LEND ACADEMY

Podcast Transcription Session 36: Matt Symons

Peter Renton: Welcome the Lend Academy Podcast, session number 36. This is your host, Peter Renton, founder of Lend Academy.

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Peter: So today on the show, we are coming to you from Sydney, Australia, which is actually my hometown. I am down here on vacation with my family. I took a bit of time off after LendIt, but I also took some time out from my vacation to chat with some of the platforms here in Sydney. There are quite a lot of things happening here. I dropped by the SocietyOne offices this afternoon and had a chat with Matt Symons, who is one of the Co-Founders of SocietyOne. They are the largest and the first platform in Australia and I've known Matt for quite sometime since soon after they launched. I've always wanted to get him on the show because I think SocietyOne do some very interesting things so got him on the show, talked about the peer-to-peer lending environment here, the banking system here, the regulatory environment and also, of course, about SocietyOne; what they've been up to and what are some of the things they've been working on. Hope you enjoy the show.

Peter: Welcome to the podcast, Matt.

Matt Symons: Thanks, Peter, good to be here.

Peter: Okay, so why don't we start with giving our listeners a bit of background about your history and how you came to start SocietyOne.

Matt: Well, I'm one of the Co-Founders of SocietyOne. Greg, my partner, is the guy who really had spent the time in the personal lending and unsecured consumer space. Greg had built a lot of technology in the early years and Greg and his team were really the guys who decided that there was a fantastic opportunity to turn their loan origination platform into one of the first peer-to-peer lenders in this part of the world.

So I joined Greg after I've been living in the US and have seen the success of Lending Club. I thought that there had to be an opportunity to create a peer-to-peer/marketplace lender in this part of the world down under. I was fortunate to meet Greg and we were equally fortunate that we happen to have the world's most profitable banking system down here (laughs) so we figured it would be pretty embarrassing if we could not make some kind of peer-to-peer lending proposition work in this part of the world. We got started and that's the background to SocietyOne.

Peter: Okay, so then how does it work here? Can you just explain a little bit about your model, I mean, are you similar to Lending Club or how are you similar, how are you different?

Matt: I think we're probably similar in the sense that we're using a technology platform to connect credit worthy borrowers on one side with investors on the other. In Australia, that means that you need an AFSL which a financial service license for your investor facing regulation and you need an ACL which is an Australian credit license for your borrower facing regulation. That's all managed by ASIC which is the regulating here in Australia. So we put that infrastructure in place and we started trading. We made the policy decision, Peter, to begin focused on what I called institutional or sophisticated investors in Australia. We thought it was important to prove the model worked before we opened it up to retail investors. We always planned to do that after a few years of track record so we've done that and I guess now we're in the process of really ramping our book. In terms of the way the model works here, the nuance is that there's much less credit data than is available in the US.

Peter: Right.

Matt: People can't just type their FICO score into a box and get a price so we've had to make a number of tweaks to the way that model works that affects what the front end experience looks like, it affects how the underlying credit models work, etc., but I think in broad terms we would say we are operating a Lending Club type of marketplace here that gives investors the opportunity to get direct exposure to this fabulous asset class.

Peter: Right, so the difference being I guess today is you are focused on what we call in the US accredited investors only. You said you were in the process of changing that?

Matt: Yes, we're very close to having everything we need in place to feel like it's an appropriate time to launch our retail product offering and we'll be doing that in short order.

Peter: And that will be available to any investor in the country?

Matt: Open to everyone.

Peter: Okay, okay, that's good. I want to give the listeners a bit of a background about the banking industry here because in Australia it's very different from the US. In Australia, we have these four big banks that have control over the majority of the banking....can you give the listeners a bit of a flavor of what the lending environment is like and how the big banks operate.

Matt: Well, the first most important difference, Peter, is that we've had to start in Australia what's called a negative credit reporting environment which means we don't capture a lot of the rich data that's available in markets like the US or the UK where peer-to-peer lending has been so successful. That's now slowly changing in Australia and as of this year, there's now the first wave of comprehensive credit reporting which has happened. That happened in March 2015 and so Australia is now moving to a comprehensive credit reporting which, means that it brings it more into line with the OECD practice particularly from a P2P global community point of view, much more like the environment in the US and places like the UK. So that’s at the highest level. So what that means in practice is that banks and other consumer credit providers have not had to contribute data into a central bureau other than in situations where the consumer has had a problem in repaying one of their loans. So what you have is what's called negative reporting which means you cannot unearth any of the real richness that comes with understanding the current sort of as is position of the borrower as you would expect in markets like the US.

