related Receivable Agreement any "credit brokerage", as defined in section 145(2) of the CCA, has at all material times held a CCA licence or FSMA authorisation (as applicable) to carry on credit brokerage;

(l) **Ownership:** The Seller is the legal and beneficial owner of the Vehicle to which each Receivable relates and no other person has any right or claim thereto (other than the Customer under the Related Receivable Agreement);

(m) **Unfair Relationship:** So far as the Seller is aware, no Related Receivable Agreement, whether alone or with any related agreement, gives rise to any "unfair relationship" between the creditor and the debtor for the purposes of sections 140A to 140D of the CCA;

(n) **Fraud or Dispute:** So far as the Seller is aware, each Related Receivable Agreement under which a Receivable arises has not been entered into fraudulently by the Customer and/or Dealer in respect thereof;

(o) **No Repossession:** No Vehicle has been repossessed by the Seller under each current Related Receivable Agreement and the Seller has not given any notice, nor applied for any court order, under the CCA, in order to repossess a Vehicle as at the Cut-off Date;

(p) **Sale of Goods Act 1979, Consumer Rights Act 2015, other statutes:** Each Dealer Contract provides that all terms implied by statute relating to the sale of the Vehicles to the Seller will apply in relation to the Vehicles;

(q) **No Onerous Acts:** None of the Related Receivable Agreements is such that it may give rise to (or is linked in any way to any collateral contract in respect of, or including, the insurance of the Vehicle the subject of the Related Receivable Agreement or in respect of the Customer thereunder, or the maintenance or servicing of such Vehicle between the Seller and the relevant Customer which may give rise to) any liability on the part of the Seller to pay money or perform any other onerous act (other than with respect to any claims a Customer may have against the Seller as a result of SGITA, the Consumer Rights Act 2015 or Section 56 or Section 75 of the CCA); and

(r) **Customer obligations:** Each Related Receivable Agreement includes obligations on the Customer to (i) keep the Vehicle in good condition and repair except for fair wear and tear and (ii) have the Vehicle serviced strictly in accordance with the manufacturer's recommendations and any applicable warranty.

Where any Purchased Receivables are determined to be in breach of any Receivables Warranties made (including the Eligibility Criteria) by reason of a Receivable Agreement (or part thereof) being determined illegal, invalid, non-binding, unenforceable or cancellable under the CCA, the Seller will not be obliged to repurchase the relevant Receivables but will pay the CCA Compensation Amount to the Issuer, being an amount, calculated by the Servicer in accordance with the Servicing Agreement, required to compensate the Issuer for any loss arising as a result thereof. The Seller will repurchase any Non-Compliant Receivable, not later than the end of the Calculation Period immediately following the Calculation Period in which the party discovering such breach gave written notice thereof to the others. The repurchase price payable by the Seller to the Issuer for each Non-Compliant Receivable shall be an amount equal to the Non-Compliant Repurchase Price.

In the case of a Purchased Receivable which did not exist, or has ceased to exist, such that it is not outstanding on the date on which it is otherwise due to be repurchased pursuant to the Receivables Sale Agreement, the Seller will not be obliged to repurchase the relevant Receivable but will pay to the Issuer the Receivables Indemnity Amount.

For further information on the calculation of such CCA Compensation Amount, please see further "*Principal Transaction Documents – Servicing Agreement*" below.

*Seller Indemnity for exercise of set-off, equity or counterclaim by a Customer*

Black Horse as seller shall indemnify the Issuer and the Security Trustee against and pay thereto on demand the amount of any loss or expense suffered or incurred by the Issuer or the Security Trustee (the "**Set-Off Indemnity Amount**") as a direct result of the exercise or purported exercise by any Customer of any right of set-off in respect of any debt (present or future, actual or contingent) due or owing by such Customer to the Seller or alleged to be so due and owing (including, without limitation, any right of set-off pursuant to Section 56 and Section 75 and Section 75A of the CCA, or Sections 9(1) or 10(3) of the Consumer Rights Act 2015 and the SGITA); or netting, any other equity, counterclaim or other similar right or action which reduces any amount payable by such Customer in respect of such Purchased Receivables.

The Seller will pay the Set-Off Indemnity Amount no later than the end of the Calculation Period immediately following the Calculation Period in which such exercise of set-off, netting, equity, counter-claim or other similar right was discovered.

***Obligation to Repurchase Receivable for Non-Permitted Variation.*** A Non-Permitted Variation is any change to a Receivable Agreement that relates to a Purchased Receivable which has the effect of:

- (a) reducing the Outstanding Principal Balance of the Purchased Receivable;
- (b) sanctioning any kind of payment holiday;
- (c) reducing the total interest payable by the Customer over the term of the Purchased Receivable; or
- (d) extending the term of the Purchased Receivable.

If Black Horse agrees to any variation to a Receivable Agreement that relates to the Purchased Receivables which is a Non-Permitted Variation, the Seller must repurchase such Purchased Receivable from the Issuer on or before the end of the Collection Period immediately following the Collection Period in which such Non-Permitted Variation occurs. Any such repurchase by the Seller as a result of a variation to a Receivable Agreement or a Purchased Receivable which is a Non-Permitted Variation shall be made in accordance with and subject to the terms of the

Receivables Sale Agreement. The repurchase price for the relevant Purchased Receivable shall be an amount equal to the Non-Compliant Repurchase Price.

**Clean-Up Call Option.** Black Horse will have a "clean-up call" option to purchase all of the Receivables on a Payment Date when the aggregate principal amount outstanding of the Notes is 10 per cent. or less than the initial aggregate principal amount of the Notes as at the Closing Date. Black Horse may exercise its clean-up call option only if the purchase price for the Receivables is sufficient, taking into account any amounts in the Distribution Account, to pay in full both the principal and the interest under the Listed Notes and all items ranking in priority to principal and interest and other amounts due in respect of the Notes in accordance with the Interest Priority of Payments and the Principal Priority of Payments.

**Notification of Assignment of Receivables.** No notification of the assignment and transfer of Receivables will be made to the Customers unless Black Horse's appointment as Servicer of the Receivables is terminated or an Insolvency Event occurs regarding the Seller has occurred. Notification will also be made if it is required for enforcement of the Issuer's rights under such Receivables in which case, so long as no Event of Default has occurred, the giving of such notice will require the Seller's approval which may not be unreasonably withheld.

Immediately on the termination of Black Horse's appointment as Servicer of the Receivables or the occurrence of an Insolvency Event regarding Black Horse the Servicer or the Issuer (as applicable) will give notice to the Customers of the assignment and transfer of the Receivables to the Issuer and to make payments on the Receivables to the Distribution Account.

### **Servicing Agreement**

**Servicing Obligations.** Under the Servicing Agreement, Black Horse as Servicer will agree to manage, service, administer and collect the Receivables in accordance with the Servicer Standard of Care (defined below).

Under the Servicing Agreement, the Servicer's main obligations will be to:

- (a) collect and apply payments made on the Receivables and any other amounts received related to the Receivables;
- (b) recover amounts due from the Customer and of the related guarantors, if any, in respect of Defaulted Receivables;
- (c) enforce all obligations of the Customers under the Receivable Agreements and of the related guarantors if any;
- (d) enforce all Ancillary Rights arising in respect of the Receivables (including, but not limited to, any claims against any third parties (including dealers) in relation to any claims or set-off exercised by a Customer);
- (e) procure that all Collections in respect of the Receivables are paid within two Business Days following receipt by the Seller directly into the Distribution Account; and
- (f) prepare and provide the Monthly Reports and other periodic reports required by the Transaction Documents.

*For further information on the Servicer and its servicing procedures, you should read "Seller and Servicer".*

Under the Servicing Agreement, the Servicer will undertake to devote to the performance of its obligations and the exercise of its discretions under the Servicing Agreement and its exercise of the rights of the Issuer in respect of contracts and arrangements giving rise to payment obligations in respect of the Purchased Receivables at least the same amount of time and attention and exercise the same level of skill, care and diligence as it would if it were administering Receivables in respect of which it held the entire benefit (both legally and beneficially) and, in any event, will devote all due skill, care and diligence to the performance of its obligations and the exercise of its discretions and will devote all operational resources necessary (including, without limitation, office space, facilities, equipment and staff) to fulfil its obligations under the Servicing Agreement and the other Transaction Documents to which it is a party (together, the "**Servicer Standard of Care**").

The Servicer will undertake, among other things, that:

- (a) it will, in discharging its obligations and performing its functions under the Servicing Agreement, act in accordance with the Credit and Collection Procedures;
- (b) it will comply with any reasonable, proper and lawful directions, orders and instructions which the Issuer or, as applicable, the Security Trustee, may from time to time give to it in connection with the performance of its obligations under the Servicing Agreement (to the extent that compliance with those directions does not conflict with any provision of the Credit and Collection Procedures, the Transaction Documents or any duties or obligations applicable to directors generally under English law) provided that prior to a Servicer Termination Event, a Perfection Event or any enforcement action being taken in relation to the Charged Property, the Servicer shall act in accordance with the Credit and Collection Procedures and any such directions must be in conformity with the Credit and Collection Procedures;
- (c) it will notify the Issuer and the Security Trustee immediately (but in any case within one Business Day) of becoming aware of the occurrence of any Early Amortisation Event, Perfection Event or Servicer Termination Event;
- (d) it will make all calculations required to be made by it under the Servicing Agreement (including calculating the CCA Compensation Amount, the Set-Off Indemnity Amount, the Receivables Indemnity Amount and the Non-Compliant Repurchase Price);
- (e) subject to and in accordance with the provisions of the Servicing Agreement and the Credit and Collection Procedures, it will take all reasonable steps to recover all sums due to the Issuer in respect of the Purchased Receivables and any Ancillary Rights;
- (f) in accordance with the Servicing Agreement to allow, at any time from time to time during regular business hours, on reasonable notice to the Servicer, the Issuer, the Security Trustee or their agents or representatives to examine all Records relating to the Receivables and visit the offices and property of the Servicer for the purpose of examining such Records, at the reasonable expense of the Servicer;
- (g) it will deliver the Monthly Reports to the Cash Manager, the Issuer, the Trustee, the Security Trustee, the Principal Paying Agent and the Rating Agencies; and
- (h) it will perform its obligations under the Transaction Documents in compliance with applicable laws and regulations.

**Servicer Modifications.** The Servicer will follow its policies and procedures in servicing the Receivables. As part of its normal collection efforts, the Servicer may waive or modify the terms

of a Receivable, including granting payment extensions and rewriting, rescheduling or amending a Receivable Agreement or waiving late fees, extension fees or other administrative fees, according to Black Horse's servicing policies and procedures and provided, unless the Seller and the Issuer have confirmed that any such Receivable will be repurchased by the Seller, such changes are not a Non-Permitted Variation.

*For more details about the Servicer's policies and procedures for servicing the receivables, including extensions and rewrites, you should read "Seller, Servicer, Cash Manager and Subordinated Loan Provider — Servicing and Collections".*

**Deposit of Collections.** The Servicer will use reasonable endeavours to procure that all Collections in respect of the Receivables are paid directly into the Distribution Account within two Business Days of receipt by the Seller.

**Allocation of Collections.** The Servicer will identify and calculate amounts to be allocated to the Issuer's Distribution Account from Available Funds including:

- (a) On each Business Day, the Servicer will identify amounts received into the Issuer's Distribution Account since the prior Business Day as Available Interest Collections or Available Principal Collections.
- (b) On each Calculation Date, the Servicer will calculate the Available Interest Collections for the immediately preceding Collection Period.
- (c) On each Payment Date before the service of an Enforcement Notice, the Servicer will allocate Available Interest Collections for the prior collection period to each item in the Interest Priority of Payments.

*For more details about the interest priority of payments you should read "Terms and Conditions of the Notes".*

- (a) On each Calculation Date, the Servicer will calculate Available Principal Collections for the prior Collection Period.
- (b) On each Payment Date before the service of an Enforcement Notice, the Servicer will allocate the Available Principal Collections in accordance with the Principal Priority of Payments.

*For more details about the principal priority of payments you should read "Terms and Conditions of the Notes".*

**Monthly Report.** The Servicer will prepare and deliver a Monthly Report, as described in "**Monthly Reports**", at least two Business Days before the subsequent Payment Date. The Monthly Report shall be addressed to the Cash Manager, the Issuer, the Trustee and the Security Trustee with a copy to the Principal Paying Agent and the Rating Agencies, setting out the payments into and out of each of the Issuer Accounts and payments to other third parties.

The Monthly Report will also include, among other things, the following information in respect of the Purchased Receivables: (i) the number of the Related Receivable Agreements; (ii) distribution by remaining term; (iii) statistics on prepayments, Defaulted Receivables, PCP Handback Receivables and VT Receivables; (iv) details relating to repurchases of Purchased Receivables by the Seller pursuant to the terms of the Receivables Sale Agreement, (v) details (provided, where relevant by the Cash Manager) with respect to the rates of interest, note principal and interest payments and other payments made by the Issuer, and (vi) disclosures about the risk retention methodology chosen under CRR.

The Monthly Report will be made available <https://www.lloydsbankinggroup.com/investors/fixed-income-investors/securitisation/>. The website and the contents thereof do not form part of this Prospectus.

**CRA3 reporting.** Under the Servicing Agreement, Black Horse as Servicer will act as the designated reporting entity for the purposes of complying with the applicable requirements under Article 8b of CRA3 related to the Notes.

**Data Protection.** In the event of a Servicer Termination Event, and provided a Back-Up Servicer Facilitator Termination Event has not occurred, the Servicer shall provide Lloyds Bank plc (as Back-Up Servicer Facilitator) with access to, or copies of, the encoded Customer Data in a form to be agreed between them. In the event of a Back-Up Servicer Facilitator Termination Event, the Servicer shall provide the Issuer with access to, or copies of, the encoded Customer Data within 10 Business Days of the occurrence of the Back-Up Servicer Facilitator Termination Event, and updated Customer Data on each subsequent Payment Date.

The Issuer will agree to administer and use all data, documents and information transferred to it under the Receivables Sale Agreement or the Servicing Agreement in compliance with applicable laws. The Customer Data provided by the Servicer to the Issuer or Lloyds Bank plc (as Back-Up Service Facilitator) will be encoded to protect the confidentiality of the identities of the Customers, and the key to such encoded data will be provided to and kept by the Corporate Services Provider on behalf of the Issuer to be used to decrypt the encoded Customer Data following a Perfection Event.

**Custodial Obligations of Black Horse.** The Servicer will maintain a record in its computer systems, on a receivable by receivable basis, of:

- (a) all the amounts paid by each Customer;
- (b) all the amounts due from a Customer;
- (c) the balance payable under a Receivable; and
- (d) the list of Customers.

**Delegation of Obligations.** The Servicer may without prior notice or consent delegate its obligations under the Servicing Agreement to any third party, subject to certain conditions being met. The Servicer may perform its obligations through sub-contractors. No such delegation or sub-contracting will relieve the Servicer of its responsibilities for such obligations and the Servicer will remain responsible for such obligations. The Servicer will be responsible for the fees of any sub-contractors.

**Limitations on Liability.** The Servicer will not be liable for any losses or expenses of the other parties to the Servicing Agreement or the Noteholders as a result of the proper performance of the Servicer's obligations except where such loss or expense is the result of its fraud, wilful default or negligence in the performance of its obligations.

**Servicing Fees.** The Servicer will receive the Servicing Fee on each Payment Date. In addition, the Servicer will retain any late fees, extension fees and other administrative fees received from Customers. The Servicer will have a right to reimbursement for fees and expenses paid to third parties related to the enforcement of any Receivable Contract or the repossession and disposition of Financed Vehicles as well as for continued collection activities on written-off accounts.

**Calculation of CCA Compensation Amount.** In calculating the CCA Compensation Amount the Servicer has agreed to calculate the loss (if any) that has arisen to the Issuer solely as a result of

any Purchased Receivable or the related Receivable Agreement (or part thereof) being determined illegal, invalid, non-binding or unenforceable under the CCA. Where any Purchased Receivable or the related Receivable Agreement has been determined illegal, invalid, non-binding or unenforceable, the loss to the Issuer shall be calculated as being the amount which the Issuer should have received under such Receivable had the Receivable or Receivable Agreement not been so determined and on the assumption that all amounts under the Receivable and Receivable Agreement (including any option fees) would have been paid on a timely basis in full by the Customer (and disregarding any consideration as to the credit worthiness of the Customer) and including any amounts that would have accrued to the Issuer from the date on which such Related Receivable Agreement, was determined illegal, invalid, non-binding or unenforceable under the CCA, excluding for the avoidance of doubt any losses related to the Interest Element of the relevant Purchased Receivable.

**Resignation and Termination of the Servicer.** The Servicer may resign its appointment on no less than 12 months' written notice to the Issuer, the Back-Up Servicer Facilitator, the Seller and the Security Trustee with a copy being sent to the Rating Agencies.

Each of the following events will be a "**Servicer Termination Event**" under the Servicing Agreement:

- (a) Black Horse fails to pay any amount due under the Servicing Agreement on the due date or on demand, if so payable, or to direct any movement of collections as required under the Servicing Agreement and the other Transaction Documents, and such failure has continued unremedied for a period of five Business Days after written notice of the same has been received by Black Horse or discovery of such failure by a Responsible Person of Black Horse, unless
  - (i) the failure was caused by an event outside Black Horse's control and does not continue for more than ten Business Days, and Black Horse uses all commercially reasonable efforts to perform its obligations under the Servicing Agreement and promptly notifies the Trustee, the Security Trustee, the Issuer and the Noteholders of the failure and the steps being taken to correct it; or
  - (ii) the failure relates to an amount no greater than 0.05 per cent. of the aggregate Principal Amount Outstanding of all Notes and does not continue for more than 90 days after such failure; or
- (b) Black Horse (i) fails to observe or perform in any respect any of its covenants and obligations under or pursuant to the Servicing Agreement or any other Transaction Document to which it is a party and such failure results in a material adverse effect on the Purchased Receivables and continues unremedied for a period of 60 days after the earlier of a Responsible Person of Black Horse becoming aware of such default and written notice of such failure being received by Black Horse from the Issuer or, after delivery of an Enforcement Notice or notice that the Security Trustee has taken any action to enforce the Security, the Security Trustee requiring the same to be remedied, or (ii) fails to maintain its FSMA authorisation or any other regulatory licence or approval required under the terms of the Servicing Agreement and such failure continues unremedied for a period of 60 days after the earlier of an officer of Black Horse becoming aware of such default and written notice of such failure being received by Black Horse; or
- (c) the occurrence of an Insolvency Event in relation to Black Horse; or
- (d) any of the warranties given by Black Horse pursuant to the Servicing Agreement prove to be untrue, incomplete or inaccurate and such default (if capable of remedy) continues



unremedied for a period of 60 days after the earlier of an officer of Black Horse becoming aware of such default and written notice of such failure being received by Black Horse;

Black Horse's appointment under the Servicing Agreement may be terminated by the Issuer, so long as the Security Trustee consents to such termination, or the Security Trustee (acting on the directions of the Trustee, itself directed by the Noteholders).

The Issuer, after the resignation or termination of the appointment of Black Horse as Servicer, will (with the assistance of the Back-Up Servicer Facilitator) shall promptly identify and appoint a replacement servicer. No resignation or termination of the appointment of the Servicer will become effective until a replacement servicer has been appointed.

### **Back-Up Servicer Facilitator Agreement**

**General.** The Back-Up Servicer Facilitator agrees to assist in the identification and appointment of a back-up servicer on the occurrence of either a Servicer Termination Event or Back-Up Servicer Facilitator Termination Event, including facilitating the transfer of any data to the Back-Up Servicer.

**Back-Up Servicer.** The Servicer (with the assistance of the Back-Up Servicer Facilitator) will appoint a back-up servicer in the event that (i) there is a Servicer Termination Event, (ii) 51 per cent. or more of the issued share capital of the Servicer is no longer held beneficially by a member of the Lloyds Banking Group (a "**Change of Control Event**"), or (iii) Lloyds Bank plc has a long term credit rating lower than BBB- by Fitch and BBB(low) by DRBS (a "**Back-Up Servicer Facilitator Downgrade Event**" and, together with the Change of Control Event, each a "**Back-Up Servicer Facilitator Termination Event**") provided that, in the case of a Back-Up Servicer Facilitator Downgrade Event, Lloyds Bank plc may not be appointed as the back-up servicer.

The Issuer will, after the resignation or termination of the appointment of Lloyds Bank plc as Back-Up Servicer Facilitator, use reasonable endeavours to search for and appoint a replacement back-up servicer facilitator. No resignation or termination of the appointment of the Back-Up Servicer Facilitator will become effective until a replacement back-up servicer facilitator has been appointed, with notice of the resignation, termination and appointment of a new back-up servicer facilitator to be given to the Issuer (if applicable) and the Rating Agencies.

### **Cash Management Agreement**

**General.** Black Horse will act as a Cash Manager under the Cash Management Agreement. The Cash Manager will manage the Issuer's accounts, including the Reserve Account, and arrange for payments to be made on behalf of the Issuer from such accounts on the basis of information in the Monthly Report in accordance with the relevant priority of payments set out in "*Terms and Conditions of the Notes*". If the Monthly Report is not delivered to the Cash Manager, the Cash Manager will not be obliged to make payments other than payment of the Issuer expenses, the servicing fee and the amounts required under the Notes in accordance with the relevant Priority of Payments set out in "*Terms and Conditions of the Notes*".

