







25 NOV 2021

Fitch Rates Driver UK Master C2 Series B 2021-1 at 'A+sf'; Affirms Others on Revolving Extension

Fitch Ratings - London - 25 Nov 2021: Fitch Ratings has assigned Driver UK Master S.A. - Compartment 2's Series B 2021-1 notes a 'A+sf' rating, with Stable Outlook. Fitch has also affirmed the existing series, as follows.

Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Driver UK Master S.A. - Compartment 2			
• Class A Series LT 2013-2 XS0994380532	AAAsf 	Affirmed	AAAsf 
• Class A Series LT 2013-4 XS0994381183	AAAsf 	Affirmed	AAAsf 
• Class A Series LT 2013-8 XS0994382405	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
<ul style="list-style-type: none"> Class A Series LT 2014-1 XS1135184999 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2014-2 XS1135185020 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2014-3 XS1135185376 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2015-1 XS1322871044 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2016-2 XS1434683998 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class LT 	AAAsf ●	Affirmed	AAAsf ●

ENTITY/DEBT	RATING	RECOVERY	PRIOR
A Series 2018-1 XS1770938584			
• Class A Series LT 2018-2 XS1821972624	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2018-3 XS1821973432	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2019-1 XS1997128456	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2019-2 XS1997128886	AAAsf ●	Affirmed	AAAsf ●
• Class A LT	AAAsf ●	Affirmed	AAAsf ●

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Series 2020-1 XS2247620979			
• Class A Series LT 2020-3 XS2338348316	AAAsf ●	Affirmed	AAAsf ●
• Class B Series LT 2013-3 XS0994383981	A+sf ●	Affirmed	A+sf ●
• Class B Series LT 2015-1 XS1322872521	PIFs	Paid In Full	A+sf ●
• Class B Series LT 2016-2 XS1434684293	PIFs	Paid In Full	A+sf ●
• Class B Series LT	A+sf ●	Affirmed	A+sf ●

ENTITY/DEBT	RATING	RECOVERY	PRIOR
2018-1 XS1770938667			
• Class B Series LT 2018-2 XS1821972970	A+sf ●	Affirmed	A+sf ●
• Class B Series LT 2018-3 XS1821973515	A+sf ●	Affirmed	A+sf ●
• Class B Series LT 2020-1 XS2247620623	A+sf ●	Affirmed	A+sf ●
• Class B Series LT 2021-1 XS2401761908	A+sf ●	New Rating	
• Class B Series LT 2021-2	NRsf	New Rating	

ENTITY/DEBT	RATING	RECOVERY	PRIOR
XS2401762112			

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◇
NEGATIVE	⊖	◇
EVOLVING	◊	◆
STABLE	○	

Transaction Summary

The transaction is a securitisation of UK auto loan receivables originated by Volkswagen Financial Services (UK). The portfolio consists predominantly of personal contract purchase (PCP) loans, and is subject to both residual value (RV) and voluntary termination (VT) risk.

The programme was established in 2013 and has a revolving master structure. The revolving period has been extended by 12 months, expiring in in November 2022, and can be further extended subject to consent from investors.

The issuer has issued new Series B 2021-1 and Series B 2021-2 notes, for GBP24.9 million and GBP71.0 million, respectively. Series B 2021-2 is not rated by Fitch. At the same time, 11 existing series were tapped up and two series were partially redeemed. Two further series - Series B 2015-1 and Series B 2016-2 - were fully redeemed. In aggregate, the net increase in the total class A and B note balances was GBP237.6 million.

KEY RATING DRIVERS

Used Car Price Exposure: PCP and HP loans regulated by the Consumer Credit Act provide obligors with 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 RV and VT losses of 23.6% at 'AAAsf' and 15.6% at 'A+sf'.

Resilience to Coronavirus Impact: The portfolio has not shown any material increase in defaults since the onset of the coronavirus pandemic. This is due to the strong package of support measures put in place by the UK government, the availability of payment holidays, additional forbearance offered by the servicer and the credit quality of the borrowers. Fitch applied default and recovery base cases of 1.6% and 65.0%, respectively, reflecting our improved outlook compared with 2Q20 but also the uncertainties that remain as support measures wind down.

The 'AAAsf' default multiple is 5.75x and the recovery haircut is 45.0%, resulting in overall credit losses of 5.9% at 'AAAsf'. At 'A+sf', Fitch assumes a default multiple of 3.8x and a recovery haircut of 30.0%, leading to overall losses of 3.4%.

Sensitivity to Pro Rata Period: The transaction features pro rata amortisation of the notes if certain overcollateralisation conditions are fulfilled and performance triggers are not breached. The length of the pro rata period and therefore 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 a front-loaded timing.

Seller-Related Risks Addressed: Commingling risk is mitigated by a cash advance mechanism that comes into effect upon the seller losing eligibility in line with Fitch's counterparty criteria. Payment interruption risk is addressed by the liquidity from the cash reserve fund. 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 Default Assumption

Original rating (class A/B): 'AAAsf'/'A+sf'

Increase base-case defaults by 10%: 'AA+sf'/'A+sf'

Increase base-case defaults by 25%: 'AA+sf'/'A+sf'

Increase base-case defaults by 50%: 'AA+sf'/'A+sf'

Rating Sensitivity to Decreased Recovery Assumption

Original rating (class A/B): 'AAAsf'/'A+sf'

Reduce base-case recoveries by 10%: 'AA+sf'/'A+sf'

Reduce base-case recoveries by 25%: 'AA+sf'/'A+sf'

Reduce base-case recoveries by 50%: 'AA+sf'/'A+sf'

Rating Sensitivity to Increased Defaults and Decreased Recoveries

Original rating (class A/B): 'AAAsf'/'A+sf'

Increased defaults and reduced recoveries by 10% each: 'AA+sf'/'A+sf'

Increased defaults and reduced recoveries by 25% each: 'AA+sf'/'A+sf'

Increased defaults and reduced recoveries by 50% each: 'AA+sf'/'Asf'

Rating Sensitivity to Reduced Net Sales Proceeds

Original rating (class A/B): 'AAAsf'/'A+sf'

Reduced net sales proceeds by 10%: 'AAsf'/'Asf'

Reduced net sales proceeds by 25%: 'A+sf'/'BBBsff'

Reduced net sales proceeds by 50%: 'BBB+sf'/'BB+sf'

Rating Sensitivity to Multiple Factors

Original rating (class A/B): 'AAAsf'/'A+sf'

Increased defaults by 10% and decreased recoveries and net sales proceeds by 10% each: 'AAsf'/'A-sf'

Increased defaults by 25% and decreased recoveries and net sales proceeds by 25% each: 'Asf'/'BBBsff'

Increased defaults by 50% and decreased recoveries and net sales proceeds by 50% each:
'BBBsff'/'BBsf'

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

Original rating (class A/B): 'AAAsf'/'A+sf'

Decreased defaults and increased recoveries by 10% each: 'AAAsf'/'A+sf'

Increased net sales proceeds by 10%: 'AAAsf'/'AAAsf'

Decreased defaults by 10% and increased recoveries and net sales proceeds by 10% each:
'AAAsf'/'AA+sf'

The class A notes are rated 'AAAsf', the highest 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 'AAAsf' 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

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.

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.

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

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 \(pub.09 Nov 2021\) \(including rating assumption sensitivity\)](#)

[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).

Multi-Asset Cash Flow Model, v2.11.0 [\(1\)](#)

Additional Disclosures

Solicitation Status

Endorsement Status

Driver UK Master S.A. - Compartment 2 UK Issued, EU Endorsed

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