Peter: So the banks don’t really need to do that....they don't need to use the external credit data because they have so many customers themselves, they have their own loan book which has all the data they need. Is that...there's been no incentive for them to kind of share.

Matt: Well, certainly, if you look at the objective evidence you would say that negative reporting data has not hurt Australian banks' profits. (laughs) As I mentioned earlier, we have the world's most profitable banking system and so that has not been adverse to shareholder returns from Australia.

Peter: I heard somewhere it was like 2.5% of the GDP is the net profit of the banks here. It's astounding.

Matt: It's interesting that a country the size of Australia has banks that rank in the top bracket globally of banks by market cap and profitability. It's a positive in the sense that it gives you a very robust profitable banking system, which is a good thing. The downside is it means that hardworking Australians aren't necessarily getting the sort of risk-based price that's available internationally, including with the success of sort of marketplace lenders.

Peter: Sure, sure and we should also say that Australia, a lot of listeners wouldn’t realize this...managed to escape the global financial crisis relatively unscathed, would you say.

Matt: Well, I would say that and I'd say that it's a credit to the Australian regulators and, frankly, to the banks themselves that they've managed to bypass a lot of the challenges that occurred, as you and I know well because I was living in the US at that time with the sub prime crisis.

Peter: Right, right, okay, so I want to talk a little bit about the regulatory environment that you operate in and what is required to.....you mentioned briefly the two licenses on each side, but what is required from you to have on the investors side to take sophisticated investors and what additional regulatory burden is in place to do retail?

Matt: I think my general observation, Peter, would be that the regulator here in Australia, ASIC, has had a proactive view, has been very encouraging of people looking to build marketplace lending businesses. We're certainly speaking from experience about it. The process itself is essentially that you have to satisfy a set of legislative and policy standards that basically mean that you’re going to represent on the consumer or the borrower side, you're going to adhere to a set of codified standards about the process by which you will asses the borrowers' capacity to repay, the circumstances under which you assess and structure the loan and why they have the capacity to repay, etc., etc. These are standards that one has to build into your, initially, credit application and into your internal and ongoing processes. That's on the borrowers side.

On the investor side that you mentioned, you really have to create a legal structure where you can appropriately house and segregate the assets that you're creating and then you can fractionalize the exposure in a way you'd be familiar with the Lending Club notes, there are a few nuances and tweaks about how you need to do that in the local environment here in Australia, but, probably it's the same, it's the same outcome.

Peter: So then what additional pieces are in place to do retail?

Matt: From there really, you need to register a PDS, a product disclosure document and you need to have a registered managed investments name, but those two things aren't the principle barrier really. It's actually the peer to peer lender deciding that from a policy point of view they're feeling confident enough to go and enable individual investors, retail investors to come and invest directly in the platform.

Peter: Wow, wow, okay, so than I'm just curious, you've got all of this negative credit reporting environment, how do you underwrite your loans when....for example, I presume you don't have like what the extent...outstanding balances on their credit cards and stuff like that, so how do you underwrite?

Matt: So what you have to do in that environment is you have to create a model where there's special incentive for the borrower to provide you with the additional data you need to discriminate the underwrite decision.

Peter: That's self-reported then, is that what you're saying?

Matt: We have a business model that says to the borrower, we'll reward you with the lowest rate in the market if you provide us with the additional data which we can then verify thru independent third party sources.

Peter: Right.

Matt: And so the core of the model is really give get approach that basically says, look, we think this market is one where.....because you have four large banks, as you mentioned, that have tended to dominate the category and because there hasn't been any risk based pricing, the very best credit, the lowest default risk customers tend to be paying a price that is in effect subsidizing the entire pool.

Peter: Right.