*For further information on the Cash Manager, you should read "Seller, Servicer, Cash Manager and Subordinated Loan Provider".*

**Resignation and Termination of the Cash Manager.** Black Horse's appointment may be terminated by the Security Trustee or by the Issuer with the Security Trustee's consent after the occurrence of the following events, each a "**Cash Manager Termination Event**":

- (a) subject to certain cure periods, Black Horse defaults on a payment to be made by Black Horse under the Cash Management Agreement;
- (b) subject to certain cure periods, Black Horse fails to fulfil any other obligation imposed on it under the Cash Management Agreement;
- (c) an insolvency of Black Horse; or
- (d) if Black Horse is not or ceases to be exempt from any deduction or withholding under FATCA.

If the Cash Manager's appointment is terminated following a Cash Manager Termination Event, or if the Cash Manager resigns having given at least 12 months' notice to the Issuer, the Security Trustee and the Seller (with a copy to the Rating Agencies), the Cash Manager will assist in a transfer to a substitute cash manager. The Corporate Services Provider will assist the Issuer in appointing a replacement cash manager. In no event will the Trustee and/or the Security Trustee be required to act as Cash Manager. No termination of the Cash Manager will become effective until a replacement cash manager has been appointed.

In return for the services provided, the Cash Manager will receive a fee on each Payment Date equal to 1/12th of £10,000 (inclusive of VAT, if any) paid monthly in arrears in accordance with the applicable Priority of Payments.

**Reserve Account.** A Reserve Account will be put in place to cover shortfalls in the Available Interest Collections. The Reserve Account will be funded on the Closing Date using the proceeds of the Subordinated Loan and thereafter replenished in an amount equal to the Reserve Account Required Amount in accordance with the applicable Priority of Payments.

For more details about the Reserve Account, you should read "*Credit Enhancement — Reserve Account*".

**Replenishment Amount.** To the extent that on a Sale Date after the Closing Date not all of the Available Principal Collections are required to fund the Additional Receivables, the excess (the "**Replenishment Amount**") will be credited to the Replenishment Ledger.

To the extent that as at any time during the Revolving Period items (a) to (e) of the Available Principal Collections are not sufficient to pay for the Additional Receivables, such difference being the "**Released Replenishment Amount**", the Released Replenishment Amount will be debited from the Replenishment Ledger and used by the Issuer to fund such amount in accordance with the Principal Priority of Payments.

**Ledgers.** The Cash Manager will maintain the following ledgers:

- (a) the Principal Deficiency Ledger; and
- (b) the Replenishment Ledger.

### **Issuer's Bank Accounts**

**General.** The bank accounts described below will be utilised in the securitisation transaction and the Issuer's interest in such accounts will form part of the security for the Notes. Each account was established and will be maintained with Lloyds Bank plc (as **Account Bank**), whose principal place of business is at 25 Gresham Street, London EC2V 7HN.

The Account Bank's long-term senior debt has been assigned a rating of A+ by Fitch and a long-term critical obligations rating of A (high) by DBRS.

*For further information on the Account Bank, you should read "Account Bank".*

The Issuer's Distribution Account and Reserve Account are required to be maintained at a Qualified Institution. If at any time the Account Bank ceases to be a Qualified Institution, then the Issuer and Black Horse will, in the case of a downgrade by Fitch and/or DBRS, within 45 days of such time, transfer the relevant accounts to another bank or banks that are Qualified Institutions.

The Issuer may terminate the appointment of the Account Bank provided that a replacement Account Bank has been appointed. The Account Bank may resign by giving the Issuer, the Security Trustee and the Cash Manager at least two months' prior notice. However, such resignation will not take effect until a successor account bank is appointed.

The Replenishment Ledger will be credited with the Replenishment Amount and debited by the Released Replenishment Amount as described in "*Cash Management Agreement — Replenishment Amount*".

**Reserve Account.** The Reserve Account will be credited with the Reserve Account Required Amount and debited according to "*Credit Enhancement — Reserve Account*".

### **Security — Deed of Charge**

**General.** The Notes are secured under and on the terms set out in a Deed of Charge between the Issuer and the Security Trustee on certain English and Scottish law governed assets of the Issuer.

**Enforcement of the Security.** The Security becomes enforceable when the Trustee serves an Enforcement Notice on the Issuer and the Security Trustee. Following delivery of an Enforcement Notice, the Trustee may at its discretion direct the Security Trustee to take action to enforce the Security, and will direct the Security Trustee to take such action to enforce the Security as directed by the Controlling Class acting by way of Written Resolution or by way of an Extraordinary Resolution subject to the Trustee and the Security Trustee having been indemnified and/or secured and/or prefunded to their satisfaction.

To the extent that the Trustee acts in compliance with such directions of the Controlling Class, it will have no obligation to take the interests of any other party into account or to follow a direction given by any other party. Only the Trustee and the Security Trustee may enforce the rights of the Noteholders against the Issuer, whether the same arise under general law, the terms and conditions of the Notes, a transaction document or otherwise.

**Application of Proceeds — Accelerated Priority of Payments.** On enforcement of the Security, the Security Trustee is required to apply moneys available for distribution to satisfy the amounts owing by the Issuer in the Accelerated Priority of Payments set out in "*Terms and Conditions of the Notes*".

**Shortfall after Application of Proceeds.** If the net proceeds of the Security being enforced and liquidated under the Deed of Charge are not sufficient to pay the Notes after payment of all other claims ranking in priority to the Notes, the obligations of the Issuer under the Notes will be limited to such net proceeds and no other assets of the Issuer will be available for any further payments on the Notes. The right to receive any further payments will be extinguished.

### **Collection Account Trust**

The Seller has, pursuant to the terms of the Servicing Agreement agreed to hold all amounts standing to the credit of the Collections Account on trust for the Issuer and itself absolutely (the "**Collections Account Declaration of Trust**"). The Servicer shall hold upon trust:

- (a) for the Issuer absolutely, all amounts from time to time standing to the credit of the Collections Account to the extent that such amounts represent payments into the Collections Accounts derived from or resulting from the Purchased Receivables comprised in the Portfolio (but excluding any interest arising in respect of amounts standing to the credit of the Collections Account) (the "**Issuer Trust Amounts**"); and
- (b) for itself absolutely, all amounts from time to time standing to the credit of the Collections Account to the extent such amounts represent amounts other than the Issuer Trust Amounts (the "**Seller Trust Amounts**").

The Seller has agreed that the Issuer Trust Amounts will be distributed to the Issuer in accordance with the terms of the Servicing Agreement and acknowledges and agrees that the Seller Trust Amounts shall be distributed at the direction of the Seller as beneficiary of the Collections Account Declaration of Trust.

The Seller will further acknowledge that it has no right at any time to pay, set-off or transfer any of the Issuer Trust Amounts in or towards satisfaction of the liabilities of the Seller and that it shall hold such money as Trustee for the Issuer and shall only be entitled to deal with the Issuer Trust Amounts in accordance with the terms of the Servicing Agreement and the other Transaction Documents.

### **Scottish Vehicle Proceeds Floating Charge**

The Seller has, pursuant to the Receivables Sale Agreement, granted a floating charge over, inter alia, Vehicle Proceeds arising under Scots law and entered into by Black Horse in favour of the Issuer.

### **Trust Deed**

The Notes will be constituted pursuant to the Trust Deed to be entered into on the Closing Date between the Issuer and the Trustee.

U. S. Bank Trustees Limited will agree to act as Trustee subject to the conditions contained in the Trust Deed.

The Trust Deed contains provisions requiring the Trustee to take into account the interests of the holders of all Classes of Notes issued by the Issuer equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee to take into account only the interests of the Controlling Class if, in the opinion of the Trustee there is a conflict between the interests of the Controlling Class and the holders of the other Class of Notes.

The Trust Deed will contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances.

The Trust Deed provides that the Trustee will be obliged to take action on behalf of the Noteholders and the Secured Parties in certain circumstances, provided always that the Trustee is indemnified and/or secured and/or prefunded to its satisfaction. Further, the Trustee will not be obliged to act on behalf of the Noteholders or any other Secured Parties where it would not have

the power to do so by virtue of any applicable law or where such action would be illegal in any applicable jurisdiction

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Trustee for its services under the Trust Deed at the rate and times agreed (and as amended from time to time) between the Issuer and the Trustee together with payment of any liabilities incurred by the Trustee in relation to the Trustee's performance of its obligations under the Trust Deed.

The Conditions of the Notes, including a summary of the provisions regarding Meetings of the Noteholders, are reproduced in full in the section headed "*Terms and Conditions of the Notes*".

**Governing law**

All of the transaction documents and all non-contractual obligations arising out of or in connection with the transaction documents will be governed by English law or, in the case of certain terms regarding security and sale, Scots law.

## **CREDIT ENHANCEMENT**

This securitisation transaction is structured to provide credit enhancement that increases the likelihood that the Issuer will make timely payment of interest and principal on the Class A Notes and decrease the likelihood that losses on the Receivables will impair the Issuer's ability to do so. Credit enhancement may not provide protection against all risks of loss and does not guarantee payment of interest and repayment of the entire principal amount of the Notes. If losses on Receivables exceed the credit enhancement available, Noteholders will bear their allocable share of the loss. The Noteholders will have no recourse to Black Horse as a source of payment.

### **Subordination**

This securitisation transaction is structured so that the Issuer will pay interest on the Class A Notes, and then will pay interest on the Class S Notes. The Issuer will not pay interest on the Class S Notes until all interest due on the Class A Notes is paid in full.

After the end of the Revolving Period, the Issuer will pay principal sequentially to each Class of Notes in order of seniority. The Issuer will not pay principal on the Class S Notes until the principal amounts on the Class A Notes are paid in full.

If the Notes are accelerated after an Event of Default, the Priority of Payments will change and the Issuer will not pay interest or principal on a Class S Notes until principal and interest and all other amounts in respect of the Class A Notes are paid in full. These subordination features provide credit enhancement the Class A Notes.

### **Excess Spread**

Excess spread for any Payment Date will be the amount by which collections of interest on the Receivables during the Collection Period exceeds the sum of the Trustee and Security Trustee fees and other senior expenses of the Issuer, the Servicing Fee and the interest payments due on the Class A for that Payment Date. The amount of excess spread will depend on factors such as the customer rate on the Receivables, prepayments and losses. Any excess Available Interest Collections, following replenishment of the Reserve Account, will be used to cover losses on Defaulted Receivables, VT Receivables and PCP Handback Receivables. Accordingly, excess spread provides a source of funds to absorb any losses on the Receivables and reduces the likelihood of losses on the Notes.

### **Reserve Account**

A Reserve Account will be put in place to cover shortfalls in the Available Interest Collections. The Reserve Account will be funded on the Closing Date using the proceeds of the Subordinated Loan and thereafter replenished up to an amount equal to the Reserve Account Required Amount in accordance with the applicable Priority of Payments.

On each Payment Date, except on the Listed Note Repayment Date, all amounts standing to the credit of the Reserve Account will be regarded as Available Interest Collections. On the Listed Note Repayment Date only, all amounts standing to the credit of the Reserve Account will be regarded as Available Principal Collections.

The Issuer will apply amounts standing to the credit of the Reserve Account to the Available Principal Collections upon the earlier of, (a) the balance standing to the credit of the Reserve Account being in an amount equal to or exceeding the aggregate outstanding principal amount of the Class A Notes such that the Class A Notes would be redeemed in full, or (b) confirmation from the Rating Agencies that the amounts standing to the credit of the Reserve Account or any part of it may be released.

## REVOLVING PERIOD AND EARLY AMORTISATION PERIOD

### Revolving Period

The Revolving Period will begin on the Closing Date and end on the earlier of (a) the occurrence of an Early Amortisation Event and (b) the Payment Date falling in December 2019.

During the Revolving Period (expected to be 12 months), the Available Principal Collections will be used by the Issuer to purchase Additional Receivables to the extent that Black Horse makes Additional Receivables available for sale and assignment under further Sale Notices and the terms of the Receivables Sale Agreement. Available Principal Collections will be available to the extent that Purchased Receivables amortise, prepay in full or are repurchased by Black Horse as Seller due to breach of warranty or as a result of a Non-Permitted Variation by the Servicer.

### Early Amortisation Period

The Early Amortisation Period will begin on and including the day after the occurrence of an Early Amortisation Event and end on the earlier of (a) the date when all the Notes have been repaid in full and (b) the service of an Enforcement Notice.

Each of the following will be an "**Early Amortisation Event**":

- an Event of Default occurs and is continuing;
- a Servicer Termination Event occurs and is continuing;
- the balance standing to the credit of the Reserve Account is below the Reserve Account Required Amount on any Payment Date after the application of item (vii) of the Interest Priority of Payments;
- an Insolvency Event occurs with respect to the Seller;
- a Portfolio Performance Trigger Event;
- the Seller fails to pay any amount due and payable by it under any Transaction Document to which it is a party, and such failure has continued unremedied for a period of five Business Days after written notice or discovery of such failure by an officer of the Seller;
- a misrepresentation is made in respect of any of the Receivables Warranties and the Seller has failed to take any of the measures set out in clause 7.1 (*Repurchase of Non-Compliant Receivables*) of the Receivables Sale Agreement; or
- the Seller defaults in the performance or observance of any of its obligations under or in respect of a Transaction Document to which it is a party and such failure results in a material adverse effect on the Purchased Receivables and, if capable of remedy, remains unremedied for a period of 60 days after the earlier of an officer of the Seller becoming aware of such default and written notice being received by the Seller; or
- on a Payment Date, the amount standing to the credit of the Replenishment Ledger exceeds 10 per cent. of the total initial balance of the Notes.

On the occurrence of an Early Amortisation Event, the Revolving Period will terminate and the Seller will no longer be permitted to sell Additional Receivables to the Issuer.

*For more details about the early amortisation events, you should read "Terms and Conditions of the Notes".*



## MATURITY AND PREPAYMENT CONSIDERATIONS

### General

The amount of principal payments that will be made on the Notes on each Payment Date is not certain because that amount will depend on the amount of principal payments, including prepayments, received on the Receivables during the Collection Period and whether an Early Amortisation Period has occurred. The Final Legal Maturity Date for each Class of Notes is listed on the cover of this Prospectus. These dates have been calculated for each Class of Notes assuming no Early Amortisation Event, all Receivables pay as scheduled with no delays, defaults or prepayments and, for the Notes, adding 12 months to the calculated date. The Issuer expects that the final payment of each Class of Notes will occur before its Final Legal Maturity Date. The final payment of a Class of Notes could occur significantly earlier (or could occur later) than such Class's Final Legal Maturity Date.

### Prepayments

"Prepayments" on the Receivables will occur in the following circumstances:

- Customers may prepay their Receivable Agreements in full or in part at any time;
- Vehicle Proceeds on Defaulted Receivables, VT Receivables or PCP Receivables may be received; and
- proceeds from claims on insurance policies covering the Financed Vehicles or the Customers may be received.

In addition:

- the Seller may be required to repurchase Non-Compliant Receivables from the Issuer on the occurrence of breaches of representations and warranties, or to indemnify for any CCA Compensation Amount, Set-Off Indemnity Amount or Receivables Indemnity Amount, as described under "*Principal Transaction Documents — Receivables Sale Agreement*" if the Seller fails to remedy the breach within the applicable timeframe;
- the Servicer, for so long as Black Horse is Servicer, may be required to purchase Receivables if the Servicer breaches its servicing obligations, as described under "*Principal Transaction Documents — Servicing Agreement*"; and
- the Seller will have the option to purchase all but not some of the Receivables from the Issuer on a Payment Date when the Aggregate Principal Amount Outstanding of the Listed Notes is 10 per cent. less than the Aggregate Principal Amount of the Listed Notes as at the Closing Date, provided that sufficient funds are available to pay interest and principal on the Listed Notes in full.

The short-term nature and smaller principal amount of Receivable Agreements makes the benefit of refinancing smaller. Furthermore, the use of low-rate financing to increase sales of New Vehicles limits the situations in which a Customer could take advantage of lower rates by refinancing.

Reinvestment risk resulting from a faster or slower rate of Prepayment of Receivables will be borne entirely by the Noteholders. Higher than anticipated rates of Prepayment and defaults on the Receivables after the Revolving Period has ended or if an Early Amortisation Event has occurred will cause principal to be paid to the Noteholders faster than expected. Noteholders will bear the risk of not being able to reinvest the principal repaid faster than expected at a rate of

return that is equal to or greater than the rate of return on the Notes. Noteholders may also have to wait longer than anticipated to receive principal payments if Prepayment rates are slower than assumed, exposing them to reinvestment risk at the time principal is paid or to lost investment opportunities that may arise before receipt of principal from the Issuer.

### **Weighted Average Life of the Notes**

The expression "weighted average life" refers to the average amount of time from the Closing Date to the date of payment to the Noteholder of each pound Sterling paid in reduction of the Outstanding Principal Amount of the Notes (assuming no losses). The weighted average life of the Notes will be influenced by, among other things, the rate at which principal is paid on the Receivables, which may occur through scheduled payments, Prepayments or enforcement proceedings and whether an Early Amortisation Event occurs.

Prepayments on auto receivables are commonly measured relative to a constant prepayment standard or model. The model used in this Prospectus for the Receivables is constant prepayment rates or "**CPR**", which represents an assumed rate of prepayments each month relative to the then aggregate Outstanding Principal Balance of the Receivables for the life of such Receivables.

The table below has been prepared on the basis of the following assumptions:

- no Purchased Receivable is sold by the Issuer;
- there are no delinquencies, defaults or voluntary terminations on the Purchased Receivables, and principal payments on the Purchased Receivables will be received on a timely basis together with prepayments, if any, at the CPR set out in the table;
- payments on the Notes are made on the 21st day of each month and the first Payment Date is 21 January 2019;
- the first amortising Payment Date is 21 January 2020;
- the Notes are issued on 4 December 2018;
- Black Horse exercises the 10 per cent. Clean Up Call on the first Payment Date that the option is available;
- no Early Amortisation Event occurs; and
- the amortisation profile of the assets at the end of the Revolving Period is assumed to be the same as the profile of the Provisional Portfolio on the Provisional Pool Cut-Off Date.

The actual characteristics and performance of the Receivables transferred to the Issuer will differ from the assumptions used in constructing the CPR tables. The CPR tables only give a general sense of how each Class of Notes may amortise at different assumed CPR rates with other assumptions held constant. It is unlikely that the Receivables will prepay at a constant rate until maturity and that there will be no delinquencies or losses on the Receivables. The diverse terms of the Receivables could produce slower or faster principal prepayments than indicated in the CPR tables. Any difference between these assumptions and the actual characteristics and performance of the Receivables, or actual prepayment or loss experience, will affect the percentages of the weighted average life and period during which principal is paid on each Class of Notes.

#### Weighted Average Life of the Class A Notes

CPR	WAL (in years)	First Principal Payment	Expected Maturity
0.00%	2.87	Jan-2020	Feb-2023
5.00%	2.69	Jan-2020	Dec-2022
10.00%	2.53	Jan-2020	Nov-2022
15.00%	2.38	Jan-2020	Sep-2022
20.00%	2.25	Jan-2020	Jul-2022
25.00%	2.13	Jan-2020	May-2022
30.00%	2.02	Jan-2020	Mar-2022

#### Assumed Amortisation of the Class A Notes

This amortisation scenario is based on the assumptions listed above under Weighted Average Life of the Notes and is assuming a CPR of 20 per cent. It should be noted that the actual amortisation of the Class A Notes may differ substantially from the amortisation scenario indicated below.

Payment Date	Class A Note Principal Amount Outstanding
Jan-2019	100.00%
Feb-2019	100.00%
Mar-2019	100.00%
Apr-2019	100.00%
May-2019	100.00%
Jun-2019	100.00%
Jul-2019	100.00%
Aug-2019	100.00%
Sep-2019	100.00%
Oct-2019	100.00%
Nov-2019	100.00%
Dec-2019	100.00%
Jan-2020	95.79%
Feb-2020	91.48%
Mar-2020	87.36%
Apr-2020	83.34%
May-2020	79.46%
Jun-2020	75.49%
Jul-2020	71.27%
Aug-2020	67.34%
Sep-2020	63.53%
Oct-2020	59.98%
Nov-2020	56.45%
Dec-2020	53.19%
Jan-2021	50.02%
Feb-2021	46.93%

Mar-2021	43.94%
Apr-2021	41.04%
May-2021	38.19%
Jun-2021	35.42%
Jul-2021	32.60%
Aug-2021	29.56%
Sep-2021	26.35%
Oct-2021	23.34%
Nov-2021	20.46%
Dec-2021	17.65%
Jan-2022	14.74%
Feb-2022	11.93%
Mar-2022	9.45%
Apr-2022	7.00%
May-2022	4.77%
Jun-2022	2.44%
Jul-2022	0.00%

**The CPR tables were prepared based on the assumptions described above, including the assumptions regarding the characteristics and performance of the Receivables that will differ from the actual characteristics and performance of the Receivables. You should be sure you understand these assumptions when reading the CPR tables.**

Calculations of the estimated weighted average life of the Notes are derived from information provided by Black Horse.

### **USE OF PROCEEDS**

The net proceeds from the sale of the Notes issued will be used by the Issuer to purchase the beneficial interest in the Initial Receivables from Black Horse on the Closing Date with any surplus credited to the Replenishment Ledger.

## MONTHLY REPORTS

The Servicer will prepare and deliver a Monthly Report to the Issuer, the Cash Manager, the Trustee, the Security Trustee, the Principal Paying Agent and, if requested, the Rating Agencies at least two Business Days before each Payment Date. Each Monthly Report will contain information about payments to be made on the Notes on the Payment Date, the performance of the Receivables during the Collection Period and the status of any credit enhancement. Each Monthly Report will be made available via <https://www.lloydsbankinggroup.com/investors/fixed-income-investors/securitisation/>.

