

Driver UK Master S.A., Compartment 6 ABS Notes And Schuldschein Loans Assigned Ratings

May 28, 2024

Ratings

Instruments	Rating*	Balance (mil. £)
Ratings assigned		
Series 2024-1 class A notes§	AAA (sf)	797.0
Series 2024-2 class A notes§	AAA (sf)	60.0
Series 2024-1 class B notes†	NR	92.6
Series 2024-2 class B notes†	NR	22.8
Ratings affirmed		
Series 2023-1 class A notes§	AAA (sf)	167.2
Series 2023-3 class A notes§	AAA (sf)	200.0
Series 2023-4 class A notes§	AAA (sf)	98.8
Senior Schuldschein loan 2023-1§	AAA (sf)	501.6
Senior Schuldschein loan 2023-2§	AAA (sf)	226.0
Senior Schuldschein loan 2023-3§	AAA (sf)	415.3
Series 2023-3 class B notes†	A+ (sf)	5.6
Junior Schuldschein loan 2023-1†	A+ (sf)	196.1
Junior Schuldschein loan 2023-2†	A+ (sf)	68.7
Subordinated loan	NR	484.3
Rating withdrawn		
	Rating to	Rating from
Series 2023-1 class B notes†	NR	A+ (sf)

*Our ratings address timely payment of interest and payment of principal no later than the legal final maturity date. §Senior instruments.

†Junior instruments. We have not rated the series 2024-1 and series 2024-2 class B notes at the issuer's request. NR--Not rated.

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Overview

- We assigned our 'AAA (sf)' ratings to Driver UK Master S.A., Compartment 6's (DUKM C6) series 2024-1 and series 2024-2 class A notes.

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- At closing, DUKM C6 also issued unrated series 2024-1 and series 2024-2 class B notes and an unrated subordinated loan.
- At the same time, we affirmed our 'AAA (sf)' ratings on DUKM C6's series 2023-1, series 2023-3, and series 2023-4 class A notes, and the senior Schuldschein loan 2023-1, senior Schuldschein loan 2023-2, and senior Schuldschein loan 2023-3, and our 'A+ (sf)' ratings on the series 2023-3 class B notes, junior Schuldschein loan 2023-1, and junior Schuldschein loan 2023-2.
- The proceeds of the notes, Schuldschein loans, and subordinated loan were used to prepay existing debt, and to purchase a portfolio of auto loans that Volkswagen Financial Services (U.K.) Ltd (VWFS UK) originated, and to fund the cash collateral account and interest compensation ledger.

LONDON (S&P Global Ratings) May 28, 2024--S&P Global Ratings today assigned its 'AAA (sf)' credit ratings to Driver UK Master S.A., Compartment 6's (DUKM C6) series 2024-1 and series 2024-2 class A notes. At closing, DUKM C6 also issued unrated series 2024-1 and series 2024-2 class B notes and an unrated subordinated loan.

At the same time, we affirmed our 'AAA (sf)' ratings on DUKM C6's series 2023-1, series 2023-3, and series 2023-4 class A notes, and the senior Schuldschein loan 2023-1, senior Schuldschein loan 2023-2, and senior Schuldschein loan 2023-3, and our 'A+ (sf)' ratings on the series 2023-3 class B notes, junior Schuldschein loan 2023-1, and junior Schuldschein loan 2023-2. We also withdrew our 'A+ (sf)' rating on the series 2023-1 class B notes as they have fully redeemed.

The proceeds of the notes, Schuldschein loans, and subordinated loan were used to prepay existing debt, purchase a portfolio of auto loans that Volkswagen Financial Services (U.K.) Ltd (VWFS UK) originated, and to fund the cash collateral account and interest compensation ledger. These include refinancing of receivables currently securitized in Driver UK Multi-Compartment S.A., Compartment Private Driver UK 2020-1 (Private Driver UK 2020-1). With the issuance of this transaction, Private Driver UK 2020-1 will be called off and the notes thereunder fully redeemed on the closing date of this transaction.

The proceeds from the series 2024-2 class A notes and series 2024-2 class B notes were used to reduce the outstanding note balance on the series 2023-1 class A notes and the series 2023-1 class B notes. The outstanding balance on the series 2023-1 class A notes was reduced by £60.0 million to £167.2 million from £227.2 million. The series 2023-1 class B notes were fully repaid.

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

At closing, DUKM C6 purchased the underlying collateral pool at a discount rate of 8%, which includes a buffer (approximately 0.40% at closing) designed to meet any cost fluctuations if the replenishment period is extended. If the credit enhancement increase condition (CEIC) trigger is not breached, the buffer will be released back to VWFS UK outside the waterfall (if it is not used to pay the cost of fluctuations).

The transaction is expected to revolve for twelve months until May 2025. During this period, DUKM C6 can purchase further eligible receivables if no early amortization event occurs. New receivables will be purchased at a 2.27% purchase price discount for tap-up assets (further receivables overcollateralization percentage) and a 3.472% purchase price discount for top-up assets (replenished additional discounted receivables balance).

As long as the transaction is revolving, the issuer can issue further notes or loans, either by further amounts of existing series or issuing new series, up to the program volume (£5 billion). Unlike its

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rated predecessors, the collateral can be purchased using proceeds of a combination of floating rate asset backed notes and/or Schuldschein loans advanced to the issuer. The further instruments will rank pari passu with the initially issued instruments and have the same levels of credit enhancement and liquidity support.

Similar to its rated predecessors--Driver UK Master S.A., Compartment 2, Driver UK Master S.A., Compartment 3, and Driver UK Master S.A., Compartment 4--the revolving period can be extended subject to certain conditions, including confirmation from S&P Global Ratings that it would not lead to downgrades of the notes or Schuldschein loans. At the time of extension, each class of notes or loans can be either extended or amortized.

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

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

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

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

There are no rating constraints in the transaction under our counterparty, operational risk, or structured finance sovereign risk criteria. We consider the issuer to be bankruptcy remote.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- 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

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- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European Auto ABS Index Report Q1 2024, May 17, 2024
- S&P Global Ratings Updates Sector And Industry Variables For Its Global Auto ABS Methodology And Assumptions, May 7, 2024
- United Kingdom, April 22, 2024
- S&P Global Ratings' Approach To GloBE Or Pillar II Tax Liabilities In European Structured Finance Transactions, April 19, 2024
- Credit Conditions Europe Q2 2024: Credit Heals, Defense Shields, March 27, 2024
- Economic Outlook Q2 2024: The U.K. Is Slowly Turning A Corner, March 26, 2024
- New Issue: Driver UK Master S.A., Compartment 6, Nov. 27, 2023
- New Issue: Driver UK Master S.A., Compartment 6, March 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

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