

27 JUN 2022

Fitch Affirms Private Driver UK 2020-1 On Revolving Period Extension and Third Tap

Fitch Ratings - London - 27 Jun 2022: Fitch Ratings has affirmed Driver UK Multi-Compartment S.A. - Compartment Private Driver UK 2020-1's class A notes at 'AAAsf', with Stable Outlook.

The affirmation follows the extension of the revolving period until June 2024 and the third tap issue of the existing notes.

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Driver UK Multi- Compartment S.A. - Compartment Private Driver UK 2020-1			
• Class A 2020-1 XS2141588090	LT	AAAsf	Affirmed
			AAAsf

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Transaction Summary

The transaction is a securitisation of auto loan receivables originated in England, Wales, Scotland and Northern Ireland. The seller, Volkswagen Financial Services (UK) Ltd., is a wholly-owned subsidiary of VW Finance Overseas BV, in turn wholly owned by Volkswagen Financial Services AG and ultimately by Volkswagen AG. The transaction includes personal contract purchase (PCP) and hire purchase (HP) loans.

The revolving period, which was originally set to end in June 2022, has been extended until June 2024. The sale of new receivables from the originator to the issuer was funded by increasing the issued amount under the 2020-1 series, as follows:

- Class A series 2020-1 (AAAsf/Stable): further issue of GBP94.8 million; total issued amount GBP601.6 million;
- Class B series 2020-1: further issue of GBP10.3 million; total issued amount GBP70.1 million.

The transaction is in compliance with all applicable portfolio covenants. The class A and B notes margins are now 0.62% and 1.25%, respectively, over compounded daily SONIA, and the swap notional has increased to match the class A and B balances post-tap issue.

Credit enhancement for the class A notes remains above the new documented minimum of 30.3%. The transaction's maximum size has been increased to GBP1.25 billion from GBP1.00 billion.

The notes were previously tapped in July and November 2020.

KEY RATING DRIVERS

Asset Assumptions Maintained: Cumulative defaults are low at 0.3%. Fitch has revised its sub-pool weights for the stressed portfolio composition due to the extension of the revolving period by 24 months but maintained its default and recovery base cases. The weighted-average (WA) remaining life default and recovery base cases are 1.4% and 65.0%, respectively. The base cases reflect the prime and secured nature of the portfolio, as well as our expectations that employment will continue to be resilient, which is a key performance driver.

The stressed pool's assumed 'AAAsf' weighted average default multiple is 6.75x and the recovery haircut is 45%, resulting in overall credit losses of 6.3% at 'AAAsf'.

Increased Used-Car Price Exposure: PCP and HP loans regulated by the Consumer Credit Act provide obligors with voluntary termination (VT) rights, allowing them to return the vehicle before maturity. PCP loans provide the option of returning the vehicle at maturity instead of paying the balloon amount. The issuer is exposed to the risk of declines in used-car prices, as proceeds from the sale of returned vehicles may be lower than the outstanding loan balance.

Fitch assumed a total residual value (RV) and VT loss of 24.7% at 'AAAsf', increased from 20.9% at closing. This is mainly due to the higher RV share in the portfolio because of its increased seasoning, and also reflects the extended revolving period.

Sensitivity to Pro-rata Period: The transaction features pro-rata amortisation of the notes if certain overcollateralisation (OC) conditions are fulfilled and performance triggers are not breached. The length of the pro-rata period and thus outflow of funds to junior positions on the waterfall is driven by the lifetime losses, combined with the default and recovery timing.

Lower losses with back-loaded timing may lead to a later switch back to sequential amortisation and could be more detrimental for the notes than higher losses with front-loaded timing.

Revised OC Levels Credit Positive: The issuer is allowed to tap existing series as well as issue new series of notes, provided that certain OC triggers are respected. These triggers, which only apply to the taps or new issuances, have been tightened, limiting the potential diluting effect of increasing the transaction's size.

Rising Rates Benefit from Interest Compensation Mechanism: The interest compensation mechanism is to firstly protect the issuer from losses arising from prepayments and VT. Any surplus interest compensation amounts can now be used to top-up excess spread in the transaction and cover senior expenses if WA swap payments rise to a high enough level. Previously, any excess interest compensation amounts flowed out of the structure to the originator.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/ downgrade:

Rating Sensitivity to Increased Defaults and Reduced Recoveries

Original rating: 'AAAsf'

Increase defaults by 10%: 'AAAsf'

Increase defaults by 25%: 'AA+sf'

Increase defaults by 50%: 'AA+sf'

Reduce recoveries by 10%: 'AAAsf'

Reduce recoveries by 25%: 'AA+sf'

Reduce recoveries by 50%: 'AA+sf'

Increase defaults and reduce recoveries by 10% each: 'AA+sf'

Increase defaults and reduce recoveries by 25% each: 'AA+sf'

Increase defaults and reduce recoveries by 50% each: 'AA+sf'

Rating Sensitivity to Reduced Net Sale Proceeds

Original rating: 'AAAsf'

Reduce net sale proceeds by 10%: 'AA+sf'

Reduce net sale proceeds by 25%: 'A+sf'

Reduce net sale proceeds by 50%: 'BBBsfc'

Rating Sensitivity to Multiple Factors

Original rating: 'AAAsf'

Increase defaults by 10%, reduce recoveries and net sale proceeds by 10% each: 'AAsfc'

Increase defaults by 25%, reduce recoveries and net sale proceeds by 25% each: 'Asfc'

Increase defaults by 50%, reduce recoveries and net sale proceeds by 50% each: 'BBB-sfc'

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The notes are rated 'AAAsfc', the highest achievable rating on Fitch's rating scale, and cannot be upgraded.

Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsfc' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Driver UK Multi-Compartment S.A. - Compartment Private Driver UK 2020-1

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action

Prior to the transaction closing, Fitch reviewed the results of a third party assessment conducted on the asset portfolio information and concluded that there were no findings that affected the rating analysis.

Prior to the transaction closing, Fitch conducted a review of a small targeted sample of the originator's origination files and found the information contained in the reviewed files to be adequately consistent with the originator's policies and practices and the other information provided to the agency about the asset portfolio.

Overall, and together with any assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

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

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

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Applicable Criteria

[Consumer ABS Rating Criteria \(pub.23 Dec 2021\) \(including rating assumption sensitivity\)](#)

[Consumer ABS Rating Criteria – Residual Value Addendum \(pub.09 Nov 2021\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub.26 Oct 2021\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.04 Nov 2021\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.04 Nov 2021\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.28 Oct 2021\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.20 Sep 2021\)](#)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[Consumer ABS Asset Model, v1.0.0 \(1\)](#)

[Multi-Asset Cash Flow Model, v2.12.2 \(1\)](#)

[UK Voluntary Termination \(VT\) Risk Model, v1.6.0 \(1\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Driver UK Multi-Compartment S.A. - Compartment Private Driver UK
2020-1

UK Issued, EU
Endorsed

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