The Monthly Report will contain the following information for each Payment Date:

- Collections on the Receivables allocated by interest and principal;
- fees and expenses payable to the Trustee, the Security Trustee, the Principal Paying Agent, the Registrar and certain other transaction parties;
- Servicing Fee payable to the Servicer;
- amount of interest and principal payable and paid on each Class of Notes;
- after the end of the Revolving Period, the principal amount of each class of Notes at the beginning of the period and the end of the period and the note factors needed to compute the principal amount of each Class of Notes, giving effect to all payments to be made on the Payment Date;
- the balance of the Reserve Account and the amount of any withdrawals from or deposits to the Reserve Account to be made on the Payment Date;
- information on the performance of the Receivables for the Collection Period, including the Aggregate Outstanding Principal Balance, Collections and the aggregate amount paid by Black Horse to indemnify or to repurchase Non-Compliant Receivables or Receivables subject to a Non-Permitted Variation and the number of Receivables remaining in the pool;
- during the Revolving Period, the principal amount of the Additional Receivables sold, the balance on the Replenishment Ledger and whether the pool composition tests are satisfied;
- delinquency and loss information on the Receivables for the Collection Period;
- the amount of Available Funds paid to the Seller in the form of the Deferred Purchase Price; and
- the amount and method of Black Horse's retained interest.

The Cash Manager will use the Monthly Report to instruct the Principal Paying Agent on payments to be made to the Noteholders on each Payment Date. The Principal Paying Agent will have no obligation to verify calculations made by the Servicer or the instructions received by the Cash Manager.

The Monthly Report will include a note factor for each class of notes that can be used to compute the portion of the principal amount outstanding on that class of notes each month. The factor for each class of notes is a seven-digit decimal indicating the remaining outstanding principal amount of that class of notes as at the applicable payment date as a percentage of its original principal

amount, after giving effect to payments to be made on the payment date. For each note, the portion of the principal amount outstanding on that class of notes can be determined by multiplying the original denomination of that note by the note factor for that class of notes. The factors for each class of notes will initially be 1.0000000 and will decline as the outstanding principal amount of the class declines.

*For information about other reports prepared by the Servicer, including assessment of compliance with the minimum servicing criteria, you should read "Principal Transaction Documents — Servicing Agreement — Loan-level Data" and "— CRA3 reporting".*

## TAXATION

### General

The following summary is a general discussion based on current UK law and practice. It relates only to withholding tax, stamp duty and stamp duty reserve tax and certain information reporting obligations. It is not a complete analysis of all tax considerations relating to the Notes and should be treated with appropriate caution. This discussion does not address any other UK tax considerations which may be relevant to a holder or prospective holder of the Notes, (for example income tax, capital gains tax or corporation tax). This overview is based on the laws of England and Wales currently in force and as applied on the date of this Prospectus, which are subject to change, possibly also with retroactive or retrospective effect.

**The overview is not tax or legal advice and the comments below are of a general nature only. Prospective holders of the Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes and the receipt of interest on the Notes, including the effect of taxes imposed under the tax laws of England and Wales and any other jurisdiction or jurisdictions where they are or may be liable to tax.**

You should also read "*Risk Factors*" in conjunction with this section.

### Withholding tax on interest paid under the Notes

Interest on the Class A Notes will be payable without withholding or deduction for or on account of United Kingdom income tax provided that the Class A Notes are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("**ITA 2007**"). The London Stock Exchange is currently "a recognised stock exchange". Provided that the Class A Notes are and remain admitted to trading on the Main Market of the London Stock Exchange, and the London Stock Exchange continues to be a "recognised stock exchange" for the purposes of section 1005 ITA 2007, the interest on the Class A Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.

If the Class A Notes cease to be listed on a "recognised stock exchange", an amount must be withheld for or on account of United Kingdom income tax at the basic rate, currently 20 per cent, from interest paid on them, subject to (i) a direction to the contrary from HM Revenue and Customs related to such relief as may be available under the terms of an applicable double taxation treaty, or (ii) certain other exceptions (including in respect of interest paid to companies within the charge to United Kingdom corporation tax) in the ITA 2007 and, potentially, under the Qualifying Private Placement Regulations 2015.

In the event any such withholding or deduction would be required for payments on the Notes, under the terms and conditions of the Notes no person will be required to pay additional amounts as a result of the withholding or deduction.

### Information reporting

Any person through whom interest is paid to, or by whom interest is received on behalf of, a Noteholder, whether resident in the United Kingdom or elsewhere, may be required to provide information in relation to the payment (including the amount of the interest, and the noteholder concerned, including their name and address) to HM Revenue and Customs. In certain circumstances, HM Revenue and Customs may communicate this information to the tax authorities of certain other jurisdictions.



## **FATCA**

Under certain terms of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes.

A number of jurisdictions, including the United Kingdom, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the terms of the IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.

Certain aspects of the application of the FATCA terms and IGAs to instruments such as the Notes, including whether withholding would ever be required under FATCA or an IGA for payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required under FATCA or an IGA for payments on instruments such as the Notes, such withholding would not apply before 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for the purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). In the event withholding would be required under FATCA or an IGA for payments on the Notes, under the terms and conditions of the Notes no person will be required to pay additional amounts as a result of the withholding.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## **Stamp Duty and Stamp Duty Reserve Tax**

On the assumption that the Notes do not carry a right to interest which exceeds a reasonable commercial return on the nominal amount of the capital, no United Kingdom ad valorem stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on any future transfer of the Notes.

## SUBSCRIPTION AND SALE

### Purchase of the Notes

Lloyds Bank Corporate Markets plc as the Lead Manager will subscribe and pay for the principal amount of the Class A Notes, indicated in the following table, at an issue price of 100 per cent. of their principal amount, under the Subscription Agreement.

Lead Manager	Class A Notes
Lloyds Bank Corporate Markets plc	£2,130,000,000

The Subscription Agreement is subject to a number of conditions and may be terminated by the Lead Manager in certain circumstances before payment for the Class A Notes to the Issuer.

The Class S Notes will be purchased by Black Horse, as the originator, under the Junior Note Purchase Agreement. Black Horse will retain on an ongoing basis a material net economic interest of not less than 5 per cent. in this securitisation transaction in compliance with Article 405 of the CRR, Article 51 of the AIFMR and Article 254 of the Solvency II Regulation. As at the Closing Date, such interest will in compliance with Article 405, paragraph (1) sub (d) of the CRR, Article 51, paragraph (1) sub (d) of the AIFMR and paragraph (2) sub (d) of Article 254 of the Solvency II Regulation, be the retention by Black Horse of the Class S Notes which is equivalent to no less than 5 per cent. of the nominal amount of the securitised exposures.

No action has been taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering materials, in any country or jurisdiction where action for the purpose is required. The Lead Manager under the Subscription Agreement and Black Horse under the Junior Note Purchase Agreement will to the best of their knowledge comply with all relevant securities laws and directives in each jurisdiction in which they purchases Notes or have in their possession this Prospectus or other offering materials.

The issuance of the Notes is not designed to comply with the U.S. Risk Retention Rules other than under the "foreign offering" exemption from the U.S. Risk Retention Rules. "**U.S. Risk Retention Rules**" means Regulation RR (17 C.F.R Part 246) implementing the risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended, adopted under the requirements of Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Notes sold as part of the initial distribution of the Notes may not be purchased by any person except for persons that are not "Risk Retention U.S. Persons". Prospective investors should note that, although the definition of "U.S. person" in the U.S. Risk Retention Rules is similar to the definition of "U.S. person" in Regulation S, the definitions are not identical and persons who are not "U.S. persons" under Regulation S may be "U.S. persons" under the U.S. Risk Retention Rules.

Each purchaser of Notes, including beneficial interests in such Notes will be deemed, and in certain circumstances will be required, to have made certain representations and agreements, including that it (1) is not a Risk Retention U.S. Person; (2) is acquiring such note or a beneficial interest in such Notes for its own account and not with a view to distribute such note; and (3) is not acquiring such note or a beneficial interest in such Notes as part of a scheme to evade the requirements of the U.S. Risk Retention Rules. Each prospective investor will be required to make these representations as a condition to placing any offer to purchase the Notes. The Issuer, the Seller and the Lead Manager will rely on these representations, without further investigation.

## **Selling Restrictions**

The Lead Manager represents and agrees in the Subscription Agreement the following with respect to Notes being offered by this Prospectus:

***United States of America and its Territories.*** The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons, except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws and under circumstances designed to preclude the Issuer from having to register under the Investment Company Act.

The Notes offered by this Prospectus (a) may not be offered, sold or delivered by the Lead Manager, whether or not participating in the offering, within the United States or to, or for the account or the benefit of, U.S. persons (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, and (b) may only be offered, sold or delivered only outside the United States to non-U.S. persons in compliance with Rule 903 of Regulation S; accordingly, neither the Lead Manager, its respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act, or "affiliates"), or any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and the Lead Manager, its respective affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

At or prior to confirmation of sales of the Notes offered by this Prospectus, the Lead Manager will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period (as defined in Regulation S) a confirmation or notice to substantially the following effect: The Notes offered under this Prospectus have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903(b)(2)(iii) of Regulation S under the Securities Act (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of closing of the relevant offering except in either case in compliance with Regulation S under the Securities Act.

Terms used in paragraphs above have the meaning given to them by Regulation S under the Securities Act.

## **U.S. Risk Retention Rules**

The Lead Manager shall only, directly or indirectly, sell and deliver the Notes to a prospective investor in the Notes who (a) has provided representations to the Issuer and the Seller relating to its status as a Risk Retention U.S. Person and (b) has been approved by the Seller as a person to whom a sale is to be made. Each prospective investor will be required to provide representations to the Issuer and the Seller relating to its status as a Risk Retention U.S. Person: (a) from the time of the announcement of the securitisation transaction involving the issuance of the Notes and (b) if such representations have not been previously made, as a condition to placing any offer to purchase the Notes. The Lead Manager, the Issuer and the Seller will rely on the representations each prospective investor will be required to make as outlined in the immediately preceding sentence without further investigation.

Notwithstanding the foregoing, the parties acknowledge and agree that the Issuer can, with the consent of, and in reliance on, the Seller, sell a limited portion of the Notes to, or for the account

or benefit of, Risk Retention U.S. Persons under the "foreign offering" exemption from the U.S. Risk Retention Rules.

**United Kingdom.**

The Lead Manager has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by them in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**Public Offers Generally.** Other than the approval of the Prospectus by the UK Listing Authority, the filing of the Prospectus with the UK Listing Authority and making the Prospectus available to the public in accordance with the Prospectus Directive, no action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering materials, in any country or jurisdiction where action for that purpose is required. The Notes are not intended for investment by retail investors and this Prospectus has not been prepared for distribution to retail investors. No document has been prepared in relation to the Class S Notes that would constitute a prospectus for the purposes of the Prospectus Directive.

**European Economic Area.** In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**", with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State, (the "**Relevant Implementation Date**"), none of them has made and none of them will make an offer of Notes which was the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the consent of the Lead Manager nominated by the Issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes will require the Issuer or the Lead Manager to publish a prospectus under Article 3 of the Prospectus Directive or supplement a prospectus under Article 16 of the Prospectus Directive.

For the purposes of this section, the expression an "offer of Notes to the public" with respect to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments to such Directive, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

**No offer to retail investors.** The Lead Manager will not offer, sell or deliver any of the Notes to retail investors in the European Economic Area or distribute, or cause to be distributed, this Prospectus or any other offering material with respect to the Notes to retail investors in the European Economic Area.

For the purposes of this section, the expression "retail investor" means (a) a retail client as defined in point (11) of Article 4 (1) of Directive 2014/65/EU, (b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of Directive 2014/65/EU or (c) not a qualified investor as defined in the Prospectus Directive.

**General.** Subject to being entitled to rely on the representations from each prospective investor relating to its status as a Risk Retention U.S. Person without further investigation and in reliance on the Seller regarding the sale of any Notes, to, or for the account or benefit of, Risk Retention U.S. Persons (as consented to by the Seller) under the "foreign offering" exemption from the U.S. Risk Retention Rules, the Lead Manager will not, directly or indirectly, offer, sell or deliver any of the Notes or distribute the Prospectus, the preliminary Prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations of such jurisdiction.

## GENERAL INFORMATION

1. The issue of the Notes has been authorised by a resolution of the board of directors of the Issuer passed on 26 November 2018.
2. It is expected that admission of the Class A Notes offered by this Prospectus to the Official List of the London Stock Exchange will be granted on or before 4 December 2018, subject only to the issue of the Notes.
3. The Issuer is not and has not been involved in governmental, legal or arbitration proceedings (including proceedings which are pending or threatened of which the Issuer is aware) which may have or have had, since its incorporation, a significant effect on the financial position or results of the Issuer.
4. Since the date of the Issuer's incorporation, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in its trading or financial position.
5. The expenses related to the application for admission to trading are expected to be £8,000 (including applicable VAT).
6. For the duration of the securitisation transaction, copies of the following documents will be available for inspection by the Noteholders, in printed or electronic form, at the office of the Principal Paying Agent and the registered office of the Issuer during usual business hours on a weekday (public holidays excepted):
  - the memorandum and articles of association of the Issuer;
  - the annual financial statements of the Issuer, as soon as published;
  - each Monthly Report;
  - this Prospectus;
  - the Agency Agreement;
  - the Trust Deed;
  - the Subscription Agreement;
  - the Junior Note Purchase Agreement;
  - the Subordinated Loan Agreement;
  - the Deed of Charge;
  - the Receivables Sale Agreement;
  - the Servicing Agreement;
  - the Cash Management Agreement;
  - the Account Bank Agreement;
  - the Back-Up Servicer Facilitator Agreement;

- the Scottish Vehicle Proceeds Floating Charge; and
- the Corporate Services Agreement.

In addition, some of the documents above may also be made available from time to time in electronic form on a website indicated in the Monthly Reports prepared by the Servicer.

7. The Issuer has not started trading and has not published an opening balance sheet or annual financial statements and has not published and does not intend to publish interim financial statements. It is anticipated that the first published annual financial statements of the Issuer will be for the year ending 31 December 2018. As soon as published, such financial statements and all future financial statements of the Issuer will be available, free of charge, at the office of the principal paying agent.
8. The Issuer's Auditors are PricewaterhouseCoopers LLP whose address is at 7 More London Riverside, London SE1 2RT.
9. The Issuer does not intend to provide post-issuance information on the Notes or the collateral other than what is set out in the Servicing Agreement regarding reporting duties.
10. The Issuer confirms that the assets backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
11. The Listed Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The table below lists the Common Codes and ISIN for the Notes.

Class A Global Note

ISIN: XS1866969212

Common Code: 186696921

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## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, subject to completion and amendment, will be applicable to the Notes represented by a note in global form and the Notes in definitive form issued in exchange for the Notes in global form and which will be endorsed on such Notes.*

The £2,130,000,000 Class A Fixed Rate Asset-Backed Notes due December 2026 (the "**Class A Notes**") and the £720,000,000 Class S Fixed Rate Asset-Backed Notes due December 2026 (the "**Class S Notes**") and, together with the Class A Notes, the ("**Notes**") are constituted by a trust deed (the "**Trust Deed**") dated on or around the Closing Date between Cardiff Auto Receivables Securitisation 2018-1 plc (the "**Issuer**") and U.S. Bank Trustees Limited (the "**Trustee**", which expression will include all persons for the time being the trustee or trustees under the Trust Deed) as Trustee for, among others, the Noteholders (as defined in Condition 1 (*Form, denomination and title*)).

The Notes are secured under and on the terms set out in a deed of charge (the "**Deed of Charge**") dated on or around the Closing Date between the Issuer and U.S. Bank Trustees Limited (in this capacity, the "**Security Trustee**", which expression includes its permitted successors and assigns) on certain assets of the Issuer (the "**Charged Property**") including, without limitation, the Issuer's rights, title, interest and benefit, present and future, in, under and to all its assets including the Issuer's rights, title, interest and benefit, present and future, in, under and to the Transaction Documents (as defined below) which include an agency agreement (the "**Agency Agreement**") dated on or around the Closing Date between the Issuer, the Trustee, the Security Trustee, Elavon Financial Services DAC, U.K. Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes its permitted successors and assigns and, together with any other paying agent appointed, the "**Paying Agents**"), and Elavon Financial Services DAC, U.K. Branch as registrar (the "**Registrar**", which expression includes its permitted successors and assigns).

The security created under the Deed of Charge, and all further security created under such document, are together referred to as the "**Security**".

Payments under the Notes will be made under the Agency Agreement and the Cash Management Agreement (as defined below).

The Trust Deed, the Deed of Charge, the corporate services agreement dated on or around the Closing Date between, among others, the Issuer and Intertrust Management Limited as Corporate Services Provider (the "**Corporate Services Provider**", which expression includes its permitted successors and assigns) (the "**Corporate Services Agreement**"), the Agency Agreement, the Receivables Sale Agreement, the Subscription Agreement, the Junior Note Purchase Agreement, the Servicing Agreement, the Back-Up Servicer Facilitator Agreement, the Subordinated Loan Agreement, each Scottish Supplemental Charge, each Scottish Transfer and the Scottish Vehicle Proceeds Floating Charge (each as defined below), the account bank agreement dated on or around the Closing Date between the Issuer, the Security Trustee, Lloyds Bank plc as account bank (the "**Account Bank**", which expressions include its permitted successors and assigns) and Black Horse as the cash manager (the "**Cash Manager**", which expressions include its permitted successors and assigns) and the Servicer (as defined below) (the "**Account Bank Agreement**") and the cash management agreement dated on or around the Closing Date between, among others, the Issuer and the Cash Manager (the "**Cash Management Agreement**"), are together with the Receivables Sale Agreement, the Servicing Agreement, the Subscription Agreement, the Junior Note Purchase Agreement, Back-Up Servicer Facilitator Agreement, the Subordinated Loan Agreement, each Scottish Supplemental Charge, each Scottish Transfer and the Scottish Vehicle Proceeds Floating Charge and the Conditions

(each as defined below) referred to as the "**Transaction Documents**". References to each of the Transaction Documents are to it as from time to time modified in compliance with its terms and any deed or other document expressed to be supplemental to it, as from time to time so modified.

Statements in these terms and conditions (the "**Conditions**") are subject to the detailed terms of the Trust Deed, the Deed of Charge, the Agency Agreement and the other Transaction Documents, copies of which are available for inspection at the specified office for the time being of the Principal Paying Agent. The Holders of the Notes have the benefit of, are bound by and are deemed to have notice of all the terms in the Trust Deed, the Deed of Charge, and those applicable to them in the Agency Agreement and the other Transaction Documents.

References to "Conditions" are, unless the context otherwise reprises, to the numbered paragraphs of these Conditions. Words and expressions used in these Conditions without definitions will have the meanings given to them in Condition 18 (*Definitions*).

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 26 November 2018.

#### **1. Form, denomination and title**

- (a) The Class A Notes are issued in registered global form in the denomination of £100,000 and integral multiples of £1,000 in excess of £100,000, up to and including £199,000.
- (b) The Class S Notes are issued in registered definitive form in one single denomination of £720,000,000.

The Class A Notes which are offered and sold outside the United States to non-U.S. persons in reliance on Regulation S will be represented by beneficial interests in Global Notes. For so long as the Class S Notes are held by Black Horse, the Class S Notes will be represented by beneficial interests in one single Definitive Note. The Class A Global Note is issued under the NSS.

The Issuer will cause to be kept at the specified office of the Registrar a register (the "**Register**") on which will be entered the names and addresses of the Holders of the Notes and the particulars of such Notes held by them and all transfers, advances, payments (of interest and principal), repayments, redemptions, cancellations and replacements of such Notes. In these Conditions, "**Notes**" means, for the Class A Notes, a Global Note or a Definitive Note, and for the Class S Notes, a Definitive Note, and "**Noteholder**" or the "**Holder**" of a Note at any time means the person (or, in the case of a joint holding, the first named person) in whose name such Note is registered at that time in the Register and "**Class A Noteholder**" and "**Class S Noteholder**" means the Holder of a Class A Note or a Class S Note.

Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Trustee, the Registrar, the Principal Paying Agent and the other Paying Agents (notwithstanding any notice to the contrary and whether or not it is overdue and notwithstanding any notation of ownership or writing on a Note or notice of a previous loss or theft of a Note) may (i) for the purpose of making payment on or on account of any Note deem and treat the person (or, in the case of a joint holding, the first named person) in whose name any Global Note or Definitive Note is registered at that time in the Register (which will be conclusive evidence of such holding in the absence of manifest error, fraud or wilful default) as the absolute owner of such Note and all rights under such Note free from all encumbrances, and will not be required to obtain further proof of such ownership

or as to the identity of the registered Holder of a Global Note or Definitive Note and (ii) for all other purposes deem and treat the person in whose name a Global Note or Definitive Note is registered at the relevant time in the Register as the absolute owner of and of all rights under such Note free from all encumbrances and will not be required to obtain further proof of such ownership or as to the identity of the registered holder of a Global Note or Definitive Note. Notwithstanding the above, so long as any of the Notes are represented by a Global Note, the terms "**Noteholders**" or "**Holders**" will include the persons then set out in the records of Euroclear and/or Clearstream, Luxembourg, as the holders of a particular principal amount of such Notes (each an "**Accountholder**") in units of £1,000 principal amount of Notes for all purposes other than regarding the payment of principal and interest on such Notes, the right to which will be vested as against the Issuer solely in the Holder of each Global Note under and subject to its terms.

A Note is not transferable except in compliance with the restrictions described in these Conditions and in the Trust Deed and the Agency Agreement. A sale or transfer in violation of the foregoing will be of no force and effect, will be void *ab initio*, and will not operate to transfer any rights to the transferee, notwithstanding any instructions to the contrary given by the Issuer, the Trustee or any intermediary. Each transferor of a Note agrees to provide notice of the transfer restrictions set out in these Conditions and in the Trust Deed to the transferee.

