

25 NOV 2020

Fitch Rates Driver UK Master C2 Series A 2020-1 at 'AAAsf'; Affirm Others on Revolving Extension

Fitch Ratings - London - 25 Nov 2020: Fitch Ratings has assigned Driver UK Master S.A. - Compartment 2's Series A 2020-1 notes a 'AAAsf' 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			
<ul style="list-style-type: none"> Class A Series LT 2013-1 XS0994380292 	PIFs	Paid In Full	AAAsf 
<ul style="list-style-type: none"> Class A Series LT 2013-2 XS0994380532 	AAAsf 	Affirmed	AAAsf 
<ul style="list-style-type: none"> Class A Series 	AAAsf 	Affirmed	AAAsf 

ENTITY/DEBT	RATING	RECOVERY	PRIOR
2013-4 XS0994381183			
• Class A Series LT 2013-8 XS0994382405	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2014-1 XS1135184999	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2014-2 XS1135185020	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2014-3 XS1135185376	AAAsf ●	Affirmed	AAAsf ●
• Class A Series LT 2015-1	AAAsf ●	Affirmed	AAAsf ●

ENTITY/DEBT	RATING	RECOVERY	PRIOR
XS1322871044			
<ul style="list-style-type: none"> Class A Series LT 2016-2 XS1434683998 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2018-1 XS1770938584 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2018-2 XS1821972624 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2018-3 XS1821973432 	AAAsf ●	Affirmed	AAAsf ●
<ul style="list-style-type: none"> Class A Series LT 2019-1 XS1997128456 	AAAsf ●	Affirmed	AAAsf ●

ENTITY/DEBT	RATING	RECOVERY	PRIOR	
<ul style="list-style-type: none"> Class A Series 2019-2 XS1997128886 	LT	AAAsf	Affirmed	AAAsf
<ul style="list-style-type: none"> Class A Series 2020-1 	LT	AAAsf	New Rating	
<ul style="list-style-type: none"> Class A Series 2020-2 	LT	NRsf	New Rating	
<ul style="list-style-type: none"> Class B Series 2013-3 XS0994383981 	LT	A+sf	Affirmed	A+sf
<ul style="list-style-type: none"> Class B Series 2015-1 XS1322872521 	LT	A+sf	Affirmed	A+sf
<ul style="list-style-type: none"> Class B Series 	LT	A+sf	Affirmed	A+sf

ENTITY/DEBT	RATING	RECOVERY	PRIOR
2016-2 XS1434684293			
• Class			
B			
Series LT	A+sf	Affirmed	A+sf
2018-1 XS1770938667			
• Class			
B			
Series LT	A+sf	Affirmed	A+sf
2018-2 XS1821972970			
• Class			
B			
Series LT	A+sf	Affirmed	A+sf
2018-3 XS1821973515			

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) (VWFS 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 November 2021, and can be further extended subject to consent from investors. In the context of the revolving period extension, the notes' interest and payments under the swap agreements have been linked to daily compounded SONIA (previously one-month GBP Libor).

The issuer has issued new Series A 2020-1 and Series A 2020-2 notes, for GBP150.0 million and GBP275.9 million, respectively. Series A 2020-2 is not rated by Fitch. At the same time, Series A 2013-1 has been fully repaid, the outstanding balance of Series A 2013-2 has been reduced by GBP200 million and the outstanding balance of Series A 2018-2 has been increased by GBP60 million. The total issued amount is unchanged.

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 loss of 25.1% at 'AAAsf', 17.1% at 'A+sf'.

Coronavirus Shock Impacts Losses

Fitch applied default and recovery base cases of 1.7% and 60.0%, respectively, to the stressed portfolio assumed by the end of the revolving period. The base cases reflect VWFS UK's historical data and our expectations for the UK economy, together with our view that the coronavirus pandemic and related containment measures taken by the UK government will substantially affect asset performance, bringing it closer to that observed in the years of the financial crisis. The stressed pool's assumed 'AAAsf' weighted average (WA) default multiple is 5.1x and the recovery haircut is 45%, resulting in overall credit losses of 6.0% at 'AAAsf'. At 'A+sf', Fitch assumes a WA default multiple of 3.4x, a 30% recovery haircut, leading to overall losses of 3.4%.

Sensitivity to Pro-Rata Period

The transaction features a pro-rata amortisation of 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, while Fitch views servicer continuity risk to be adequately reduced by the high availability of replacement servicers in the UK market.

RATING SENSITIVITIES

This section provides insight into the model-implied sensitivities the transaction faces when one assumption is modified, while holding others equal. The modelling process uses the modification of these variables to reflect asset performance in upside- and downside environments. The results below should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

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%: 'AAAsf'/'Asf'

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

Reduced net sales proceeds by 50%: 'BBBsfsf'/'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: 'AAAsf'/'A+sf'

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

Increased defaults by 50% and decreased recoveries and net sales proceeds by 50% each:
'BBBsfsf'/'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'/'AA-sf'

Increased net sales proceeds by 10%: 'AAAsf'/'AA+sf'

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

The class A notes are already rated 'AAAsf', the highest rating on Fitch's rating scale, and cannot be upgraded.

Coronavirus Downside Scenario Sensitivity

Fitch has added a coronavirus downside sensitivity analysis that contemplates a more severe and prolonged economic stress caused by a re-emergence of infections in the major economies, before a slow recovery begins in 2Q21. In this downside scenario, Fitch assumes a sharper increase in delinquencies than what was experienced during the global financial crisis, leading to increased defaults compared with our assumption in the baseline scenario. Under this downside scenario, the class A notes' rating would be 'AA+sf', compared with 'AAAsf' currently. The class B notes' rating would be unchanged at 'A+sf'.

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. There were no findings that affected the rating analysis. 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, 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

Fitch Ratings Analysts

Thomas Deacon

Senior Analyst

Surveillance Rating Analyst

+44 20 3530 1939

Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Andy Brewer

Senior Director

Committee Chairperson

+44 20 3530 1005

Media Contacts

Athos Larkou

London

+44 20 3530 1549

athos.larkou@thefitchgroup.com

Applicable Criteria

[Consumer ABS Rating Criteria \(pub.12 Nov 2020\) \(including rating assumption sensitivity\)](#)

[Consumer ABS Rating Criteria – Residual Value Addendum \(pub.12 Nov 2020\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub.17 Jun 2020\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub.29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub.29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub.23 Sep 2020\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub.13 Nov 2020\)](#)

2020)

Applicable Models

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

Multi-Asset Cash Flow Model, v2.8.0 (1)

UK Voluntary Termination (VT) Risk Model, v1.6.0 (1)

Additional Disclosures

[Solicitation Status](#)

[Endorsement Status](#)

Disclaimer

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

Copyright

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or

retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the

applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Endorsement policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the [EU Regulatory Disclosures](#) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.