

RATING ACTION COMMENTARY

Fitch Assigns Driver UK Multi-Compartment S.A. - Compartment Driver UK nine Expected Ratings

Thu 29 Aug, 2024 - 10:04 AM ET

Related Content:

[Driver UK Multi-Compartment S.A. - Compartment Driver UK nine](#)

[Driver UK Multi-Compartment S.A. - Compartment Driver UK nine - Appendix](#)

Fitch Ratings - London - 29 Aug 2024: Fitch Ratings has assigned Driver UK Multi-Compartment S.A. - Compartment Driver UK nine expected ratings, as detailed below.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕
Driver UK Multi-Compartment S.A. - Compartment Driver UK nine	
A XS2886910020	LT AAA(EXP)sf Rating Outlook Stable Expected Rating
B XS2886910707	LT AA-(EXP)sf Rating Outlook Stable Expected Rating

Subordinated Loan

LT NR(EXP)sf Expected Rating

[VIEW ADDITIONAL RATING DETAILS](#)**TRANSACTION SUMMARY**

The transaction is a six-month revolving securitisation of auto loan receivables originated by Volkswagen Financial Services (UK) Ltd (VWFS UK) in England, Scotland, Wales and Northern Ireland. The portfolio consists of personal contract purchase (PCP), hire purchase and lease purchase loans, predominantly financing VW Group brand vehicles.

KEY RATING DRIVERS

Used-Car Price Exposure: Loans regulated by the Consumer Credit Act provide obligors with voluntary termination (VT) rights, allowing them to return the vehicle before maturity. PCP loans also provide the option of returning the vehicle at maturity instead of paying a 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 and VT loss of 23.7% at 'AAAsf' and 18.0% at 'AA-sf'.

Prime Portfolio, Resilient Performance: Fitch has assumed a weighted-average base case default rate of 1.3%. Delinquencies are slightly higher than the troughs of 2022 and pre-2020, similar to the levels observed in the rest of the UK market. The base case default rate remains low, reflecting the high credit quality of the pool and overall good performance of VWFS UK's book.

We applied a 'AAA' default multiple of 6.75x, accounting for the low absolute level of the base case. The recovery base case and 'AAA' recovery haircut were set at 65% and 45%, respectively. European used-car prices are still broadly decreasing, but the pace of decline is slowing and prices are beginning to stabilise in some countries, although the UK has seen the largest peak to trough declines. This is reflected in the recovery assumption.

Sensitivity to Pro Rata Period: The transaction features pro rata amortisation of notes if certain overcollateralisation (OC) conditions are fulfilled and performance triggers are not breached. The length of the pro rata period and the outflow of funds to junior positions on the waterfall is driven by lifetime losses combined with the default and recovery timing. Lower losses with back-loaded timing may lead to a switch back to sequential amortisation and could be more detrimental for the notes than higher losses with a front-loaded timing.

Seller-Related Risks Addressed: Commingling risk is mitigated by a cash advance mechanism that comes into effect on the seller losing eligibility in line with Fitch's counterparty criteria. Payment interruption risk is addressed by liquidity from the cash reserve fund, while Fitch views servicer continuity risk as adequately reduced by the high availability of replacement servicers in the UK market.

RATING SENSITIVITIES

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

Rating sensitivity to increased defaults

Increase base case by 10% / 25% / 50%:

Class A notes: 'AAAsf' / 'AAAsf' / 'AA+sf'

Class B notes: 'A+sf' / 'A+sf' / 'A+sf'

Rating sensitivity to reduced recoveries

Reduce base case by 10% / 25% / 50%:

Class A notes: 'AAAsf' / 'AAAsf' / 'AA+sf'

Class B notes: 'A+sf' / 'A+sf' / 'A+sf'

Rating sensitivity to increased defaults and reduced recoveries

Increase defaults and reduce recoveries by 10% / 25% / 50% each:

Class A notes: 'AAAsf' / 'AAAsf' / 'AA+sf'

Class B notes: 'A+sf' / 'A+sf' / 'Asf'

Rating sensitivity to reduced net sale proceeds

Reduce net sale proceeds by 10% / 25% / 50%:

Class A notes: 'AA+sf' / 'A+sf' / 'BBB+sf'

Class B notes: 'Asf' / 'BBB+sf' / 'BB+sf'

Rating sensitivity to multiple factors

Increase defaults by 10% / 25% / 50% and reduce recoveries and net sale proceeds by 10% / 25% / 50% each:

Class A notes: 'AA+sf' / 'Asf' / 'BBBsf'

Class B notes: 'Asf' / 'BBBsf' / 'BBsf'

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

Rating sensitivity to reduced defaults and increased recoveries and net sale proceeds

Reduce defaults by 10% and increase recoveries and net sale proceeds by 10% each:

Class B notes: 'AA-sf'

Reduce net sale proceeds by 10%

Class B notes: 'AA+sf'

Reduce defaults by 10% and increase recoveries and net sale proceeds by 10% each:

Class B notes: 'AA+sf'

The class A notes are rated at the highest level on Fitch's scale and cannot be upgraded.

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 Driver UK nine

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.

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.

REPRESENTATIONS, WARRANTIES AND ENFORCEMENT MECHANISMS

A description of the transaction's representations, warranties and enforcement mechanisms (RW&Es) that are disclosed in the offering document and which relate to the underlying asset pool is available by clicking the link to the Appendix. The appendix also contains a comparison of these RW&Es to those Fitch considers typical for the asset class as detailed in the Special Report titled 'Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions'.

ESG CONSIDERATIONS

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>.

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[Consumer ABS Rating Criteria \(pub. 11 Oct 2023\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 28 Nov 2023\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 28 Nov 2023\)](#)

[Global Structured Finance Rating Criteria \(pub. 19 Jan 2024\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 05 Apr 2024\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 20 Jun 2024\)](#)

APPLICABLE MODELS

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

Consumer ABS Asset Model, v1.1.0 (1)

Multi-Asset Cash Flow Model, v3.2.0 (1)

Voluntary Termination (VT) Risk Model, v1.6.1 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

Driver UK Multi-Compartment S.A. - Compartment Driver UK nine

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details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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