No transfer of Notes will be valid unless entered on the Register and no transfer Notes will be registered for a period of two Business Days immediately before each Payment Date or Payment Date of the relevant Notes.

Class A Notes which are represented by a Global Note will be transferable only in compliance with the rules and procedure for the time being of Clearstream, Luxembourg and Euroclear.

## **2. Status and Security**

### **(a) Status**

The Notes are direct secured, limited recourse obligations of the Issuer, ranking, as between each Class, *pro rata* and *pari passu* without preference among themselves subject to as set out in these Conditions.

### **(b) Security**

As security for the Secured Obligations, the Issuer has entered into the Deed of Charge as described above creating the Security as described above in favour of the Security Trustee for itself and on trust for the Secured Parties.

### **(c) Application of proceeds**

The Issuer will use the net proceeds of the issue of the Notes to finance the purchase from Black Horse (the "**Seller**", which expression includes its permitted successors and assigns), of a portfolio of English and Scots law governed retail auto receivables (all such purchased receivables, the "**Purchased Receivables**") and all Ancillary Rights further to sale notices (each a "**Sale Notice**") delivered by the Seller under an agreement for the sale and purchase of retail auto receivables dated on or around the Closing Date between the Seller, the Issuer, the Security Trustee and the Trustee (the "**Receivables Sale Agreement**"). The Seller will continue to administer and collect the Purchased Receivables as agent for the

Issuer in its capacity as servicer ("**Servicer**", which expression includes its permitted successors and assigns) under a receivables servicing agreement dated on or about the Closing Date between the Servicer, the Issuer, the Trustee and the Security Trustee (the "**Servicing Agreement**").

(d) **Ledgers**

A Principal Deficiency Ledger, comprising two sub-ledgers, known as the Class A Principal Deficiency Ledger and the Class S Principal Deficiency Ledger, will be established by the Cash Manager.

The Class A Principal Deficiency Ledger and the Class S Principal Deficiency Ledger, will be established in order to record any Interest Collections Shortfall and any losses arising from Defaulted Receivables, VT Receivables and PCP Handback Receivables in the Portfolio (each, a "**Deficiency**").

Any Deficiency:

- shall first be entered as a debit on the Class S Principal Deficiency Ledger so long as the debit balance on such sub-ledger (the "**Class S Principal Deficiency**") is less than the Principal Amount Outstanding of the Class S Notes (the "**Class S Principal Deficiency Limit**"); and
- thereafter such amounts shall be entered as a debit on the Class A Principal Deficiency Ledger so long as the debit balance on such sub-ledger (the "**Class A Principal Deficiency**") and together with the Class S Principal Deficiency, the "**Principal Deficiency**") is less than the Principal Amount Outstanding of the Class A Notes ("**Class A Principal Deficiency Limit**").

On each Payment Date, subject to the Available Interest Collections being sufficient:

- the Class A Principal Deficiency will be reduced by any funds applied at item (viii(a)) of the Interest Priority of Payments by way of an appropriate credit to be made to the Class A Principal Deficiency Ledger;
- the Class S Principal Deficiency will be reduced by any funds applied at item (viii(b)) of the Interest Priority of Payments by way of an appropriate credit to be made to the Class S Principal Deficiency Ledger.

On each Payment Date, the Replenishment Ledger shall be maintained in order to record the following payments:

- as a debit, an amount equal to the Released Replenishment Amount; and
- as a credit, an amount equal to the Replenishment Amount.

(e) **Interest Priority of Payments**

Subject to clause 3.5 (*Liability of Cash Manager*) of the Cash Management Agreement, on each Payment Date before the service of an Enforcement Notice, the Available Interest Collections deposited in the Distribution Account (excluding Permitted Exceptions) will be applied by the Principal Paying Agent (acting on the instructions of the Cash Manager as set out in the relevant Monthly Report) in the following order of priority (the "**Interest Priority of Payments**"):

- (i) to the Issuer, the Retained Amount, from which the Issuer will (amongst other things) discharge its liability to corporation tax, the Tax Creditors for Taxes and any arrears remaining unpaid for any such liabilities or expenses, *pari passu* and *pro rata* amongst themselves;
- (ii) *pro rata* and *pari passu* to pay amounts due to:
  - (A) the Security Trustee, together with interest and any amount in respect of Tax (if any) on those amounts, and to make provision for any amounts due or to become due during the following Calculation Period to the Security Trustee under the Deed of Charge; and
  - (B) the Trustee, together with interest and any amount in respect of Tax (if any) on those amounts, and to make provision for any amounts due or to become due during the following Calculation Period to the Trustee under the Trust Deed;
- (iii) *pro rata* and *pari passu*, to pay amounts due to the Agents together with interest and any amount in respect of VAT (if any) on those amounts, and any costs, charges, liabilities and expenses then due or to become due during the following Calculation Period to the Agents under the Agency Agreement;
- (iv) to pay amounts due to any third party creditors of the Issuer up to a maximum amount equal to £20,000 (other than those referred to later in this priority of payments), which amounts have been incurred without breach by the Issuer of the Transaction Documents to which it is a party and for which payment has not been provided for elsewhere and to provide for any of those amounts expected to become due and payable during the following Interest Period by the Issuer and, to the extent the Retained Amounts are insufficient, to the extent of any insufficiency to pay or discharge any corporation tax liability of the Issuer;
- (v) *pro rata* and *pari passu*, to pay amounts due to:
  - (A) the Cash Manager, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Cash Manager in the immediately succeeding Interest Period, under the Cash Management Agreement;
  - (B) the Servicer, with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Servicer, in the immediately succeeding Interest Period, under the Servicing Agreement;
  - (C) the Corporate Services Provider, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due, or to become due to the Corporate Services Provider in the immediately succeeding Interest Period, under the Corporate Services Agreement;
  - (D) the Account Bank, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to



become due to the Account Bank in the immediately succeeding Interest Period, under the Account Bank Agreement;

- (E) to the extent applicable, the Back-Up Servicer Facilitator, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period, under the Back-Up Servicer Facilitator Agreement;
  - (F) any auditors of, and other professional advisers to, the Issuer; and
  - (G) any Insolvency Official of the Seller, the Incentive Fee (if any),
- (vi) *pro rata* and *pari passu*, interest due and payable on the Class A Notes;
  - (vii) an amount to be credited to the Reserve Account so that the balance of the Reserve Account equals the Reserve Account Required Amount or on the Final Maturity Date to be applied as Available Principal Collections to the extent required to redeem in full the Class A Notes;
  - (viii) to the Principal Deficiency Ledger in the following order to apply amounts to reduce:
    - (A) the Class A Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class A Principal Deficiency Ledger); and
    - (C) the Class S Principal Deficiency Ledger to zero (by crediting the Principal Deficiency Ledger and making a corresponding credit to the Class S Principal Deficiency Ledger),

in each case by transferring an appropriate amount to the Principal Deficiency Ledger.

- (ix) *pro rata* and *pari passu*, interest due and payable on the Class S Notes (including any Interest Shortfall in respect of the Class S Notes);
- (x) to pay any other amounts due and payable by the Issuer under the Transaction Documents (to the extent not already covered above);
- (xi) towards payment of interest amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (xii) to make a payment in respect of any principal outstanding under the Subordinated Loan Agreement; and
- (xiii) to the Seller, all remaining Available Interest Collections in the form of the Deferred Purchase Price,

in each case only to the extent that all payments of a higher priority to be paid or provided for on such Payment Date have been made in full.

(f) **Principal Priority of Payments**

Subject to clause 3.5 (*Liability of Cash Manager*) of the Cash Management Agreement, on each Payment Date before the service of an Enforcement Notice, the Available Principal Collections (excluding Permitted Exceptions) will be applied by the Principal Paying Agent (acting on the instructions of the Cash manager as set out in the relevant Monthly Report) towards the relevant payments in the following order of priority (the "**Principal Priority of Payments**"):

- (i) During the Revolving Period:
  - (A) to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
  - (B) to the Seller, purchase price for Additional Receivables being sold to the Issuer, such that the Aggregate Outstanding Principal Balance is an amount up to the Principal Amount Outstanding of the Notes; and
  - (C) to the Replenishment Ledger of the Distribution Account, to the extent there are insufficient Additional Receivables, any Replenishment Amount, such that the Aggregate Outstanding Principal Balance plus the Replenishment Amount is an amount up to the Principal Amount Outstanding of the Notes.
- (ii) After the end of the Revolving Period:
  - (A) to apply an amount equal to the Interest Collections Shortfall as Available Interest Collections;
  - (B) to the Class A Noteholders, on a *pro rata* and *pari passu* basis until all the Class A Notes have been redeemed in full;
  - (D) to the Class S Noteholders, on a *pro rata* and *pari passu* basis until all the Class S Notes have been redeemed in full; and
  - (E) to the Seller, to apply all remaining Available Principal Collections as Available Interest Collections,

but in each case only to the extent that all payments of a higher priority to be paid or provided for on such Payment Date have been made in full.

To the extent that the Issuer does not receive sufficient Available Interest Collections and/or Available Principal Collections from the Purchased Receivables and there is not a sufficient available balance standing to the credit of the Issuer's Accounts to be applied to meet payments due under the Notes after meeting prior ranking claims in accordance with the Interest Priority of Payments and/or the Principal Priority of Payments (as applicable), the Issuer will be unable to the same extent to make payments under the Notes. Any shortfall will be borne first by the Class S Notes and secondly by the Class A Notes, *pro rata* and *pari passu* as between the Notes of such Class.

If and during such time period that a Monthly Report is not provided to the Cash Manager, the Cash Manager will determine the amounts payable under the Interest Priority of Payments and the Principal Priority of Payments to the Noteholders and the other Secured Parties in compliance with the Cash Management Agreement.

(g) **Enforcement of the Security**

After the occurrence of an Event of Default and the service of an Enforcement Notice under Condition 10 (*Events of Default*) below, the Trustee may at its discretion direct the Security Trustee to take action to enforce the Security, and will direct the Security Trustee to take such action to enforce the Security as directed by the Controlling Class acting by way of a Written Resolution or an Extraordinary Resolution.

The Trustee may at its discretion and will do so if it has been directed to do so by the Controlling Class acting by way of a Written Resolution or an Extraordinary Resolution, (subject to the Trustee and the Security Trustee having been indemnified and/or secured and/or prefunded to its satisfaction) and without notice and in such manner as it deems appropriate:

- (i) take such proceedings and/or other steps as it may deem appropriate against or concerning the Issuer or any other person to enforce its obligations under the Transaction Documents or these Conditions and/or take other proceedings (including lodging an appeal in any proceedings) concerning the Issuer;
- (ii) exercise its rights under, or in connection with a Transaction Document; and/or
- (iii) give directions to the Security Trustee under or in connection with a Transaction Document.

To the extent that the Trustee acts in compliance with such directions of the Controlling Class, as described above, it will have no obligation to take the interests of any other party into account or to follow a direction given by any other party.

(h) **Application of proceeds following service of an Enforcement Notice**

Subject to clause 3.5 (*Liability of Cash Manager*) of the Cash Management Agreement, following the service of an Enforcement Notice, the Security Trustee will give notice to all Secured Parties (of which it has notice details in the Transaction Documents) and apply amounts available for distribution to the satisfaction of the amounts and in the order of priority set out below. Following the service of an Enforcement Notice, all Available Funds (excluding Permitted Exceptions) will be applied by the Security Trustee to the extent permitted by applicable law, in accordance with the following order of priority (the "**Accelerated Priority of Payments**"):

- (i) *pro rata* and *pari passu*, to pay amounts due to:
  - (A) the Security Trustee and any Receiver (including any administrative receiver) appointed by the Security Trustee, together with interest and any amount in respect of Tax (if any) on those amounts and any amounts then due or to become due and payable to the Security Trustee and the receiver under the provisions of the Deed of Charge; and
  - (B) the Trustee, together with interest and any amount in respect of Tax (if any) on those amounts and any amounts then due or to

become due and payable to the Trustee under the provisions of the Trust Deed;

- (ii) *to the Issuer, the Retained Amount, from which the Issuer will (amongst other things) discharge its liability to corporation tax, the Tax Creditors for Taxes and any arrears remaining unpaid for any such liabilities or expenses, pari passu and pro rata amongst themselves;*
- (iii) *pro rata and pari passu, to pay amounts due to the Agents, together with interest and any amount in respect of VAT (if any) on those amounts and any costs, charges, liabilities and expenses then due or to become due and payable to them under the provisions of the Agency Agreement;*
- (iv) to pay amounts due to any third party creditors of the Issuer up to a maximum amount equal to £20,000 (other than those referred to later in this priority of payments), which amounts have been incurred without breach by the Issuer of the Transaction Documents to which it is a party and for which payment has not been provided for elsewhere and to provide for any of those amounts expected to become due and payable during the following Interest Period by the Issuer and, to the extent the Retained Amounts are insufficient, to the extent of any insufficiency to pay or discharge any corporation tax liability of the Issuer;
- (v) *pro rata and pari passu, to pay amounts due to:*
  - (A) the Cash Manager, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Cash Manager in the immediately succeeding Interest Period, under the Cash Management Agreement;
  - (B) the Servicer, with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Servicer, in the immediately succeeding Interest Period, under the Servicing Agreement;
  - (C) the Corporate Services Provider, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due, or to become due to the Corporate Services Provider in the immediately succeeding Interest Period, under the Corporate Services Agreement;
  - (D) the Account Bank, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Account Bank in the immediately succeeding Interest Period, under the Account Bank Agreement;
  - (E) to the extent applicable, the Back-Up Servicer Facilitator, together with any amount in respect of VAT (if any) on those amounts, and to provide for any amounts due or to become due to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period, under the Back-Up Servicer Facilitator Agreement;
  - (F) any auditors of, and other professional advisers to, the Issuer; and

- (G) any Insolvency Official of the Seller, the Incentive Fee (if any),
- (vi) to pay, *pro rata* and *pari passu*, amounts in respect of interest due and payable on the Class A Notes;
- (vii) to pay, *pro rata* and *pari passu*, amounts in respect of principal due and payable on the Class A Notes;
- (viii) to pay, *pro rata* and *pari passu*, amounts in respect of interest due and payable on the Class S Notes (including any Interest Shortfall in respect of the Class S Notes);
- (ix) to pay, *pro rata* and *pari passu*, amounts in respect of principal due and payable on the Class S Notes;
- (x) to pay any other amounts due and payable by the Issuer under the Transaction Documents (to the extent not already covered above);
- (xi) towards payment of interest due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (xii) towards payment of principal due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (xiii) to the Seller, all remaining amounts in the form of the Deferred Purchase Price,

in each case only to the extent that all payments of a higher priority due to be paid or provided for on such Payment Date have been made in full.

If and during such time period that a Monthly Report is not provided to the Cash Manager, the Cash Manager will determine the amounts payable under the Accelerated Priority of Payments to the Noteholders and the other Secured Parties in compliance with the Cash Management Agreement.

(i) **Shortfall after application of proceeds**

If the net proceeds of the Security being enforced and liquidated under the Deed of Charge are not sufficient, after payment of all other claims ranking in priority to the Notes, to cover all payments due on the Notes, the obligations of the Issuer under the Notes will be limited to such net proceeds and such net proceeds will be applied in compliance with the applicable Priority of Payments, Deed of Charge and no other assets of the Issuer will be available for any further payments on the Notes. The right to receive any further payments of any such shortfall remaining after enforcement of the Security and application of the proceeds of the Security in accordance with the Accelerated Priority of Payments will be extinguished.

(j) **Relationship between the Class A Notes and the Class S Notes**

- (i) The Class A Notes will rank in priority to the Class S Notes.
- (ii) Payments of interest on the Class A Notes will rank *pro rata* and *pari passu* between themselves and in priority to payments of interest on the Class S Notes. If the Issuer does not have sufficient Available Interest Collections on the relevant Payment Date to meet interest payments on the Class A Notes and the Class S Notes in full, any shortfall will first be

borne by the Class S Notes and, to the extent that interest due on the Class S Notes on such Payment Date is less than such shortfall, it will secondly be borne by the Class A Notes, pro rata and pari passu between the Notes of such Class.

- (iii) No amount of principal of the Class S Notes will become due and payable until redemption and payment in full of the Class A Notes, and no amount of principal of the Class S Notes will become due and payable until redemption and payment in full of the Class A Notes.
- (iv) The Trust Deed and the Deed of Charge contain terms requiring the Trustee or the Security Trustee to take into account the interests of the Class A Noteholders and the Class S Noteholders equally as regards all powers, trusts, authorities, obligations and discretions of the Trustee or the Security Trustee (except where expressly provided otherwise), but requiring the Trustee or the Security Trustee, to take into account only the interests of the Class A Noteholders if, in the opinion of the Trustee or the Security Trustee there is a conflict between the interests of the Class A Noteholders and the Class S Noteholders. In addition, if there is a conflict between the interests of (1) the Noteholders and (2) the other Secured Parties, the Security Trustee will, to the extent permitted by applicable law, take into account only the interests of the Class A Noteholders and the Class S Noteholders.
- (v) The Class S Noteholders may not request or direct the Trustee or the Issuer to take action or pass an effective Extraordinary Resolution if the effect of the same would, in the sole opinion of the Trustee, be materially prejudicial to the interests of the Class A Noteholders and the Trustee will not be responsible to the Class S Noteholders for disregarding such request, direction or resolution.

(k) **Assumption of no material prejudice**

The Trustee and the Security Trustee have the right to assume, for the purposes of exercising a right, power, duty or discretion under or related to these Conditions, the Trust Deed, the Deed of Charge or the other Transaction Documents or for the purposes of paragraphs (iv) or (v) of Condition 2(j) (*Relationship between the Class A Notes and the Class S Notes*), that to do so will not be materially prejudicial to the interests of the Noteholders or the relevant Class (i) if it has obtained the consent of the Noteholders or the relevant Class or (ii) if the Trustee is satisfied that the current ratings of the Class A Notes will not be affected or (iii) regarding a non-economic or non-financial matter, if the Trustee obtains an Opinion of Counsel to such effect.

**3. Covenants**

So long as any of the Notes remains outstanding, the Issuer will not without the consent of the Trustee, unless otherwise provided by these Conditions or the Transaction Documents:

- (a) carry on business other than performing its functions and obligations and discharging its obligations and liabilities set out in the Transaction Documents and in connection with that business will not engage in an activity or do anything except:

- (i) finance, acquire, hold and dispose of the Purchased Receivables;
  - (ii) issue, enter into, amend, exchange, repurchase or cancel the Notes;
  - (iii) enter into, amend, consent to a variation of, or release a party from an obligation under, the Notes, the Transaction Documents and agreements relating or incidental to the issue and constitution of, and the granting of security for, the Notes;
  - (iv) own and exercise its rights regarding the Security and its interests in the Security and perform its obligations regarding the Security and the Transaction Documents;
  - (v) preserve and/or exercise and/or enforce its rights and perform and observe its obligations under the Notes, the Transaction Documents and agreements relating or incidental to the issue and constitution of, and the granting of security for, the Notes;
  - (vi) use its property or assets in the manner set out in or contemplated by the Transaction Documents; and
  - (vii) perform other acts incidental to or necessary in connection with items (i) to (vi) above;
- (b) have employees or own premises;
  - (c) incur indebtedness for borrowed money or give a guarantee or indemnity for indebtedness except under the Notes or under the Transaction Documents;
  - (d) create a mortgage, charge, pledge, lien or other security interest over, or use, invest, sell or otherwise dispose of, its assets other than as expressly contemplated by the Transaction Documents;
  - (e) commingle its property or assets with the property or assets of another person;
  - (f) have a subsidiary or subsidiary undertaking (each as defined in the Companies' Act 2006);
  - (g) have an "establishment" (as that expression is used in the EU Insolvency Regulation) in a jurisdiction other than England and Wales;
  - (h) pay a dividend or make a distribution to its shareholders in an accounting period which is greater than the amount left to the Issuer after UK corporation tax is charged on the Retained Amount;
  - (i) issue shares in the Issuer (other than such shares as are in issue as at the Closing Date);
  - (j) permit the validity or effectiveness of or the priority of the Security Interest created by the Trust Deed or the Deed of Charge to be amended, terminated, postponed or discharged, or permit a person whose obligations form part of the Security Interest to be released from such obligations;
  - (k) open a further account for the purposes of depositing any monies it receives in connection with the Transaction Documents, unless such account is secured in favour of the Security Trustee for the benefit of the Secured Parties;

- (l) consolidate or merge with another person or convey or transfer its properties or assets substantially as an entirety to another person;
- (m) acquire obligations or securities of its officers or shareholders;
- (n) amend the articles of association (or other constitutional document) of the Issuer; and
- (o) enter into any derivatives or hedging contracts having the same economic effect.

In giving its consent to the foregoing, the Trustee may require the Issuer to amend the Transaction Documents and/or may impose such other conditions as it deems to be in the interests of the Noteholders under Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*) below.

#### **4. Interest**

##### **(a) Interest Rate and accrual**

Each Note bears interest on the Principal Amount Outstanding of such Note at the beginning of the relevant Interest Period at the rate *per annum* (expressed as a percentage) equal to the Interest Rate, payable in arrear on each Payment Date from (and including) the Closing Date, subject to Condition 6 (*Subordination*).

Interest due on a Payment Date will accrue on the Principal Amount Outstanding of each Note at the beginning of the relevant Interest Period.

Interest will cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption unless an amount due remains outstanding, in which case interest will continue to accrue on the unpaid amount of principal (as well after as before judgment) until the Relevant Date at the applicable interest rate.

Interest on the Class A Notes and the Class S Note will accrue on a "30/360" basis.

##### **(b) Interest Rate**

The Interest Rate for each Interest Period will be for:

- (i) each Class A Note, 1.80 per cent. *per annum* (the "**Class A Interest Rate**");
- (ii) each Class S Note 4.00 per cent. *per annum* (the "**Class S Interest Rate**").

