IÉSEG SCHOOL OF MANAGEMENT

EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

''ASSET MISPRICING IN PEER-TO-PEER LOAN SECONDARY MARKETS''
DR THO PHAM – UNIVERSITY OF READING

ABSTRACT

This study examines the presence of mispricing on Bondora, a leading European peer-to-peer lending platform, over the 2016-2019 period. By implementing machine learning methods, we measure the likelihood of success for loan resale on Bondora's secondary market and compare our predictions with the ex-post market outcomes. The differences observed uncover two phenomena which are related to the diverging perceptions of market participants on asset prices and associated fundamentals: some non-saleable assets are sold, while the resale of highly saleable assets is not successful. Sellers' pricing behaviour changes once they observe buyers' actions revealing the buyers' beliefs about the value of the asset. Our results are robust to various statistical and machine learning methods.

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