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

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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.

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.

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