#### **5. Redemption**

##### **(a) Final redemption**

Unless previously redeemed in full and cancelled as set out in this Condition 5, each Note will be redeemed by the Issuer at its Principal Amount Outstanding together with accrued interest on the Final Legal Maturity Date. Each Rating Agency will be informed of a redemption of the Notes under this Condition 5.

The Issuer may not redeem the Notes in whole or in part before the Final Legal Maturity Date except as set out in Condition 5(b) (*Redemption for taxation and*



*other reasons*), Condition 5(c) (*Mandatory early redemption in part*) and Condition 5(d) (*Clean-Up Call*) but without prejudice to Condition 10 (*Events of Default*).

**(b) Redemption for taxation and other reasons**

If, following a change of applicable law, regulation or interpretation of such law or regulation after the Closing Date, the Issuer is, on the occasion of the next payment due on the Notes, required to deduct, withhold or account for tax on a payment by it on the Notes or would suffer a tax or other similar imposition so that:

- (i) the Issuer is unable to make payment of the full amount due on the Notes or the cost to the Issuer of making payments on the Notes or of complying with its obligations under or in connection with the Notes would be materially increased;
- (ii) the operating or administrative expenses of the Issuer would be materially increased; or
- (iii) the Issuer would be obliged to make a material payment on, related to, or calculated by reference to, its income or any sum received or receivable by or on behalf of the Issuer from the Charged Property or any of it,

the Issuer will promptly so inform the Trustee and will use its best efforts (which will not require it to incur any loss, excluding immaterial, incidental expenses) to determine within 20 days of such circumstance occurring whether it would be practicable to arrange the substitution of a company incorporated in another jurisdiction approved by the Trustee as the principal debtor or to change its tax residence to another jurisdiction approved by the Trustee (provided that the Issuer will only use such best efforts to so determine if such a substitution or change could reasonably be expected to avoid such withholding or deduction or tax or other similar imposition). If the Issuer determines that such measures would be practicable, it will have a further period of 60 days to effect such substitution or change of tax residence. If, however, it determines within 20 days of such circumstance occurring that none of such measures would be practicable or if, having determined that such measures would be practicable, it is unable so to avoid such withholding or deduction or tax or imposition within such further period of 60 days, then the Issuer may, at its election, but will not be obliged to, give not more than 60 nor less than 30 days' irrevocable notice to the Trustee, the Principal Paying Agent, the Registrar and the Noteholders, in compliance with Condition 15 (*Notices*), of its intention to redeem and on expiry of such irrevocable notice will redeem all but not some only of the Notes at their principal amounts outstanding together with accrued interest, to the date (which must be a Payment Date) fixed for redemption, provided that before the publication of such irrevocable notice of redemption, the Issuer will deliver to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer has the right to effect such redemption and setting out a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee will have the right to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above and shall not be liable for relying on such certificate, and such certificate will be conclusive and binding on the Noteholders.

**(c) Mandatory early redemption in part**

After the end of the Revolving Period, each Class A Note and, provided that the Class A Notes have been redeemed in full, each Class S Note will be subject to mandatory early redemption in part on each Payment Date in an amount equal to the Available Principal Collections available on such Payment Date for such purpose in accordance with the Principal Priority of Payments. Such early redemption in part will be on a *pro rata* and *pari passu* basis within each such Class.

(d) **Clean-Up Call**

The Issuer may, at its option, redeem all of the Notes at their aggregate Principal Amount Outstanding, together with any interest accrued up to but excluding the relevant Payment Date, on any Payment Date, if the Seller has exercised its option to purchase all of the Purchased Receivables under clause 7.5 (*Clean up call*) of the Receivables Sale Agreement, on giving an irrevocable notice no later than ten Business Days beforehand to the relevant Noteholders and the Trustee in compliance with Condition 15 (*Notices*).

(e) **Cancellation**

Notes redeemed in full or in part by the Issuer will promptly be cancelled in full or in part in which case they will not be resold or re-issued and the obligations of the Issuer under such Notes will be discharged.

If the Issuer redeems some of the Class A Notes and such Notes are represented by Global Notes, such partial redemption will be effected in compliance with the rules and procedures of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Clearstream, Luxembourg and Euroclear, as either a pool factor or a reduction in nominal amount, at their discretion).

(f) **Note principal payments and Principal Amount Outstanding**

On (or as soon as practicable after) each Calculation Date, after the end of the Revolving Period, the Cash Manager, acting on behalf of the Issuer, will determine (based on information provided to the Cash Manager by the Issuer or the Servicer through the monthly report) (i) the amount of any Mandatory Early Part Redemption Amount due on each Note of each Class on the Payment Date next following such Calculation Date and (ii) the Principal Amount Outstanding of each Note of each Class on the Payment Date next following such Calculation Date and will cause notice of each determination of the Mandatory Early Part Redemption Amount and the principal amount outstanding of a Note of each Class to be given to the Trustee, the Paying Agents, the Registrar, the Issuer, the Noteholders (in compliance with Condition 15 (*Notices*)) and the Cash Manager one Business Day before the relevant Payment Date. Each determination by or on behalf of the Issuer of any Mandatory Early Part Redemption Amount and the Principal Amount Outstanding of a Note will (in the absence of fraud, wilful default or manifest or proven error) be final and binding on all persons.

If the Cash Manager, acting on behalf of the Issuer, does not at any time for any reason determine the Mandatory Early Part Redemption Amount or the Principal Amount Outstanding of a Note in compliance with the prior terms of this Condition 5(f), such Mandatory Early Part Redemption Amount and/or Principal Amount Outstanding may be determined by the Trustee (to the extent it is able to do so, either itself or acting through an agent and without any obligation to incur fees,

costs and expenses for which it has not been pre-funded or provided with adequate indemnity) in compliance with this Condition 5(f) and each such determination will be conclusive (in the absence of wilful default or manifest error) and will be deemed to have been made by the Cash Manager. Such determination will be final and binding on the Issuer, the Cash Manager, the Noteholders and all other relevant persons.

## 6. **Subordination**

- (a) The Class S Noteholders will not have a right to payment of principal on the Class S Notes while the Class A Notes remain outstanding. The Class S Noteholders will not have a right to payment of principal on the Class S Notes while a Class A Note remains outstanding.
- (b) If on any Payment Date or any other date when a payment of principal is due on the Class S Notes falling on or after the redemption of the Class A Notes, the aggregate funds (computed in compliance with the Cash Management Agreement) available to the Issuer on such date for application in or towards the payment of principal which is, subject to this Condition, due on the Class S Notes on such date are not sufficient to pay in full all principal due (otherwise than under this Condition 6(b)) on the Class S Notes on such date, there will be payable on such date by way of principal on the Class S Notes only a *pro rata* share of such aggregate funds on such date.

## 7. **Payments**

### (a) **Method of payment**

Except as provided below, payments on the Notes will be made by transfer to a Sterling account maintained by the payee with a bank as specified by the payee and as notified by the Principal Paying Agent to the Paying Agents, provided such notification is at least two Business Days before each Payment Date or, at the option of a Noteholder and related only to its Notes, by a cheque in Sterling drawn on a Sterling account and sent to the address shown as the address of the payee in the Register as of the close of business on the 15th day before the due date for the relevant payment.

### (b) **Payments subject to applicable laws, etc**

All payments are subject in all cases to:

- (i) applicable fiscal or other laws, regulations and directives; and
- (ii) FATCA,

but without prejudice to Condition 8 (*Taxation*). No commission or expenses will be charged to the Noteholders for such payments.

### (c) **Payments on Global Notes**

Payments of principal and interest on Class A Notes represented by a Global Note will (subject as provided below) be made in the manner specified above for Definitive Notes and otherwise in the manner specified in the relevant Global Note through Clearstream, Luxembourg and/or Euroclear. A record of each payment made for a Global Note, distinguishing between a payment of principal and a

payment of interest, will be entered into the records of Clearstream, Luxembourg and/or Euroclear and such record will be *prima facie* evidence that the payment in question has been made.

(d) **General terms applicable to payments**

The Holder of a Global Note will be the only person with the right to receive payments on Class A Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the Holder of such Global Note for each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial Holder of a particular nominal amount of Class A Notes represented by such Global Note must look solely to Clearstream, Luxembourg or Euroclear for this share of each payment so made by the Issuer, or to the order of, the Holder of such Global Note.

(e) **Appointment of Agents**

The Principal Paying Agent and the Registrar initially appointed by the Issuer and their respective specified offices are listed at the end of these Conditions. The Principal Paying Agent and the Registrar act solely as agents of the Issuer (unless an Event of Default has occurred or may with the lapse of time or the giving of notice occur, when such Agents may be required to act as agents of the Trustee) and do not assume an obligation or relationship of agency or trust for or with the Noteholders. The Issuer reserves the right at any time with the prior written approval of the Trustee (such approval not to be unreasonably withheld) to vary or terminate the appointment of the Principal Paying Agent and the Registrar and to appoint additional or other Paying Agents or Registrars, provided that the Issuer will at all times maintain (i) a Registrar and (ii) a Paying Agent.

Notice of such change or a change of specified office will promptly be given to the Noteholders in compliance with Condition 15 (*Notices*).

(f) **Non-business days**

If a date for payment on a Note is not a Business Day, the Holder will not have a right to payment until the next following Business Day nor to interest or other sums related to such postponed payment.

(g) **Limited recourse**

(i) No amounts will be payable by the Issuer except in accordance with the Priority of Payments (excluding Permitted Exceptions) and any payment obligations of the Issuer under these Conditions may only be satisfied from the amounts received by it under or in connection with the Transaction Documents.

(ii) If the Security constituted by the Deed of Charge is enforced, and after payment of all other claims (if any) ranking in priority to or *pari passu* with each of the claims of the Secured Parties under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all amounts due to each of the Secured Parties and all other claims ranking *pari passu* to the claims of each such party, then the claims of each such party against the Issuer will be limited to their respective shares of such remaining proceeds (as determined in compliance with the Deed of Charge) and, after

payment to each such party of its respective share of such remaining proceeds, the obligations of the Issuer to each such party will be extinguished in full.

- (iii) The provisions of this Condition 7(g) will survive the termination of these Conditions. In the case of discrepancy between this Condition 7(g) and any other provision, the provisions of this Condition 7(g) will prevail.

## **8. Taxation**

All payments of principal and interest on the Notes will be made without withholding or deduction for, or on account of, present or future taxes, duties, assessments or governmental charges of any nature by the Issuer or any Paying Agent unless required by law (or under FATCA), in which case the Issuer or that Paying Agent will make that payment net of such withheld or deducted amounts and will account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to Noteholders for such withholding or deduction.

Notwithstanding the foregoing, if a tax referred to in Condition 5(b) (*Redemption for taxation and other reasons*) arises and, subject as set out in such Condition, as a result of such tax the Issuer either (i) does not or would not have sufficient amounts to make payments due on the Notes in full or (ii) would be required to deduct amounts from its payments on the Notes, then the amounts payable or to be paid on the Notes will be proportionately reduced by an amount equal to such insufficiency or deduction. No such reduction will be an Event of Default under Condition 10 (*Events of Default*).

## **9. Prescription**

The Notes will become void unless claims for payment of principal or interest are made within ten years of the Relevant Date for such Notes. After the date when a Note becomes void, no claim may be made regarding such Note.

## **10. Events of Default**

If the following events (each an "**Event of Default**") occur, the Trustee at its absolute discretion may, and, if so directed by the Controlling Class acting by way of a Written Resolution or an Extraordinary Resolution (and subject to the Trustee having been indemnified and/or secured and/or prefunded to its satisfaction), will deliver an Enforcement Notice to the Issuer, the Security Trustee, the Account Bank, the Cash Manager and the Principal Paying Agent, with a copy to the Rating Agencies, declaring the Notes due and payable and each Note will accordingly become immediately due and payable, without further action or formality, at its Principal Amount Outstanding together with accrued interest and the Security will become enforceable:

### **(a) Non-payment**

subject to Condition 8 (*Taxation*), (i) default in the payment of any Interest Amount due on a Note of the Controlling Class when the same becomes due and payable on each Payment Date and such default continues for a period of five Business Days or more or (ii) default in the payment of principal due on the Notes or any of them when the same becomes due and payable on its final maturity;

### **(b) Breach of other obligations**

the Issuer fails to perform or comply with one or more of its other obligations (other than a failure to perform or comply with obligations which failure, in the opinion of the Trustee, is not materially prejudicial to the interests of the Controlling Class) under the Transaction Documents and (except where such failure is not capable of remedy when no such notice as is referred to below will be required) such failure will continue for more than 60 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;

(c) **Security**

the Security (or part of the Security) becomes void, unenforceable or ineffective (other than where such termination of the Security or such Security becoming void, unenforceable or ineffective is, in the opinion of the Trustee, not materially prejudicial to the interests of the Controlling Class); or

(d) **Insolvency Event**

an Insolvency Event occurs regarding the Issuer.

Following an Enforcement Notice being given by the Trustee under this Condition 10, notice to that effect will be given by the Trustee to all Noteholders in compliance with Condition 15 (*Notices*).

**11. Enforcement and non-petition**

Only the Trustee and the Security Trustee may pursue the remedies available under the Trust Deed or the Deed of Charge, as applicable, to enforce the rights of the Secured Parties. No other Secured Party has the right to proceed against the Issuer. Neither the Security Trustee, nor any Secured Party may take any action, or has any rights, against the Issuer to recover any amount still unpaid once the Security is enforced and the net proceeds of such Security distributed in compliance with Condition 2 (*Status and Security*), and any such liability will be extinguished. None of the Trustee, the Security Trustee nor any Secured Party will have the right, until the expiry of two years and one day after the payment of all amounts outstanding under the Notes, to petition or take any other step for the winding-up of the Issuer provided that the Security Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party and provided further that the Security Trustee, may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

The Trustee, and as the case may be under this Condition 11 (*Enforcement and non-petition*), the Security Trustee will, except as otherwise directed by the Controlling Class acting by way of a Written Resolution or an Extraordinary Resolution at the relevant date, or in relation to the Security Trustee only in relation to amendments and waivers, except as otherwise directed by the Trustee, have absolute and uncontrolled discretion as to the exercise and non-exercise of all trusts, rights, powers, authorities or discretions conferred on them by or under the Trust Deed, the Deed of Charge or any Transaction Document to which they are a party or conferred on them by operation of law.

The provisions of this Condition 11 will survive the termination of these Conditions. In the case of discrepancy between this Condition 11 and any other provision, the provisions of this Condition 11 will control.

**12. Meetings of Noteholders, amendments, waiver, substitution and exchange**

(a) **Meetings of Noteholders**

- (i) The Trust Deed contains terms for convening separate meetings of each of the Class A Noteholders and the Class S Noteholders to consider matters affecting their interests, including the sanctioning by a resolution passed at a meeting convened and held in compliance with the Trust Deed by at least 75 per cent. of votes cast of a modification of the Trust Deed, the Deed of Charge or these Conditions.
- (ii) A meeting of Noteholders may be convened by the Issuer or by the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or prefunded and/or secured to its satisfaction upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of Notes.
- (iii) Subject as provided below, the quorum for meetings of holders of Class A Notes and the Class S Notes for passing an Ordinary Resolution will be one or more persons holding or representing 50 per cent. of the principal amount of the relevant Class for the time being outstanding or, at an adjourned meeting, one or more persons holding or representing Noteholders of the relevant Class, whatever the principal amount of the Notes of the relevant Class so held or represented.
- (iv) The quorum for meetings of holders of the Class A Notes and the Class S Notes for passing an Extraordinary Resolution will be one or more persons holding or representing 75 per cent. of the principal amount of the relevant Class for the time being outstanding or, at an adjourned meeting, one or more persons holding or representing Noteholders of the relevant Class, whatever the principal amount of the Notes of the relevant Class so held or represented.
- (v) An Extraordinary Resolution passed at a meeting of Class A Noteholders or Class S Noteholders will be binding on, respectively, all Class A Noteholders or Class S Noteholders whether or not they were present at such meeting. An Extraordinary Resolution which in the sole opinion of the Trustee affects both Classes of Noteholders and gives or may give rise to a conflict of interest between the Holders of such Classes of Notes will be deemed to have been passed only if it will be passed by at least 75 per cent. of the Holders of a meeting of the most senior Class outstanding so affected notwithstanding a resolution of the Holders of another Class so affected, provided that no resolution of Holders of the most senior Class outstanding which would have the effect of changing a due date for payment of principal and/or interest on such senior Notes, increasing the amount required to redeem each such senior Note, or the amount of interest payable on such senior Notes or changing the method of calculation therefore, releasing or substituting the Security or part of the Security or altering this proviso will be effective unless sanctioned by an Extraordinary Resolution of Holders of the Class S Notes.
- (vi) The quorum at any meeting of Noteholders for passing an Extraordinary Resolution to:
  - (A) sanction a modification of the date of maturity of Notes;
  - (B) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method

of calculating the date of payment of principal or interest in respect of the Notes;

- (C) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes (including, in relation to any Class of Notes if any such modification is proposed for any Class of Notes ranking senior to such Class in the Priority of Payments);
- (D) alter the currency in which payments under the Notes are to be made;
- (E) alter the quorum or majority required in relation to this exception;
- (F) sanction any scheme or proposal for the sale, conversion or cancellation of the Notes;
- (G) alter any of the provisions contained in this exception; or
- (H) make any change to the definition of Basic Terms Modification,

(each, a "**Basic Terms Modification**") will be one or more persons holding or representing 75 per cent. of the principal amount of the relevant Class for the time being outstanding or, or at an adjourned such meeting at least one-third, in principal amount of the relevant Class for the time being outstanding.

(b) **Amendments and waiver**

- (i) Subject to those matters constituting a Basic Terms Modification, the Trustee may without consulting or obtaining the consent of the Noteholders at any time and from time to time concur with the Issuer in making any modification:
  - (A) to these Conditions or any Transaction Document (excluding in relation to a Basic Terms Modification) which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders (subject to Condition 2(j)(iv) (Relationship between the Class A Notes and the Class S Notes)); or
  - (B) to these Conditions or any Transaction Document (including in relation to a Basic Terms Modification) if in the opinion of the Trustee such modification is of a formal, minor or technical nature, to correct a manifest error or to comply with law.
- (ii) Notwithstanding the provisions of Condition 12(b)(i), the Trustee shall be obliged, and shall direct the Security Trustee, without any consent or sanction of the Noteholders or the other Secured Parties, but subject to the receipt of written consent from each of the Secured Parties party to the Transaction Document being modified, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions or any other Transaction Document that the Issuer considers necessary:



- (A) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:
- (1) the Issuer certifies in writing to the Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
  - (2) in the case of any modification to a Transaction Document or these Conditions proposed by the Account Bank in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, advancing funds):
    - (aa) the Account Bank certifies in writing to the Issuer, the Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (2)(x) and/or (y) above;
    - (bb) either:
      - (i) the Account Bank obtains from each of the Rating Agencies a Rating Agency Confirmation and, if relevant, delivers a copy of each such confirmation to the Issuer, the Trustee and the Security Trustee; or
      - (ii) the Issuer certifies in writing to the Trustee and the Security Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent);
    - (cc) the Account Bank pays all costs and expenses (including legal fees) incurred by the Issuer, the Trustee and the Security Trustee in connection with such modification; and
- (B) for the purpose of complying with any changes in the EU Retention Requirements after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the EU Retention Requirements or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Trustee and the Security Trustee in writing

that such modification is required solely for such purpose and has been drafted solely to such effect;

- (C) for the purpose of enabling the Notes to be (or to remain) listed on the London Stock Exchange, provided that the Issuer certifies to the Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (D) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer or the relevant Transaction Party, as applicable, certifies to the Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (E) for so long as the Class A Notes are intended to be held in a manner which will allow for Eurosystem eligibility, maintaining such eligibility, provided that the Issuer certifies to the Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (F) for the purpose of complying with any changes in the requirements of the CRA Regulation (if and to the extent applicable) after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), including any requirements imposed by any other obligation which applies under the CRA3 Requirements and/or any new regulations or official guidance in relation thereto, or which are required to comply with Article 7 of the Securitisation Regulation if an STS status notification is subsequently made in relation to the Transaction, provided that the Issuer certifies to the Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided pursuant to Conditions 12(b)(ii)(A) to (F) (inclusive) above being "**Modification Certificate**"), provided that:

- (1) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee and the Security Trustee;
- (2) the Modification Certificate in relation to such modification shall be provided to the Trustee and the Security Trustee both at the time the Trustee and the Security Trustee are notified of the proposed modification and on the date that such modification takes effect; and

- (3) the consent of each Secured Party which is party to the relevant Transaction Document has been obtained;

and provided further that, other than in the case of a modification pursuant to Condition 12(b)(ii)(B) and (D):

- (4) other than in the case of modification pursuant to Condition 12(b)(ii)(A)(2) above, either:
- (aa) the Issuer (or the Servicer on its behalf) obtains from each of the Rating Agencies a Rating Agency Confirmation and, if relevant, it has provided a copy of any Rating Agency Confirmation to the Trustee and the Security Trustee with the Modification Certificate; or
  - (bb) the Issuer certifies in the Modification Certificate that it has given the Rating Agencies at least 10 Business Days' prior written notice of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, qualification or, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any such Notes on rating watch negative (or equivalent);
- (5) the Issuer has (i) provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (Notices) and by publication on Bloomberg on the "Company Filings" screen relating to the Notes, and (ii) certified to the Trustee and the Security Trustee that Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Controlling Class have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable Clearing System through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Controlling Class is passed in favour of such modification in accordance with this Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*).