Matt: So our message to the market is, if you're one of those people or you believe you are, we'll give you an opportunity to provide the information that validates with the third party sources, your transaction bank statements, your credit file, other information that we collect as part of the application process that you are, in fact, in that low default and if that's the case, we'll reward you with the best price in the market. So that's essentially how we do it. We construct an application process that has the opportunity for an investor to provide that information and we make it relatively easy for people to do that, you know, upload via Yodlee your bank statements and other things that would give us the verification data we need, around things like income and expense ratios at the household or the individual.

Peter: Right, okay, okay. So then what is the typical borrower, I mean, who is coming? Are these people that could get a bank loan, that choose not to, who is coming to SocietyOne?

Matt: Our typical borrower is someone who is aware of the fact that there may be better options out there than a traditional bank who would probably qualify for a traditional bank loan and who perhaps has been looking around on rate comparison sites who are doing some online research and realizes that there's a possibility to make a saving who then come to SocietyOne.com.au and apply for a loan. We would then assess that application and if they fell within one of our credit criteria that we write loans for then their loan gets listed in the marketplace and investors allocated to that loan.

Peter: Okay, so what are the sort of things they use that they are applying for a loan for?

Matt: Peter, my favorite loan is still a gentleman who happened to live on the northern beaches and you might remember from the old days here in Australia?

Peter: Yes indeed, my favorite part of Sydney or Australia for that matter.

Matt: And this particular gentleman had four daughters...his loan application...you have some free form text you can enter and explain your loan application purpose and his line application purpose said, I have four daughters so I funded the first three weddings myself and I need a little help on this last one (laughs) and this was a gentleman who owned his own house, he has been employed for a long time in a very stable job, there were two incomes in the household, but they didn't want to put the final wedding on the top of the mortgage. They wanted to just do it on a stand-alone basis and pay off as quickly as possible so a personal loan made sense for them. That's an example of a great loan use case that was funded on the platform.

Peter: Right, right, okay. In the US, the banks basically exited the personal loan business for the most part after the financial crisis. Are they still...I mean, people are still getting bank loans today in Australia. Is it all through real estate sort of backed loans? How are the banks doing it?

Matt: Well, it certainly was the case that in the US you would call a community bank sector, but in Australia it was referred to as the mutual sector so these are small, local co-ops that in some cases have become small banks now. In other cases they are still operating as a society. Those small players emerged because, initially, banks weren't very active in things like personal loans. What those organizations have found in the last 10 or 15 years that the banks have become more active in the personal lending market. So they are in a sense struggling because the gap that used to exist where banks weren't writing those loans doesn't really exist anymore so it's certainly the case that banks are active in this market, but what banks in Australia aren’t doing at this point is offering people risk based.

Peter: Right, right, okay. So when you had that guy who was funding the fourth wedding, he could have got a bank loan, but it would have a higher rate?

Matt: He could have got a bank loan, but it would have been in a higher rate.

Peter: Okay, okay, so why is that? Is it because they can? Is that.....

Matt: I think you have that classic Clayton Christensen innovators dilemma problem. Your bank book is so enormously profitable and marketplace or peer-to-peer lending is so early and unproven that you would sacrifice an awful lot of profitability in the bank book to make a market threat that hasn't yet proven it's going to get the scale and be significant. So you want to fight today's problem, I guess if you're a line manager it would be a very rational decision in a large organization to say, that's really a tomorrow problem, it's not a today problem, therefore, I don't need to react.

Peter: So can you give us an example of the sort of rates that you charge versus what the banks charge?

Matt: An average personal loan over the last four years in Australia has been at the rate of about 14.5%. Borrowers on SocietyOne platform can get funded from as low as 10% so that's a pretty significant saving. In fact, we calculate that. Since we got started, we've managed to save almost $700 per loan that we've written for people over the life of their three-year loan in terms of having taken a loan with us as opposed to going and paying the standard rate from a bank and that's across all of the credit grades that we write. So we're very confident that there are real savings for people and as I said earlier, it's really a case of having them furnish us with the information that confirms they're in the low default risk category.

Peter: Right, one thing I know in this country that's a little bit different to the US is that you have these comparison sites where you can go on. If you want a loan for $20,000 and you want to pay over three years, give you all different prices so you compete in that space, I guess. I mean, is that a primary channel for you, these interest rate comparison sites?

