FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms International Personal Finance at 'BB'; Outlook Stable

Thu 29 May, 2025 - 9:58 AM ET

Fitch Ratings - London - 29 May 2025: Fitch Ratings has affirmed International Personal Finance plc's (IPF) Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating at 'BB'. The Outlook on the Long-Term IDR is Stable. A full list of ratings is provided below.

KEY RATING DRIVERS

Strong Leverage; High Impairment Charges: IPF's rating reflects its low balance-sheet leverage and structurally profitable business model, despite large loan impairment charges, supported by a cash-generative, short-term loan book. The ratings remain constrained by IPF's focus on higher-risk customers and the sector's susceptibility to regulatory shift, although this has been managed well by the company.

Normalisation of Credit Costs Likely: Following below-average impairment charges in 2024, Fitch expects IPF's IFRS 9-based credit costs to normalise in 2025 and 2026, with its loan impairment charges/average gross loans ratio rising to between 11% and 14% over the next two years, compared with a recent low of 9.5% at end-2024 (12.2% in 2023). This anticipated increase is due largely to the resumption of IPF's growth plans, particularly in Mexico, where credit costs are generally higher than in Europe. While IPF's credit costs are higher than at many peers, reflecting its business model, its weak asset quality is largely offset by adequate pricing and sound profitability.

Sound Profitability: IPF's profitability remained sound in 2024, with pre-tax income/average assets of 6.2% although it fell from 7.1% in 2023. The decline reflects the combined effect of the introduction of a rate cap on credit cards in Poland, portfolio mix changes in Mexico — where increased lending to existing customers is granted at lower rates than for new customers — and overall loan book contraction. We expect moderate improvements in profitability in 2025 and 2026 as loan book expansion resumes, particularly in Mexico and Poland.

Strong Leverage: IPF's gross debt/tangible equity ratio remained broadly stable at around 1.6x-1.7x in 2023 and 2024. We expect a moderate increase in leverage over the medium term, driven by loan book expansion and distributions under its progressive dividend policy, along with occasional share buybacks. Nonetheless, IPF's low leverage ratio is a credit strength for a lending business that is focused on non-prime customers and bearing large impairment risk.

Sound Liquidity: **Medium-Term Refinance Risk**: IPF's refinancing risk remains manageable, given only around GBP93 million of debt financing was set to mature in 2025 at end-December 2024 (about 18% of funding), of which IPF has redeemed its remaining 2020 Eurobond of EUR66.7 million (around GBP55 million) by 1 April 2025. However, its funding profile is exposed to medium-term refinancing risk due to a GBP282 million Eurobond maturing in December 2029, which was equivalent to 55% of funding at end-2024.

IPF's liquidity profile is supported by its cash-generative and short-term loan portfolio (with average maturity of 13.5 months at end-2024) and funding headroom (undrawn facilities and non-operational cash balances) of GBP122 million at end-March 2025.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A persistent decline in IPF's profitability, with its pre-tax income/average assets ratio falling below 3%, for example, due to regulatory interventions, such as rate caps or a substantial rise in impairment charges or unreserved problem receivables, signalling a marked deterioration in asset quality.

- Major weakening of solvency, with gross debt/tangible equity exceeding 5x, or material depletion of headroom against IPF's gross debt/total equity covenant of 3.75x.

- A sharp reduction in liquidity headroom or a material portion of the company's borrowings becoming short-term in their remaining tenor.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Limited short-to-medium term upside to IPF's ratings, in view of the risks inherent in its business profile.

- Rating upgrade over the long term is contingent on increase in scale without a big rise in IPF's leverage, while maintaining a pre-tax income/average assets ratio above 4.0% and further diversifying its funding profile by source and maturity.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

The alignment of the senior unsecured debt ratings with the Long-Term IDR reflects their average recovery prospects, as all of IPF's funding is unsecured and ranks equally with other senior unsecured debt.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

IPF's senior unsecured debt rating will move in tandem with its Long-Term IDR, barring the introduction of a material secured or subordinated debt tranche.

ADJUSTMENTS

The 'bb' business profile score is below the 'bbb' category implied score due to the following adjustment reason: business model (negative).

The 'b+' asset quality score is above the 'ccc and below' category implied score due to the following adjustment reason: collateral and reserves (positive).

The 'bb' earnings and profitability score is below the 'a' category implied score due to the following adjustment reason: portfolio risk (negative).

The 'bb+' capitalisation and leverage score is below the 'bbb' category implied score due to the following adjustment reason: risk profile and business model (negative).

The 'bb-' funding, liquidity and coverage score is below the 'bbb' category implied score due to the following adjustment reason: funding flexibility (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

IPF has an ESG Relevance Score of '4' for Exposure to Social Impacts stemming from its business model focused on high-cost consumer lending, and therefore exposure to shifts of consumer or social preferences, and to increasing regulatory scrutiny, including potential tightening of interest-rate caps. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

IPF has an ESG Relevance Score of '4' for Customer Welfare - Fair Messaging, Privacy & Data Security, driven by risk of losses from litigations including early settlement of rebates under customer claims. This has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
International Personal Finance plc	LT IDR	BB	Affirmed	BB
	ST IDR	B	Affirmed	B
senior unsecured	LT	BB	Affirmed	BB

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VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

Non-Bank Financial Institutions Rating Criteria (pub. 31 Jan 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

International Personal Finance plc	UK Issued, EU Endorsed

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