Objections made in writing other than through the applicable Clearing System must be accompanied by evidence to the Trustee's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

(iii) Other than where specifically provided in this Condition 12(b)(iii) or any Transaction Document:

(A) when implementing any modification pursuant to this Condition 12(b)(iii) (save to the extent the Trustee considers that the proposed modification would constitute a Basic Terms Modification), the Trustee shall not consider the interests of the Noteholders, any other Secured Party or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 12(b)(iii) and shall not be liable to the Noteholders, any other Secured Party or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and

(B) neither the Trustee nor the Security Trustee shall be obliged to agree to any modification which, in its sole opinion would have the effect of (i) exposing it to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing its rights or protection in the Transaction Documents and/or these Conditions.

(iv) Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

(A) so long as any of the Notes rated by the Rating Agencies remains Outstanding, each Rating Agency;

(B) the Secured Parties; and

(C) the Noteholders in accordance with Condition 15 (Notices).

The Trustee may, and may direct the Security Trustee to, without the consent or sanction of the Noteholders or the other Secured Parties and without prejudice to its rights in respect of any subsequent breach or Event of Default or Potential Event of Default, at any time and from time to time but only if and in so far as in its opinion the interests of the Controlling Class shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in these Conditions or any other Transaction Document or determine that any Event of Default or Potential Event of Default shall not be treated as such for the purposes of these Conditions.

(c) **Substitution and exchange**

(i) Subject to the more detailed terms of the Trust Deed and subject to such amendment of the Trust Deed, the Deed of Charge and the other Transaction

Documents and such other conditions as the Trustee may require, including as to satisfaction that the interests of the Noteholders will not be materially prejudiced by the substitution or exchange and as to the transfer of the Security, but without the consent of the Noteholders or the Secured Parties, the Trustee may agree to (A) the substitution of any other company or other entity in place of the Issuer as principal debtor under the Trust Deed and the Notes and replacement for it under the Deed of Charge and the other Transaction Documents, provided that the Rating Agencies confirm that such substitution will not adversely affect the then current rating of each Class, or (B) the exchange of the Notes, in whole but not in part only, for other securities or instruments having substantially the same rights and benefits as the Notes, provided that the then current rating of each Class by the Rating Agencies is assigned to such new securities or instruments. Such substitution or exchange will be subject to the relevant terms of the Trust Deed and the other Transaction Documents and to such amendments of the Trust Deed and the other Transaction Documents as the Trustee may deem appropriate. Under the Trust Deed, the Issuer is required to use its best efforts to cause the substitution as principal debtor under the Trust Deed and the Notes and replacement for it under the Deed of Charge and other Transaction Documents by a company or other entity incorporated in some other jurisdiction (approved by the Trustee) if the Issuer becomes subject to a form of tax on its income or payments on the Notes. Such substitution will be binding on the Noteholders.

- (ii) The Trustee may, without the consent of the Noteholders or the other Secured Parties, agree to a change in the place of residence of the Issuer for taxation purposes provided (i) the Issuer does all such things as the Trustee may require in order that such change is fully effective and complies with such other requirements in the interests of the Noteholders as it may request and (ii) the Issuer provides the Trustee with an Opinion of Counsel satisfactory to the Trustee to the effect that the change of residency of the Issuer will not cause withholding or deduction to be made on payments on the Notes.

(d) **Entitlement of the Trustee**

In connection with the exercise of its powers, trusts, authorities or discretions (including, without limitation those related to a proposed amendment, waiver, authorisation or substitution) the Trustee will take into account the interests of the Noteholders as a Class and, without prejudice to the generality of the foregoing, will not take into account the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, a particular territory and the Trustee will not have the right to require, nor will the Noteholders have the right to claim, from the Issuer or any other person indemnification or payment for a tax consequence of an exercise for individual Noteholders.

**13. *Indemnification of the Trustee and the Security Trustee***

The Trust Deed, the Deed of Charge and certain other of the Transaction Documents contain terms for the indemnification of the Trustee and the Security Trustee and for their relief from responsibility including for the exercise of rights under the Trust Deed and the other Transaction Documents (including, but without limitation, those related to the

Security), for the sufficiency and enforceability of the Trust Deed and the other Transaction Documents (which the Trustee has not investigated) and the validity, sufficiency and enforceability of the Deed of Charge and for taking proceedings to enforce payment unless, indemnified and/or secured and/or prefunded to its satisfaction. The Trustee and the Security Trustee and their affiliates have the right to enter into business transactions with the Issuer, a subsidiary or other affiliate of the Issuer or any other party to the Transaction Documents or an obligor in connection with the Security or their subsidiary, holding or associated companies and to act as Trustee or Security Trustee for the holders of securities issued by them without, accounting to the Noteholders for profit resulting therefrom.

The Trustee and the Security Trustee are exempted from liability related to loss or theft or reduction in value of the Security and from an obligation to insure or to cause the insuring of the Security.

The Trust Deed and the Deed of Charge provide that the Trustee or the Security Trustee will not be obliged to take action on behalf of the Noteholders and the Secured Parties unless the Trustee and/or the Security Trustee is indemnified and/or secured and/or prefunded to its satisfaction. Further, neither the Trustee nor the Security Trustee will be obliged to act on behalf of the Noteholders or other Secured Parties where it would not have the power to do so by virtue of applicable law or where such action would be illegal in an applicable jurisdiction.

#### **14. Replacement of Notes**

If a Note is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and regulations, at the specified office of the Registrar on payment by the claimant of the taxes, fees and costs properly incurred in connection with such replacement and on such terms as to evidence, security and indemnity as the Issuer, the Trustee, the Registrar or the Principal Paying Agent may require and otherwise as the Issuer may require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

#### **15. Notices**

Subject to the subparagraphs below providing for other means of notices, and only if these other means are not practicable, notices to Noteholders will be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). Such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of first publication, in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee will approve.

Until such time as Definitive Notes are issued, there may, so long as Global Notes representing the Class A Notes are held in their entirety on behalf of Clearstream, Luxembourg and/or Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear, for communication by them to the Holders of the Class A Notes and, in addition, for so long as the Class A Notes are listed on a stock exchange or are admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Such notice will be deemed to have been given to the Holders of the Class A Notes on the seventh

day after the day on which such notice was given to Clearstream, Luxembourg and/or Euroclear.

Notice to the Noteholders will be validly given if transmitted individually to the address set out in the Register for such Noteholder. While the Class A Notes are represented by a Global Note, such notice may be given by a Holder of a Class A Note to the Registrar through Clearstream, Luxembourg and/or Euroclear in such manner as the Registrar and Clearstream, Luxembourg and/or Euroclear may approve for this purpose.

For so long as the Class A Notes are listed on the London Stock Exchange's Official List, copies of all notices given under these Conditions will be sent to the London Stock Exchange.

**16. Governing law and jurisdiction**

- (a) The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by, and will be construed in accordance with, English law.
- (b) The courts of England will have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) and any legal action or proceedings arising out of or in connection with such disputes may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of such courts and waives any objections to proceedings in such courts on the ground of venue or on the ground that they have been brought in an inconvenient forum. This submission is for the benefit of the Security Trustee and will not limit the right of the Security Trustee to take legal action or proceedings in any other court of competent jurisdiction nor will the taking of such proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not).

**17. Rights of third parties**

No person will have any right to enforce any term or condition of this Note by virtue of the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

**18. Definitions**

"**Accelerated Priority of Payments**" has the meaning given to it in Condition 2(h) (*Application of proceeds*).

"**Account Bank**" means Lloyds Bank plc, as at the Closing Date, and any replacement account bank appointed under the Account Bank Agreement.

"**Account Bank Agreement**" means the account bank agreement dated on or about the Closing Date between the Issuer, the Servicer, the Security Trustee, the Account Bank and the Cash Manager.

"**Accountholder**" has the meaning given to it in the definition of Noteholders.

"**Additional Account**" means any additional account to be opened in the name of the Issuer pursuant to the terms of the Account Bank Agreement.

**"Additional Receivables"** means all Receivables under the Receivable Agreements identified in the Sale Notices (other than the first Sale Notice) and, regarding a particular Sale Notice, those Receivables under the Receivable Agreements identified in such Sale Notice to the extent they have not been repurchased by the Seller for any reason.

**"Additional Sale Date"** means the date as specified in the relevant Sale Notice on which the Seller sells and assigns Receivables to the Issuer in accordance with the terms of the Receivables Sale Agreement.

**"Affiliate"** means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company.

**"Agency Agreement"** means the agreement dated on or about the Closing Date between, among others, the Issuer and the Agents.

**"Agents"** means the Paying Agents and the Registrar and **"Agent"** means any one of these.

**"Aggregate Outstanding Principal Balance"** means, in respect of all Purchased Receivables at any time, the aggregate of the Outstanding Principal Balance of all such Purchased Receivables which, as at such time, are not Defaulted Receivables.

**"AIFMD"** means the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and the Council of 22 July 2013 on alternative investment fund managers.

**"AIFMR"** means the Commission Delegated Regulation 231/2013 of 19 December 2012 supplementing the Alternative Investment Fund Managers Directive 2011/61/EU of the European Parliament and the Council of 22 July 2013 on alternative investment fund managers.

**"Ancillary Rights"** means the ancillary rights associated with each Purchased Receivable (excluding the Excluded Rights), other than ownership and rights associated with ownership of the Vehicle to which such Purchased Receivable relates and must include (but is not limited to) the following (without prejudice to the foregoing):

- (a) in addition to all sums and amounts paid or to be paid, the right to demand, sue for, recover, receive and give receipts for all amounts due (whether or not from Customers) related to such Purchased Receivable under or relating to the relevant Purchased Receivable Agreement;
- (b) the benefit of all covenants and undertakings from Customers and from guarantors related to such Purchased Receivable under or relating to or in connection with the relevant Purchased Receivable Agreement;
- (c) the benefit of all causes and rights of action against Customers and guarantors related to such Purchased Receivable under or relating to or in connection with the relevant Purchased Receivable Agreement;
- (d) all rights, title, interest, powers and benefit, present and future, of the Seller in a motor vehicle insurance policy relating to the Vehicle to which such Purchased Receivable relates and proceeds relating to the same;
- (e) all rights, title, interest and benefit, present and future, of the Seller to any Vehicle Proceeds or under any Vehicle Sale Contract relating to the Vehicle relating to



such Purchased Receivable (including, the rights related to repossessed Vehicles) and all causes or rights of action against any other party to the agreement and otherwise arising from the same);

- (f) the benefit of any other rights, title, interests, powers or benefits of Black Horse in relation to such Purchased Receivable; and
- (g) the purchase price paid or to be paid, the right to demand, sue for, recover, receive and give receipts for all such amounts due related to such Purchased Receivable from a Collection Agent on such Purchased Receivables becoming a Written-Off Receivable, being repurchased by Black Horse, and being sold to a Collection Agent according to the Credit and Collection Procedures.

**"Arranger"** means Lloyds Bank Corporate Markets plc, as arranger for the Class A Notes.

**"Auditors"** means PricewaterhouseCoopers, the auditors for the time being of the Issuer.

**"Authorised Investments"** means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments (i) have a maturity date of 30 days or less and mature before the next following Payment Date or within 30 days, whichever is sooner (and in each case for at least the price paid for the relevant investment) and (ii) are rated at least (a) F1 by Fitch and (b) R-1(low) by DBRS or an equivalent rating by another rating agency.

**"Available Funds"** means Available Interest Collections and Available Principal Collections.

**"Available Interest Collections"** means, regarding each Collection Period, an amount equal to the sum of:

- (a) the aggregate Interest Collections for Purchased Receivables during such Collection Period;
- (b) the aggregate Recoveries for all Purchased Receivables during such Collection Period;
- (c) interest earned on the Issuer Accounts;
- (d) income on Authorised Investments;
- (e) all amounts standing to the credit of the Reserve Account (except on the Listed Note Repayment Date, any amount to be used as Available Principal Collections);
- (f) the aggregate of all Available Principal Collections (if any) which are (i) applied to make up any Interest Collections Shortfall on the relevant Payment Date (only to the extent required after calculating any Interest Collections Shortfall) and (ii) any Surplus Available Principal Collections;

- (g) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale Agreement in respect of an exercise by the Issuer of the Clean-Up Call, such amount of the Final Repurchase Price received by the Issuer on such Payment Date representing amounts other than the Outstanding Principal Balance of the Final Receivables as at such Payment Date; and
- (h) any other amounts received by the Issuer in respect of the Purchased Receivables which is not in respect of the Principal Element of such Purchased Receivables.

**"Available Principal Collections"** means, regarding each Collection Period, an amount equal to the sum of:

- (a) the aggregate Principal Collections for all Purchased Receivables during such Collection Period;
- (b) the amount, if any, to be credited to the Principal Deficiency Ledger pursuant to item (viii) of the Interest Priority of Payments on the relevant Payment Date;
- (c) on the Listed Note Repayment Date only, any amounts standing to the credit of the Reserve Account to be used as Available Principal Collections;
- (d) (without double counting) where the Seller repurchases the Final Receivables in accordance with the terms of the Receivables Sale Agreement in respect of an exercise by the Issuer of the Clean-Up Call, such amount of the Final Repurchase Price received by the Issuer on such Payment Date representing the Outstanding Principal Balance of the Final Receivables as at such Payment Date;
- (e) any other amounts received by the Issuer in respect of the Purchased Receivables which is in respect of the Principal Element of such Purchased Receivables; and
- (f) the Released Replenishment Amount.

**"Back-Up Servicer Facilitator"** means Lloyds Bank plc.

**"Back-Up Servicer Facilitator Agreement"** means the back-up servicer facilitator agreement dated on or about the Closing Date between, among others, the Issuer, the Security Trustee and the Back-Up Servicer Facilitator.

**"Back-Up Servicer Facilitator Downgrade Event"** has the meaning given to the term in clause 8.1(a) (*Termination*) of the Back-Up Servicer Facilitator Agreement.

**"Back-Up Servicer Facilitator Termination Event"** has the meaning given to the term in clause 8.1 (*Termination*) of the Back-Up Servicer Facilitator Agreement.

**"Back-Up Servicer"** means a back-up servicer to be appointed (if applicable) pursuant to the terms of the Servicing Agreement or the Back-Up Servicer Facilitator Agreement.

**"Basic Terms Modification"** has the meaning given to it in Condition 12(a)(vi) (*Meetings of Noteholders*).

**"Black Horse"** means Black Horse Limited, a company incorporated in England and Wales under number 00661204, having its registered office at 25 Gresham Street, London, EC2V 7HN, England.

**"Business Day"** means a day (other than Saturday, Sunday or public holidays) on which the banks are open in London for the settlement of interbank operations and the setting of market indices.

**"Calculation Date"** means, for an Interest Period, the 16th day of each month or, if such day is not a Business Day, the next following Business Day.

**"Calculation Period"** means the period from (and including) a Payment Date to (but excluding) the immediately following Payment Date, provided that the first Calculation Period will be from (and including) the Closing Date to (but excluding) 21 January 2019.

**"Car Data Register"** means the company with which the Seller registers its interest in a Vehicle from time to time, which at the Closing Date are Equifax Limited, Experian Limited, and HPI Limited.

**"Cash Management Agreement"** means the cash management agreement dated on or about the Closing Date between, among others, the Issuer and the Cash Manager.

**"Cash Manager"** means Black Horse Limited.

**"Cash Manager Termination Event"** means the events specified in clause 11.1(a) (*Cash Manager Termination Events*) of the Cash Management Agreement.

**"CCA"** means the Consumer Credit Act 1974, as amended by the Consumer Credit Act 2006 and associated secondary legislation.

**"CCA Compensation Amount"** means the amount, calculated by the Servicer in accordance with the Servicing Agreement to compensate the Issuer for any loss caused as a result of a breach of the Receivables Warranties arising as a result of any Purchased Receivables or related Receivable Agreement (or part thereof) being determined illegal, invalid, non-binding or unenforceable under the CCA, excluding for the avoidance of doubt any losses related to the Interest Element of the relevant Purchased Receivable.

**"CCA Compensation Payment"** means the payment made by the Seller to the Issuer to compensate the Issuer for any loss caused as a result of any Purchased Receivable or the related Receivable Agreement (or part thereof) being determined illegal, invalid non-binding or unenforceable under the CCA as an amount equal to the CCA Compensation Amount.

**"Change of Control Event"** has the meaning given to the term in clause 8.1(b) (*Termination*) of the Back-Up Servicer Facilitator Agreement.

**"Charged Property"** means the assets and agreements from time to time charged in the manner set out in the Deed of Charge to secure the Secured Obligations.

**"Class"** means each class of Notes.

**"Class A Global Note"** means the Global Note in relation to the Class A Notes.

**"Class A Interest Rate"** has the meaning given to it in Condition 4(b) (*Interest Rate*).

**"Class A Noteholder"** means the Holder of a Class A Note.

**"Class A Notes"** means the £2,130,000,000 Class A Asset Backed Fixed Rate Notes due December 2026 issued by the Issuer, substantially in the form set out in Part A of Schedule 1 (*Form of the Class A Notes*) of the Trust Deed.

"**Class A Principal Deficiency**" has the meaning given to the term in Condition 2(d) (*Ledgers*).

"**Class A Principal Deficiency Ledger**" means a sub-ledger of the Principal Deficiency Ledger relating to the Class A Notes.

"**Class A Principal Deficiency Limit**" has the meaning given to the term in Condition 2(d) (*Ledgers*).

"**Class S Interest Rate**" has the meaning given to it in Condition 4(b) (*Interest Rate*).

"**Class S Noteholder**" means the Holder of the Class S Notes.

"**Class S Notes**" means the £720,000,000 Class S Asset Backed Fixed Rate Notes due December 2026 issued by the Issuer, substantially in the form set out in Part C of Schedule 1 (*Form of the Class S Notes*) of the Trust Deed.

"**Class S Principal Deficiency**" has the meaning given to the term in Condition 2(d) (*Ledgers*).

"**Class S Principal Deficiency Ledger**" means a sub-ledger of the Principal Deficiency Ledger relating to the Class S Notes.

"**Class S Principal Deficiency Limit**" has the meaning given to the term in Condition 2(d) (*Ledgers*).

"**Clean-Up Call**" means the optional call granted pursuant to Condition 5(d) (*Clean-Up Call*).

"**Clearing System**" means any clearing agency, settlement system or depository (including any entity that acts as a system for the central handling of cash in the country where it is incorporated or organised or that acts as a trans-national system for the central handling of cash) used in connection with transactions relating to cash, including Euroclear and Clearstream, Luxembourg, and any nominee or successor in title of the foregoing.

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*, which is an ICSD.

"**Closing Date**" means 4 December 2018.

"**Collections**" means Interest Collections and Principal Collections.

"**Collection Account**" means the bank account or accounts in the name of the Seller into which amounts due from the Customers under their Receivable Agreements are paid.

"**Collection Account Trust**" means the of trust over the Collection Account by Black Horse in favour of the Issuer made pursuant to the clause 4.6 (*Collection Account Trust*) of the Servicing Agreement.

"**Collection Account Trust Property**" means the property held in trust under the Collection Account Trust.

"**Collection Agent**" means an entity appointed by the Servicer to, among other things, purchase the Written-Off Receivables.

**"Collection Period"** means in relation to a Payment Date, the period from the 4th day of the prior calendar month (inclusive) to the 3rd day of the same calendar month as the relevant Payment Date (inclusive), provided that the first Collection Period is the period which will begin on and include the Closing Date and will end 3 January 2019 (inclusive).

**"Common Safekeeper"** means regarding the Class A Notes, Clearstream, Luxembourg.

**"Conditions"** means the terms and conditions of the Notes and **"Condition"** means any one of them.

**"Confidential Information"** means any information, however conveyed or presented, that relates to the business, affairs, operations, customers, processes, budgets, pricing policies, product information, strategies, developments, trade secrets, know-how, personnel and suppliers of a Transaction Party, together with all information derived by a Party from any such information and any other information clearly designated by a Transaction Party as being confidential to it (whether or not it is marked "confidential"), or which ought reasonably be considered to be confidential.

**"Controlling Class"** means the holders of Class A Notes as long as any Class A Notes are outstanding. After the Class A Notes are paid in full, the Class S Notes will be the controlling class.

**"Corporate Services Agreement"** means the agreement dated on or about the Closing Date between, among others, the Issuer, Holdings and the Corporate Services Provider under which the Issuer and Holdings have appointed the Corporate Services Provider to perform certain corporate and administrative services for each of them.

**"Corporate Services Provider"** means Intertrust Management Limited, acting through its office at 35 Great St. Helen's, London EC3A 6AP.

**"CRA Regulation"** means Regulation (EC) No 1060/2009 of the European Parliament on credit rating agencies, as amended by Regulation (EU) No 513/2011 and by Regulation (EU) No 462/2013 ("**CRA3**").

**"Credit and Collection Procedures"** means the origination, credit and collection procedures employed by the Seller from time to time in relation to the provision of Services as set out in the Servicing Agreement, as the same may from time to time be amended in accordance with the Transaction Documents.

**"CRR"** means the Capital Requirements Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012 as supplemented by Commission Delegated Regulation (EU) No 625/2014.

**"Customer"** means a debtor under a Receivable Agreement.

**"Customer Data"** means any information or data (including personal data), whether or not Confidential Information or personal data (as such term is defined in the Data Protection Act) which is provided or made available to the Issuer and/or the Back-Up Servicer Facilitator under the Servicing Agreement or the Back-Up Servicer Facilitator Agreement.

**"Cut-Off Date"** means regarding the Closing Date, the Initial Cut-Off Date, and for any Additional Sale Date, the 3rd day of the same calendar month.

**"DBRS"** means DBRS Ratings Limited.

"**Dealer**" means any person from whom the Seller purchases a Vehicle to form the subject matter of an HP Agreement or PCP Agreement.

