

Driver UK Multi-Compartment S.A., Compartment Driver UK nine Assigned Preliminary Ratings

August 29, 2024

Ratings

Class	Preliminary ratings	Amount (mil. £)
A	AAA (sf)	TBD
B	A+ (sf)	TBD
Sub. loan	NR	TBD

NR--Not rated. TBD--To be determined.

PRIMARY CREDIT ANALYST

Arnaud Checconi
London
+ 44 20 7176 3410
ChecconiA
@spglobal.com

RESEARCH CONTRIBUTOR

Kayur Chedda
CRISIL Global Analytical Center, an
S&P affiliate, Mumbai

Overview

- We have assigned preliminary credit ratings to Driver UK Multi-Compartment S.A., Compartment Driver UK nine's class A and B notes.
- The issuer will use the proceeds of the notes, and a subordinated loan, to purchase a portfolio of auto loans originated by Volkswagen Financial Services (U.K.) Ltd., and to fund the cash collateral account and interest compensation ledger.
- The underlying collateral comprises loans representing either hire purchase, personal contract purchase, or lease purchase agreements in the U.K.

LONDON (S&P Global Ratings) Aug. 29, 2024--S&P Global Ratings today assigned its preliminary 'AAA (sf)' credit rating to Driver UK Multi-Compartment S.A., Compartment Driver UK nine's (Driver UK nine) class A notes and its preliminary 'A+ (sf)' rating to the class B notes. At closing, Driver UK nine will also be granted an unrated subordinated loan.

The issuer will use the proceeds of the notes, and a subordinated loan, to purchase a portfolio of auto loans originated by Volkswagen Financial Services (U.K.) Ltd. (VWFS UK), and to fund the cash collateral account and interest compensation ledger.

The underlying collateral comprises loans representing either hire purchase, personal contract purchase, or lease purchase agreements in the U.K. All receivables are sterling-denominated, and all borrowers are U.K. residents.

At closing, Driver UK nine will purchase the underlying collateral pool at a discount rate, which is 7.5% for the preliminary pool.

Driver UK Multi-Compartment S.A., Compartment Driver UK nine Assigned Preliminary Ratings

The transaction is expected to revolve for six months from the expected closing date, until the payment date in April 2025. During this period, Driver UK nine can purchase further eligible receivables if no early amortization event occurs. New receivables will be purchased at a 3.454% purchase price discount.

Collections will be distributed monthly according to a combined waterfall. During the amortization period, principal will be paid sequentially until target overcollateralization levels are achieved, post which the transaction switches to pro rata amortization, until breach of a credit enhancement increase condition trigger.

Subordination, overcollateralization, and a cash collateral reserve provide credit enhancement.

Commingling risk is fully mitigated through an advance mechanism upon the downgrade of a servicer below a certain rating level. The transaction is exposed to potential employee setoff risk, which we have considered in our analysis.

Since the rated notes pay daily compounded Sterling Overnight Index Average rate plus a margin subject to a floor of zero, while the assets are purchased at a fixed discount rate, the rated notes benefit from an interest rate swap that fully mitigates any interest rate risk in the transaction.

The preliminary ratings are not constrained by counterparty, operational, or sovereign risk. We consider the issuer to be bankruptcy remote. We expect to assign final credit ratings on the closing date, subject to a satisfactory review of the transaction documents, pool audit report, and legal opinion.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- New Issue: DRIVER UK Multi-Compartment S.A., Compartment Driver UK eight, March 25, 2024
- New Issue: Driver UK Master S.A., Compartment 7, Nov. 27, 2023
- U.K. Economic Outlook 2024: More Stagflation Ahead, Nov. 27, 2023
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.