"**Dealer Contract**" means any contract between the Seller and any Dealer relating to the supply of a Vehicle.

"**Deed of Charge**" means the deed of charge dated on or about the Closing Date between, among others, the Issuer and the Security Trustee.

"**Default Rate**" means the percentage equivalent of (a) the Aggregate Outstanding Principal Balance relating to Receivables which became Defaulted Receivables during that Collection Period, divided by (b) the Aggregate Outstanding Principal Balance of the Purchased Receivables with both numbers being based, in relation to any Calculation Date, on the balances as at the last day of the prior Collection Period.

"**Defaulted Receivable**" means any Purchased Receivable in respect of which:

- (a) regarding a Collection Period, a Purchased Receivable where an amount due under the Receivable Agreement has been in arrears for a period of greater than 180 days past the due date, or, if earlier,
- (b) the Purchased Receivable has been declared defaulted in accordance with the Credit and Collection Policy.

"**Deferred Purchase Price**" means the consideration payable to the Seller in respect of the Receivables sold to the Issuer, which is due and payable under the terms of the Receivables Sale Agreement in accordance with the relevant Priority of Payments.

"**Deficiency**" has the meaning given to the term under Condition 2(d) (*Ledgers*).

"**Definitive Notes**" means the definitive registered note representing a holding of Notes and which will represent the Class S Notes on issue substantially in the form set out in Schedule 1 (*Forms of the Notes*) of the Trust Deed.

"**Delinquency Rate**" means the percentage equivalent of (a) the Aggregate Outstanding Principal Balance relating to Delinquent Receivables, divided by (b) the Aggregate Outstanding Principal Balance of the Purchased Receivables with both numbers being based, in relation to any Calculation Date, on the balances as at the last day of the prior Collection Period.

"**Delinquent Receivable**" means, regarding a Collection Period, a Purchased Receivable where an amount due under the Receivable Agreement has been in arrears for a period of greater than 30 days past the due date excluding, for the avoidance of doubt, any Receivable which has become a Defaulted Receivable.

"**Distribution Account**" means the account maintained at the Account Bank (or any successor of such account bank) in the name of the Issuer with sort code 30-80-12, IBAN code GB23 LOYD 3080 1216 4603 68, SWIFT LOYDGB21F09 and account number 16460368 or any other bank account specified as such in compliance with the Account Bank Agreement.

"**Early Amortisation Event**" means the occurrence of the following events:

- (a) an Event of Default occurs and is continuing;
- (b) a Servicer Termination Event occurs which is continuing;

- (c) the Reserve Account is not fully funded on any Payment Date after the application of item (vii) of the Interest Priority of Payments;
- (d) an Insolvency Event with respect to the Seller;
- (e) a Portfolio Performance Trigger Event;
- (f) the Seller fails to pay any amount due and payable by it under any Transaction Document to which it is a party, and such failure has continued unremedied for a period of five Business Days after written notice or discovery of such failure by an officer of the Seller;
- (g) a misrepresentation is made in respect of any of the Receivables Warranties and the Seller has failed to take any of the measures set out in clause 7.1 (*Repurchase of Non-Compliant Receivables*) of the Receivables Sale Agreement; or
- (h) the Seller defaults in the performance or observance of any of its obligations under or in respect of a Transaction Document to which it is a party and such failure results in a material adverse effect on the Purchased Receivables and, if capable of remedy, remains unremedied for a period of 60 days after the earlier of an officer of the Seller becoming aware of such default and written notice being received by the Seller; or
- (i) on a Payment Date, the amount standing to the credit of the Replenishment Ledger exceeds 10 per cent. of the total initial balance of the Notes.

**"Early Amortisation Period"** means regarding a Class, the period commencing on and including the day after the occurrence of an Early Amortisation Event and ending on the earlier to occur of (a) the date when all Notes have been repaid in full or (b) the service of an Enforcement Notice.

**"Eligibility Criteria"** means the criteria listed in Schedule 2 (*Eligibility Criteria*) of the Receivables Sale Agreement.

**"Encumbrance"** means any mortgage, sub-mortgage, security assignment or assignation, standard security, charge, sub-charge, pledge, lien, right of set-off or other encumbrance or security interest of any kind, however created or arising, including anything analogous to any of the foregoing under the laws of any jurisdiction.

**"Enforcement Notice"** means, after the occurrence of an Event of Default, the notice served by the Trustee on the Issuer, the Account Bank, the Cash Manager, the Security Trustee and the Principal Paying Agent declaring the Notes due and payable, after which the Security will become enforceable.

**"English"** means, in relation to a Receivable, a Receivable governed by English law.

**"EU Insolvency Regulation"** means Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast).

**"Euroclear"** means Euroclear Bank S.A./ N.V. as operator of the Euroclear system which is an ICSD.

**"Event of Default"** has the meaning given to it in Condition 10 (*Events of Default*).

**"Excluded Rights"** means:

- (a) that portion of the amount outstanding under a Purchased Receivable Agreement which relates to any amount paid by a Customer and applied on or before the applicable Sale Date; or
- (b) any surplus funds remaining on an agreement following the sale of a Vehicle in relation to a VT Receivable or Defaulted Receivable.

**"Extraordinary Resolution"** means:

- (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*) by a majority of not less than 75 per cent. of the votes cast, whether on a show of hands or a poll; or
- (b) a Written Resolution.

**"FATCA"** means:

- (a) sections 1471 to 1474 of the U.S. Internal Revenue Code and the Treasury regulations and official guidance issued thereunder, each as amended from time to time ("**U.S. FATCA**");
- (b) any inter-governmental agreement between the United States and any other jurisdiction entered into in connection with U.S. FATCA (an "**IGA**");
- (c) any treaty, law, regulation or official guidance enacted, issued or amended in any jurisdiction which facilitates the implementation of U.S. FATCA or an IGA ("**Implementing Law**"); and
- (d) any agreement entered into with the U.S. Internal Revenue Service, the U.S. government or any governmental or tax authority in any other jurisdiction in connection with U.S. FATCA, an IGA or any Implementing Law.

**"FATCA Deduction"** means any withholding or deducting any amounts required by FATCA, pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US Internal Revenue Service.

**"FATCA Exempt Party"** means a party that is entitled to receive payments free from any FATCA Deduction.

**"Final Legal Maturity Date"** means the Payment Date falling in December 2026.

**"Final Receivables"** has the meaning given to the term in clause 7.5(a) (*Clean up call*) of the Receivables Sale Agreement.

**"Final Repurchase Price"** means an amount equal to the higher of (i) the Outstanding Principal Balance of such Final Receivables at the end of the immediately preceding Calculation Period and all other amounts accrued due and payable under Receivable Agreements from which the Final Receivables derive on or prior to the end of the immediately preceding Calculation Period which have not been paid and (ii) all amounts required to be paid on such Payment Date in accordance with the relevant Priority of Payments (taking into account the redemption of the Notes in full) other than amounts due to the Seller in respect of Deferred Purchase Price less any Available Interest Collections and Available Principal Collections to be applied on such Payment Date.



**"Financed Vehicles"** means the Vehicles which are financed pursuant to the Receivable Agreements.

**"Fitch"** means Fitch Ratings Ltd.

**"FSMA"** means the Financial Services and Markets Act 2000, as may be amended from time to time.

**"Global Note"** means the global note, in fully registered form, without interest coupons attached, which will represent the Class A Notes on issue substantially in the form set out in Schedule 1 (*Forms of the Notes*) of the Trust Deed.

**"Governmental Authority"** means any multinational, national, federal, state, provincial or local governmental or regulatory or supervisory authority or entity or body or any subdivision thereof, including any agency, instrumentality, division, department, court or other body thereof and entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, for the avoidance of doubt, the FCA.

**"Holdings"** means Cardiff Auto Receivables Securitisation Holdings Limited, a private company with limited liability incorporated under the laws of England and Wales with registered number 11118330 and whose registered office is at 35 Great St. Helen's, London EC3A 6AP.

**"Holding Company"** means, in respect of a Subsidiary, a company which:

- (a) holds a majority of the voting rights in the afore-mentioned Subsidiary; or
- (b) is a member of the afore-mentioned Subsidiary and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member of the afore-mentioned Subsidiary and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
- (d) is a Holding Company of another company which is the Holding Company of the afore-mentioned Subsidiary.

**"HP Agreement"** means an HP Standard Agreement and/or Lease Purchase Agreement, as applicable.

**"HP Standard Agreement"** means each hire purchase agreement entered into between Black Horse Limited and a Customer in the form of standard business terms where the final rental amount is the same or substantially similar to the previous payments due under such contract.

**"ICSD"** means an International Central Securities Depository.

**"Incentive Fee"** means the fee (inclusive of VAT) payable to the Insolvency Official of the Seller following an Insolvency Event of the Seller in relation to the sale of the relevant Vehicles in an amount equal to (i) the reasonable costs and expenses of such insolvency official (including any Irrecoverable VAT in respect thereof) incurred in relation to the sale of such Vehicles plus (ii) a percentage of the corresponding vehicle realisation proceeds to be (x) until such time as a Replacement Servicer is appointed, 1 per cent. of the relevant vehicle realisation proceeds or (y) at any time thereafter, as may be agreed by

the Servicer with the insolvency official of the Seller pursuant to the Servicing Agreement (up to a maximum amount of 1 per cent. of the relevant vehicle realisation proceeds);

**"Initial Cut-Off Date"** means 3 December 2018.

**"Initial Receivables"** means Receivables under the Receivable Agreements identified in the first Sale Notice to the extent they have not been repurchased by the Seller for any reason.

**"Initial Purchase Price"** means the amount, determined as at each Sale Date as being an amount equal to the aggregate Outstanding Principal Balance due from Customers under the Receivable Agreement (which for the avoidance of doubt shall include the last payment under the Receivable Agreement) during the period beginning on (but excluding) the relevant Sale Date and ending on (and including) the maturity date of such Receivable Agreement;

**"Initial Sale Date"** means the Closing Date.

**"Insolvency Event"** means, for a person, (a) the making of a general assignment for the benefit of creditors, (b) the filing of a voluntary petition in bankruptcy, (c) being adjudged bankrupt or insolvent, or having had an order entered against such person for relief in any bankruptcy or insolvency proceeding, (d) the filing by such person of a petition or answer seeking reorganisation, liquidation, dissolution or similar relief under any applicable statute, law or regulation, (e) seeking, consenting to or acquiescing in the appointment of a trustee, liquidator, receiver administrator or similar official of such person or of all or any substantial part of such person's assets, (f) the failure to obtain dismissal or a stay within 60 days of the start of or the filing by such person of an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such person in any proceeding against such person seeking (i) reorganisation, liquidation, dissolution or similar relief under any applicable statute, law or regulation or (ii) the appointment of a trustee, liquidator, receiver or similar official of such person or of all or any substantial part of such person's assets, or (g) the failure by such person generally to pay its debts as such debts become due.

**"Insolvency Official"** means, in respect of any company, a liquidator, provisional liquidator, administrator (whether appointed by the court or otherwise), bank administrator, bank liquidator, administrative receiver, receiver or manager, nominee, supervisor, trustee in bankruptcy, conservator, guardian or other similar official in respect of such company or in respect of all (or substantially all) of the company's assets or in respect of any arrangement or composition with creditors or any equivalent or analogous officer under the law of any jurisdiction.

**"Interest Amount"** means the amount of interest payable on each Note for an Interest Period.

**"Interest Collections"** means, regarding a Purchased Receivable and a Collection Period, all amounts comprising of:

- (a) the Interest Element of the Purchased Receivables (other than Purchased Receivables that have become Defaulted Receivables or VT Receivables or PCP Handback Receivables); and
- (b) any amount received by the Issuer in respect of any CCA Compensation Payments, Receivables Indemnity Amounts, Set-Off Indemnity Amounts and Non-

Compliant Repurchase Price, in each case to the extent that the same represents a payment in respect of the Interest Element of the Purchased Receivables.

**"Interest Collections Shortfall"** means, on a Payment Date, an amount equal to the excess, if any, of the amount required to make payments under items (i) to (vi) (inclusive) of the Interest Priority of Payments on such Payment Date over the Available Interest Collections for such Payment Date, such amount to be determined without regard to item (f) of the definition of Available Interest Collections.

**"Interest Element"** means, in relation to each Purchased Receivable, all amounts to be received from or on behalf of the Customer in respect of the Receivables other than the Principal Element of that Purchased Receivable and including, for the avoidance of doubt, all fees, costs, any interest charged on interest and expenses received in respect of the Purchased Receivables.

**"Interest Period"** means the period beginning from (and including) a Payment Date to (but excluding) the next following Payment Date; provided that the first Interest Period will be the period beginning from (and including) the Closing Date to (but excluding) 21 January 2019.

**"Interest Priority of Payments"** has the meaning given to it in Condition 2(e) (*Interest Priority of Payments*).

**"Interest Rate"** means the rate of interest payable by the Issuer on each Class A Note or each Class S Note as set out in Condition 4(b) (*Interest Rate*).

**"Interest Shortfall"** means, in respect of any Class of Notes (other than the Controlling Class), accrued interest not distributed on any Payment Date.

**"Irrecoverable VAT"** means any amount in respect of VAT incurred by a party to a Transaction Document (for the purposes of this definition, a "Relevant Party") to the extent that the Relevant Party does not or will not receive and retain a credit or repayment of such VAT as input Tax (as that expression is defined in Section 24(1) of the VATA) for the prescribed accounting period (as that expression is used in Section 25(1) of the VATA) to which such input Tax relates.

**"Issuer"** means Cardiff Auto Receivables Securitisation 2018-1 plc, a public company with limited liability incorporated under the laws of England and Wales with registered number 11118369 and whose registered office is at 35 Great St. Helen's, London, EC3A 6AP.

**"Issuer Accounts"** means the Distribution Account, the Reserve Account, any Additional Account and/or any further account created under the Transaction Documents.

**"Issuer Power of Attorney"** means the power of attorney provided by the Issuer in favour of the Security Trustee in the form of Schedule 1 (*Form of Issuer Power of Attorney from the Issuer to the Security Trustee*) of the Deed of Charge.

**"Issuer Trust Amounts"** means all amounts from time to time standing to the credit of the Collections Account to the extent that such amounts represent payments into the Collections Account derived from or resulting from the Purchased Receivables comprised in the Portfolio (but excluding any interest arising in respect of amounts standing to the credit of Collection Account).

**"Junior Note Purchase Agreement"** means the note purchase agreement dated on or about the Closing Date between the Issuer and Black Horse as purchaser of the Class S Notes.

**"Key"** means a sealed containment key or such other information necessary to identify the Purchased Receivables, including the Customer Data of the Customers.

**"Lead Manager"** means Lloyds Bank Corporate Markets plc, as lead manager for the Class A Notes.

**"Lease Purchase Agreement"** means each hire purchase agreement entered into between Black Horse Limited and a Customer in the form of standard business terms where the final rental amount is greater than the previous payments due under such contract and where such final rental payment is not optional pursuant to the terms of such contract.

**"Listed Notes"** means the Class A Notes.

**"Listed Note Repayment Date"** means the Payment Date on which the Listed Notes are repaid in full.

**"List of Additional Receivables"** means a list dated and signed on each Payment Date within the Revolving Period containing, for each Additional Receivable, the information set out in Schedule 4 (*List of Receivables*) to the Receivables Sale Agreement as of the applicable Cut-off Date in an email unequivocally marked or identified as relating to the relevant Sale Notice and received by the Issuer on or before the relevant Payment Date (or other media as agreed from time to time between the Seller and the Issuer including in a CD-ROM).

**"List of Initial Receivables"** means the list dated on or about the Closing Date containing, for each Initial Receivable, the information set out in Schedule 4 (*List of Receivables*) to the Receivables Sale Agreement as of the Initial Cut-off Date in an email unequivocally marked or identified as relating to the relevant Sale Notice and received by the Issuer on or before the Closing Date (or other media as agreed from time-to-time between the Seller and the Issuer including in a CD-ROM).

**"List of Receivables"** means the List of Initial Receivables and/or the List of Additional Receivables.

**"Lloyds Banking Group"** means Lloyds Bank plc and each of its Affiliates.

**"London Stock Exchange"** means the London Stock Exchange plc.

**"Mandatory Early Part Redemption Amount"** means, for a Note and a Payment Date, the principal amount redeemable for a Note of that Class on that Payment Date under Condition 5(c) (*Mandatory early redemption in part*).

**"Master Definitions and Common Terms Agreement"** means the master definitions and common terms agreement dated on or about the Signing Date between the Seller, the Issuer, the Corporate Services Provider, the Servicer, the Cash Manager, the Account Bank, the Collection Account Bank, the Back-Up Servicer Facilitator, the Principal Paying Agent, the Trustee, the Security Trustee, the Arranger and the Lead Manager.

**"Modification Certificate"** has the meaning given to the term in Conditions 12(b)(ii)(A) to (F) (Meetings of Noteholders, amendments, waiver, substitution and exchange).

**"Monthly Report"** means a report to be prepared by the Servicer and delivered by electronic means to the Issuer and the Cash Manager (with a copy to the Trustee, the Security Trustee, the Principal Paying Agent and if requested, the Rating Agencies) at least two Business Days before each Payment Date substantially in the form set out in Schedule 2 (*Form of Monthly Report*) of the Servicing Agreement.

**"Netting Letter"** means the netting letter dated on or about the Closing Date between the Issuer, Lloyds Bank Corporate Markets plc and Black Horse (as Seller and investor in the Notes).

**"New Vehicle"** means a Vehicle identified as a new motor vehicle, motorbike, scooter or light commercial vehicle less than 3.5 tonnes under the Credit and Collection Procedures;

**"Non-Compliant Receivable"** has the meaning given to it in Clause 7.1(a) of the Receivables Sale Agreement;

**"Non-Compliant Repurchase Price"** means, in relation to the repurchase of a Non-Compliant Receivable, an amount, calculated by the Servicer, equal to the Outstanding Principal Balance as at the relevant Sale Date on which such Receivable was sold to the Issuer, less any amounts (without double counting) in respect of any Principal Element recovered or received by the Issuer in respect of such Receivable as at the date of the repurchase;

**"Non-Permitted Variation"** means any change to a Receivable Agreement that relates to a Purchased Receivable which has the effect of:

- (a) reducing the Outstanding Principal Balance of the Purchased Receivable;
- (b) sanctioning any kind of payment holiday;
- (c) reducing the total interest payable by the Customer over the term of the Purchased Receivable; or
- (d) extending the term of the Purchased Receivable.

**"Noteholder"** or **"Holder"** means the person in whose name such Note is registered at that time in the Register or, in the case of a joint holding, the first named person; provided that, so long as any of the Notes are represented by a Global Note, the term **"Noteholder"** or **"Holder"** will include the persons for the time being set out in the records of Euroclear and/or Clearstream, Luxembourg, as the holders of a particular principal amount of such Notes (each an **"Accountholder"**) in units of £1,000 principal amount of Notes for all purposes other than regarding the payment of principal and interest on such Notes, the right to which will be vested as against the Issuer solely in the Holder of each Global Note under and subject to its terms.

**"Notes"** means the Class A Notes and the Class S Notes.

**"NSS"** means the new safekeeping structure applicable to debt securities in global registered form recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations since 1 October 2010.

**"Opinion of Counsel"** means an opinion of counsel, which counsel will be reasonably acceptable to the Trustee, the Security Trustee, the Issuer and the Rating Agencies and be of international standing recognised in the field of securitisation, and which opinion will be addressed to the Issuer, the Trustee, the Security Trustee and each Secured Party.

**"Optional Final Payment"** means, regarding a PCP Agreement, the optional final balloon payment payable by the Customer under the PCP Agreement.

**"Ordinary Resolution"** means a resolution passed at a meeting of Noteholders duly convened and held in accordance with Condition 12 (*Meetings of Noteholders, amendments, waiver, substitution and exchange*) by a majority of not less than 50 per cent. of the votes cast, whether on a show of hands or a poll.

**"outstanding"** means, for any Class, all the Notes of that Class issued other than:

- (a) those which have been redeemed in compliance with their Conditions;
- (b) those regarding which the due date for redemption has occurred in compliance with their Conditions and the redemption moneys and interest accrued on such moneys to the due date of such redemption and any interest payable after such date have been paid to the Trustee or to the Principal Paying Agent in the manner set out in the Agency Agreement and remain available for payment against presentation and surrender of the relevant Notes;
- (c) those regarding which claims have become void under their Conditions;
- (d) those mutilated or defaced Notes which have been surrendered and cancelled and regarding which replacements have been issued under their Conditions;
- (e) (for the purpose only of ascertaining the amount of a Class that is outstanding and without prejudice to their status for any other purpose) those Notes which are alleged to have been lost, stolen or destroyed and regarding which replacements have been issued under their Conditions; and
- (f) any Global Note to the extent that it has been exchanged for the related Definitive Notes under their respective terms;

provided that for each of the following purposes, namely:

- (i) the determination of how many of which Notes of a Class are for the time being outstanding for the purposes of their Conditions and the Trust Deed requiring calculation of the proportion of Noteholders of such Class requesting or directing the Trustee to enforce the security for such Class, or the provisions for meetings of the Noteholders of such Class set out in the Trust Deed;
- (ii) any discretion, power or authority which the Trustee is required or permitted, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders of such Class or any of them; and
- (iii) the determination by the Trustee whether, in its opinion, any event, circumstance, matter or thing is or would be materially prejudicial to the interests of the Noteholders or any of them,

(1) those Notes of the relevant Class, if any, which are beneficially held by or for the account of the Issuer will be deemed not to remain outstanding and (2) if Black Horse, Lloyds Bank plc or any of their affiliates, holds only some (but not all) of the Notes of the relevant Class, such Notes will be deemed not to remain outstanding.

**"Outstanding Principal Balance"** means on any date and with respect to each Receivable, the Principal Element outstanding under the related Receivable Agreement as shown on the relevant computer system (on the assumption that the Servicer has complied with its obligations under the Servicing Agreement).

**"Paying Agent"** means a paying agent appointed under the Agency Agreement, including the Principal Paying Agent.

**"Payment Date"** means, for an Interest Period, the 21st day of each month or, if such day is not a Business Day, the next following Business Day and, for the first such Payment Date, 21 January 2019.

**"PCP Agreement"** means each personal contract plan agreement entered into between a Customer and Black Horse Limited in the form of standard business terms, under which the relevant Customer has the option to pay the Optional Final Payment and take title to the Related Vehicle or, if not, to return the Related Vehicle to the dealer from whom such Vehicle was purchased or such other dealer specified by the Servicer.

**"PCP Handback Vehicle"** means, if a PCP Agreement is a PCP Handback Receivable, the relevant Vehicle returned by a Customer to the dealer.

**"PCP Handback Receivable"** means a PCP Agreement under which the Customer has not exercised its option to pay the Optional Final Payment and has returned to the dealer the Vehicle financed by such PCP Agreement.

**"PCP Receivable"** means a Receivable arising under a PCP Agreement.

**"Perfection Event"** means each of the following events:

- (a) the Seller being required to perfect the Issuer's legal title to the Purchased Receivables (or procure the perfection of the Issuer's legal title to the Purchased Receivables) by an order of a court of competent jurisdiction or by any regulatory authority of which the Seller is a member or any organisation with whose instructions it is customary for the Seller to comply; or
- (b) it becoming necessary by law to perfect the Issuer's legal title to the Purchased Receivables, (or procure the perfection of the Issuer's legal title to the Purchased Receivables); or
- (c) unless otherwise agreed in writing by the Security Trustee, a Servicer Termination Event occurs; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of an Insolvency Event in respect of the Seller; or
- (f) it becoming necessary for enforcement of the Issuer's rights related to the Purchased Receivables, provided that if no Event of Default has occurred and is continuing, the Issuer will seek the approval of the Seller, such approval not to be unreasonably delayed or withheld;

**"Permitted Exceptions"** means any payment of Tax to the Tax Creditors or other payments to a Governmental Authority on a date not being a Payment Date, which is a payment outside of the Priority of Payments by the Issuer.

**"Permitted Variation"** has the meaning given to the term in clause 6.4(b) (*Permitted Variations*) of the Servicing Agreement.

**"Portfolio"** means the Receivables and all other assets and rights relating to the Receivable Agreements purported to be transferred or granted to the Issuer.

**"Portfolio Performance Trigger Event"** means the occurrence of any one of the following events:

- (a) if on any Calculation Date the Three Monthly Average Default Rate is equal to or greater than 0.25 per cent; or
- (b) if on any Calculation Date the Three Monthly Average Delinquency Rate is equal to or greater than 3.0 per cent.

**"Potential Event of Default"** means an event or circumstance that will with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement become an Event of Default.

**"Principal Amount Outstanding"** means, in relation to a Class of Notes or all Classes of Notes on any date (as applicable), its original principal amount less the aggregate amount of all principal payments in respect of such Class of Notes or Classes of Notes (as applicable) which have become paid since the Closing Date.

**"Principal Collections"** means

- (a) the Principal Element of Purchased Receivables (other than Purchased Receivables that have become Defaulted Receivables and Voluntarily Terminated Receivables and PCP Handback Receivables) received by the Issuer; and
- (b) any amount received by the Issuer in respect of any CCA Compensation Payments, Set-Off Indemnity Amounts, Receivables Indemnity Amounts and Non-Compliant Repurchase Price, in each case to the extent that the same represents a payment in respect of the Principal Element of the Purchased Receivables.

**"Principal Element"** means, in relation to each Purchased Receivable, the principal amount of that Receivable, calculated in accordance with the Credit and Collection Procedures (which for the avoidance of doubt shall include any option fees and fees payable as part of the last payment under the Receivable Agreement by the relevant Customer).

**"Principal Deficiency"** has the meaning given to the term in Condition 2(d) (*Ledgers*).

**"Principal Deficiency Ledger"** means the ledger maintained by Black Horse, comprising the Class A Principal Deficiency Ledger and the Class S Principal Deficiency Ledger, established in order to record any Interest Collections Shortfall and losses arising from Defaulted Receivables, VT Receivables or PCP Handback Receivables.

**"Principal Paying Agent"** means Elavon Financial Services DAC, U.K. Branch.

**"Principal Priority of Payments"** has the meaning given to it in Condition 2(f) (*Principal Priority of Payments*).

**"Priority of Payments"** means the Interest Priority of Payments, and/or the Principal Priority of Payments and/or the Accelerated Priority of Payments.



**"Prospectus"** means the prospectus dated on or about the Closing Date describing the Notes and the Transaction Documents.

**"Provisional Pool Cut-Off Date"** means 21 September 2018.

**"Provisional Portfolio"** means the portfolio of Receivables as at the Provisional Pool Cut-Off Date.

**"Purchased Receivable"** means the Initial Receivables and the Additional Receivables which have not been repurchased by the Seller for any reason and "Purchased Receivables" means all such Receivables.

**"Purchased Receivable Agreement"** means a Receivable Agreement from which a Purchased Receivable is derived.

**"Purchase Price"** means the Initial Purchase Price and the Deferred Purchase Price;

**"Qualified Institution"** means a bank (a) that may make all payments of interest under the Account Bank Agreement without withholding or deduction for or on account of tax, (b) (i) whose long-term critical obligations rating of at least 'A' (or its equivalent) from DBRS and (ii) whose unsecured, unsubordinated and unguaranteed short-term debt obligations are rated at least F1 by Fitch or whose unsecured, unsubordinated and unguaranteed long-term obligations are rated at least A by Fitch or, if the bank does not have such rating, it must be guaranteed by an institution having such rating and (c) that is or will (before a FATCA Deduction may be required) become a FATCA Exempt Party.

**"Rating Agencies"** means Fitch and DBRS.

**"Rating Agency Confirmation"** means, a confirmation in writing by the relevant **Rating Agencies** that the then current ratings of the Controlling Class will not be downgraded, qualified or withdrawn as a result of the relevant event or matter provided that if: (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation affirmation or response is delivered to that Rating Agency by any of the Issuer, the Account Bank, the Servicer and/or the Trustee, as applicable (each a **"Requesting Party"**) and one or more of the Rating Agencies (each a **"Non-Responsive Rating Agency"**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency which provides such indication and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such confirmation, affirmation or response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. If a Rating Agency does not respond to a written request for a confirmation or affirmation of rating such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the circumstances, provided that in the event of a non-response from all Rating Agencies, the Requesting Party will be entitled to proceed on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request.

**"Receivables"** means all claims, present and future, absolute or contingent, due now or in the future arising out of a Receivable Agreement for the repayment of a Receivable and will, unless the context requires otherwise, include Ancillary Rights, but excludes the Excluded Rights, and "Receivable" will mean each individual claim.

**"Receivable Agreement"** means an HP Agreement or a PCP Agreement.

**"Receivables Indemnity Amount"** means, in relation to a Receivable which has never existed, or has ceased to exist, such that it is not outstanding on the date on which it is otherwise due to be repurchased under clause 7 (*Remedies and Repurchase*) of the Receivables Sale Agreement, the indemnity payable by the Seller to the Issuer, to be calculated by the Servicer and be determined in an amount equal to the Outstanding Principal Balance of such Receivable had the Receivable existed with each of the Receivables Warranties as at the relevant Sale Date less any amounts (without double counting) in respect of any Principal Element received by the Issuer with respect to such Receivables.

**"Receivables Sale Agreement"** means the agreement for the sale and purchase of retail auto receivables dated on or around the Closing Date between the Seller, the Issuer, the Security Trustee and the Trustee.

**"Receivables Warranties"** means the representations and warranties made by the Seller in respect of the Purchased Receivables set out in the Receivables Sale Agreement.

**"Receiver"** means an administrative receiver or similar officer falling within the definition of "administrative receiver" under section 29(2) of the UK Insolvency Act 1986 or under article 5(1) of the Insolvency (Northern Ireland) Order 1989 (as amended) (as appropriate).

**"Records"** means:

- (a) all agreements, files, microfiles, correspondence, notes of dealing and other documents, books, books of account, registers, records and other information; and
- (b) all computer tapes, discs, computer programs, data processing software and related property rights owned by or under the control and disposition of the Seller.

**"Recoveries"** means, during the relevant Collection Period, any amount received in relation to a Defaulted Receivable or VT Receivable or PCP Handback Receivable.

**"Register"** means the register kept at the specified office of the Registrar on which will be entered the names and addresses of the Holders of the Notes and the particulars of such Notes held by them and all transfers and redemptions of such Notes.

**"Registrar"** means Elavon Financial Services DAC, U.K. Branch.

**"Regulation S"** means Regulation S under the Securities Act.

**"Related Receivable Agreement"** means, in relation to a Receivable, the relevant PCP Agreement or HP Agreement (as applicable) from which such Receivable derives.

**"Related Vehicle"** means the Vehicle related to a Purchased Receivable.

**"Released Replenishment Amount"** has the meaning given to it in paragraph 1.1(d) (*Determinations*) of Schedule 2 (*Determinations, maintenance of ledgers and Priorities of Payment*) of the Cash Management Agreement.

**"Relevant Date"** means, regarding a Note, the date when payment on such Note first becomes due or, if any amount of the money payable is improperly withheld or refused, the date when payment in full of the amount outstanding is made or (if earlier) the date seven days after the date when notice is given to the Noteholders in compliance with Condition 15 (*Notices*) that, on further presentation of the Note being made in compliance with these Conditions, such payment will be made, provided that payment is in fact made on such presentation.

**"Replacement Servicer"** means the replacement servicer appointed pursuant to the terms of the Servicing Agreement.

**"Replenishment Amount"** has the meaning given to it in paragraph 1.1(c) (*Determinations*) of Schedule 2 (*Determinations, maintenance of ledgers and Priorities of Payment*) of the Cash Management Agreement.

**"Replenishment Ledger"** means the ledger created and maintained by the Cash Manager to record the aggregate Replenishment Amount standing to the credit of the Distribution Account.

**"Repurchase Date"** means the date on which a Receivable (including a Non-Compliant Receivable) is to be repurchased pursuant to the Receivables Sale and Purchase Agreement.

**"Repurchased Receivables"** means, regarding a Collection Period, Purchased Receivables being repurchased by the Seller under the Receivables Sale Agreement on the Payment Date next following that Collection Period.

**"Reserve Account"** means the account maintained at the Account Bank (or any successor of such account bank) in the name of the Issuer with sorting code 30-80-12 and account number 16469468 or any other bank account specified as such under the Account Bank Agreement.

**"Reserve Account Required Amount"** means £42,750,000.

**"Responsible Person"** means:

- (a) for the Servicer, an officer of the Servicer or other person who is authorised to act for the Servicer;
- (b) for the Seller, an officer of the Seller or other person who is authorised to act for the Seller;
- (c) for the Cash Manager, an officer of the Cash Manager or other person who is authorised to act for the Cash Manager,
- (d) the positions or job titles of such officers and other persons being named in an officer's certificate delivered from time to time by the Servicer, the Seller or the Cash Manager to the Security Trustee and the Trustee, provided that each Responsible Person will be the person who holds a position or job title referred to in the most recent officer's certificate received by the Security Trustee and the Trustee.

**"Retained Amount"** means £11,000 per annum for the first three years following the Closing Date and £1,200 per annum from and including the fourth year following the Closing Date.

**"Revolving Period"** means the period from the Closing Date up to the earlier of (i), and including, the Payment Date falling in December 2019 and (ii) the date when an Early Amortisation Event has occurred.

**"Risk Retention U.S. Persons"** means "U.S. persons" as defined in the U.S. Risk Retention Rules.

**"Sale Date"** means the Initial Sale Date and any Additional Sale Date or any one of them.

**"Sale Notice"** means a notice of sale of Receivables substantially in the form of Schedule 3 delivered by the Seller under clause 2.2 (*Further sales and assignment*) of the Receivables Sale Agreement.

**"Scottish"** means in relation to a Receivable, a Receivable governed by or otherwise subject to Scots law (including, without limitation, those arising under Receivable Agreements for which the address for invoicing of the relevant Customer is situated in Scotland).

**"Scottish Assets"** means all the right, title, benefit and interest that the Issuer has under the relevant Scottish Trust.

**"Scottish Receivables"** means those Receivables contained in the Portfolio where the address of the Customer as set out in the Receivable Agreement at the time of origination is Scotland.

**"Scottish Supplemental Charge"** means an assignation in security entered into by Issuer in favour of the Security Trustee pursuant to the terms of the Deed of Charge and substantially in the form set out at Schedule 3 (*Form of Scottish Supplemental Charge*) thereto.

**"Scottish Transfer"** means a Scots law assignation and trust deed entered into by Black Horse and the Issuer pursuant to the terms of the Receivables Sale Agreement and substantially in the form set out at Schedule 8 (*Form of Scottish Transfer*) thereto.

**"Scottish Trust"** means each trust over Scottish Receivables arising or under a Scottish Transfer.

**"Scottish Vehicle Proceeds Floating Charge"** means the floating charge over, *inter alia*, Vehicle Proceeds arising under Scots law and entered into by Black Horse in favour of the Issuer pursuant to the terms of the Receivables Sale Agreement and substantially in the form set out at Schedule 10 (*Form of Scottish Vehicle Proceeds Floating Charge*) thereto.

**"Secured Obligations"** means the aggregate of all moneys and other obligations for the time being due or owing by the Issuer to the Secured Parties.

**"Secured Parties"** means the Trustee, the Security Trustee, a Receiver, the Noteholders, the Corporate Services Provider, the Cash Manager, the Account Bank, the Back-Up Servicer Facilitator (as applicable), Black Horse (in its capacities as the Seller, Subordinated Loan Provider and the Servicer), the Principal Paying Agent, the Registrar and each other person identified as a secured party by the Deed of Charge for the period of such designation.

"**Securities Act**" means the U.S. Securities Act of 1933.

"**Securitisation Regulation**" means Regulation (EU) 2017/2402.

"**Security**" means the security constituted by and pursuant to the Deed of Charge, and any further security thereunder.

"**Security Interests**" means the security and other rights and interests created or granted by the Issuer under and pursuant to the Trust Deed and the Deed of Charge, including those which arise by operation of law and Security Interest will mean any one of them.

"**Security Trustee**" means U.S. Bank Trustees Limited or any successor security trustee and/or additional security trustee appointed under the Deed of Charge.

"**Seller**" means Black Horse Limited.

"**Seller Trust Amounts**" means all amounts from time to time standing to the credit of the Collections Account to the extent such amounts represent amounts other than Issuer Trust Amounts or any amounts subject to any other trust arrangement.

"**Servicer**" means Black Horse Limited.

"**Servicer Termination Event**" means the events specified in clause 14.1 (*Servicer Termination Events*) of the Servicing Agreement.

"**Servicing Agreement**" means the servicing agreement dated on or around the Closing Date between, among others, the Servicer, the Issuer, the Back-Up Servicer Facilitator and the Security Trustee.

"**Servicing Fee**" means for each Collection Period, the fee payable to the Servicer for services rendered for such Collection Period in an amount equal to the product of:

$A \times B \times C$

where:

"A" = 1 per cent. *per annum*, or as may be otherwise agreed between the Servicer, the Issuer and the Security Trustee;

"B" = 1/12; and

"C" = the Aggregate Outstanding Principal Balance as at the end of the Collection Period ending immediately before the relevant Payment Date inclusive of VAT if applicable;

provided that, in the event Black Horse Limited's appointment as Servicer is terminated in compliance with the Servicing Agreement, the Servicing Fee will be such fee as may be negotiated with any Replacement Servicer, as contemplated in the Servicing Agreement.

"**Set-Off Indemnity Amount**" has the meaning given to the term in clause 7.3(a) (*Exercise of set-off, equity or counterclaim by a Customer*) of the Receivables Sale Agreement.

"**SGITA**" means The Supply of Goods (Implied Terms) Act 1973.

"**Signing Date**" means 30 November 2018.

"**Solvency II**" means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance.

"**Solvency II Regulation**" means the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Solvency II.

"**Standard Form Contract**" means standard form contract used by the Seller on or before the Closing Date as the basis of Receivable Agreements.

"**Sterling**" or "**£**" means the lawful currency of the United Kingdom.

"**STS status**" means, the simple, transparent and standardised status which securitisations may seek to obtain pursuant to the disclosure requirements set out in the Securitisation Regulation.

"**Subordinated Loan**" means the loan to be made by the Subordinated Loan Provider to the Issuer pursuant to the Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means the subordinated loan agreement between the Issuer and the Subordinated Loan Provider dated on or about the Closing Date.

"**Subordinated Loan Provider**" means Black Horse Limited.

"**Subscription Agreement**" means the subscription agreement for the Class A Notes offered and sold outside the United States in reliance on Regulation S dated on or about the Signing Date between the Issuer, the Lead Manager and the Seller.

"**Subsidiary**" of a company or corporation means any company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and, for these purposes, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"**Supplemental Collection Account Trust Property**" means, regarding the Collection Account Trust, the interest of the Issuer under the Collection Account Trust.

"**Surplus Available Principal Collections**" means Available Principal Collections to be applied as Available Interest Collections in accordance with item (iv) of the Principal Priority of Payments applicable after the end of the Revolving Period.

"**SWIFT**" means Society for Worldwide Interbank Financial Telecommunication.

"**Tax**" or "**Taxes**" means any form of tax, levy, impost, duty, charge, fee, contribution, deduction or withholding whenever imposed, levied, collected, withheld or assessed by, or payable to, a Tax authority including, without limitation, any tax on gross or net present or future income profit or gains, corporation tax, VAT, stamp duty, stamp duty land tax and

any penalty, fine, charge, cost, surcharge and interest included in or relating to any of the above or to any obligation in respect of any of the above (in all cases, regardless of whether such taxes, duties, levies, charges, fees, imposts, withholdings, penalties, fines, charges, costs surcharges and interest are directly or primarily chargeable against, recoverable from or attributable to the relevant Party or any other person and regardless of whether relevant Party has, or may have, any right of reimbursement against any other person) and "**Taxes**" and "**Taxation**" shall be construed accordingly.

"**Tax Creditors**" means the United Kingdom and any other competent tax authority to which the Issuer owes Taxes.

"**Three Monthly Average Default Rate**" means the simple average of the Default Rate for the three prior Collection Periods.

"**Three Monthly Average Delinquency Rate**" means the simple average of the Delinquency Rate for the three prior Collection Periods.

"**Transaction Documents**" means:

- (a) the Conditions;
- (b) the Notes;
- (c) the Receivables Sale Agreement;
- (d) the Servicing Agreement;
- (e) the Account Bank Agreement;
- (f) the Trust Deed;
- (g) the Deed of Charge;
- (h) the Subordinated Loan Agreement;
- (i) the Cash Management Agreement;
- (j) the Agency Agreement;
- (k) the Corporate Services Agreement;
- (l) each Scottish Transfer;
- (m) each Sale Notice;
- (n) each Scottish Supplemental Charge;
- (o) the Scottish Vehicle Proceeds Floating Charge;
- (p) the Back-Up Servicer Facilitator Agreement;
- (q) the Master Definitions and Common Terms Agreement;
- (r) the Netting Letter,

and all other documents specified by the parties.

**"Transaction Parties"** means each party to any of the Transaction Documents.

**"Trust Deed"** means the trust deed dated on or about the Closing Date between the Issuer and the Trustee.

**"Trustee"** means U.S. Bank Trustees Limited or a successor trustee and/or additional trustee appointed under the Trust Deed.

**"UK"** means the United Kingdom of Great Britain and Northern Ireland.

**"United States"** has the meaning ascribed to it in Regulation S.

**"U.S. Internal Revenue Code"** means the U.S. Internal Revenue Code of 1986.

**"U.S. Person"** has the meaning ascribed to it in Regulation S and the U.S. Risk Retention Rules.

**"U.S. Risk Retention Rules"** means Regulation RR (17 C.F.R Part 246) implementing the risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended, adopted under the requirements of Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**"Used Vehicle"** means a Vehicle identified as a used motor vehicle, motorbike, scooter or light commercial vehicle less than 3.5 tonnes under the Credit and Collection Procedures.

**"Variation"** means any amendment or variation to the terms of a Related Receivable Agreement after the Cut-off Date.

**"VAT"** means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

**"Vehicle"** means a New Vehicle or Used Vehicle which is the object of financing by the Seller under the Purchased Receivable Agreements and listed by its vehicle identification number in a List of Receivables.

**"Vehicle Proceeds"** means the proceeds derived from (including by way of sale or otherwise) any Vehicle returned to or recovered by or on behalf of the Seller;

**"Vehicle Sale Contract"** means a contract made by Black Horse with a third party for sale of a Vehicle after the return or repossession of such Vehicle from the Customer.

**"Voluntarily Terminated Receivable"** or **"VT Receivable"** means any Purchased Receivable in relation to which a Customer serves a notice to the Seller pursuant to Section 99 of the CCA;

**"Written Resolution"** means a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the Notes which resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.



**"Written-Off Receivable"** means a Receivable which is written-off under the Credit and Collection Procedures.

**REGISTERED OFFICE OF THE ISSUER**

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**PRINCIPAL PAYING AGENT AND REGISTRAR**

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**Black Horse Limited**  
Seller and Servicer

**Cardiff Auto Receivables Securitisation 2018-1 PLC**  
Issuer

**£2,130,000,000 Class A**  
Fixed Rate Asset-Backed Notes

**PROSPECTUS**