Matt: It's one of the important channels and if you look on one of the larger comparison sites, for example, RateCity, you'll see that SocietyOne is one of if not the cheapest unsecured personal loans in the market so it is an important channel. I think what you'll see emerge over the next couple of years is an expansion in the level of awareness that people have about this category and the opportunity to get a loan with someone other than a bank which is not something many Australians are aware of at this point in time. I think you'll see other ...let's call them more traditional channels become very important as they have in other markets around the world and not just sort of the comparison sites which tend to be a good early hunting ground for players like SocietyOne.

Peter: Are you offering primarily just a three-year loan? Do you have multiple different products?

Matt: Yeah, I mean, part of our business model that's a bit different is we believe that to really build an interesting scale peer-to-peer lender and also to diversify the investors' risk, we need to be more than just one asset class. We have two asset classes today, one is an unsecured consumer personal loan and the other is a secured livestock loan, which is an SME loan to rural Australians.

Peter: All right, okay, so for people who live on a farm and they are secured by the property?

Matt: Well, not the property because that would be the sort of collateral the banks would typically want to take.

Peter: Right.

Matt: We're very interested in the trading stock. We think that macro thesis that rural Australia is a very attractive investment candidate over the long term and given the opportunity for Australia to be the food bowl of the region in part so we're very interested in helping Australian stock agents and farmers grow their business. We've built a product that's quite innovative, Peter, it basically allows a stock agent to go to a live auction yard and make a purchase of a set of cattle once they've been pre-approved for a small business loan facility in the ordinary course. That loan now is secured against the stock themselves. All the stock in Australia have an RFID tag in their ear, It looks a little bit like a car ID number, a unique serial number and you can register that on what's called the PPSR, the Personal Asset Register, so you can effectively take a prime and secure interest over the stock which is the first time really that stock agents and the farmers have the ability to fund the working capital other than by regard to the collateral they own in the farm itself.

Peter: Interesting.

Matt: Secondly, it's the first time that investors in the city have had a chance to invest directly in a portfolio of secured livestock. Everyone of course needs to form their own view of the merits of each asset classes, but it's an asset class we find intriguing first of all because livestock prices in Australia haven't historically been correlated with unemployment rates so you're offering your investor base a non-correlated diversification.

Second thing is you actually can get a portfolio of secured loans where the underlying security actually gains in weight and weight is historically correlated with value. Therefore, unlike a dentist's chair or a car where as soon as it leaves the showroom it decays in value very rapidly. The wonderful thing about livestock is they gain in weight. It's just an interesting example, I think, of how peer-to-peer lenders who have a technology platform that's quite extensive ...it's not sticky type fit-for-purpose for any one asset class have the potential to build these quite niche products and then go to market with channel partners. In this case, we partnered with Ray White Rural who are one of the last independent stock agent networks in the country. That provides us with a lot of extra credit and verification data. It also gives us a fantastic channel to roll the product out. I sort of think that the future is going to be more about those sort of partnerships where you can get additional data to discriminate the credit underwriter's decision.

We have the channel partners motivated to offer their end customers, an option other than just throw everything into your working capital against the farm because strategically, what you want is to preserve that collateral to buy the farm next door when the opportunity presents itself and have the better quality Australian farmers scale up and service their customers.

Peter: Right, it's fascinating, it makes perfect sense to me to have the actual assets itself be....what you're using the money for...have that as the collateral versus a car that depreciates every year. So yeah, that's interesting.

Okay, then let's switch to the investor side, who's investing today? Obviously, it's what we would call in America accredited investors, you call them here sophisticated investors, but what......do you have institutionals coming on board, I mean, are these high net worth individuals, who are the investors?

Matt: It's a real spectrum, it's people who work in the finance industry who are familiar with the asset class. It's a set of sort of retirees, we have some small family officers, we have some institutions who are investors as well so we have a whole spectrum. What is important about our platform is that we're very careful to make sure it's a fair fight in terms of the way the allocation of loan interests works on our platform. There's no first class citizens, everyone has the opportunity to come and participate on an equal footing so there's specific mechanics around how we do that allocation architected to preserve the principle that no matter who the investor is, whether they are retail investors or a large institution, it's a fair fight in terms of access to the same information and the same time in which to respond in.

Peter: So do you have an API for automated investing or is this still done on a manual basis?

Matt: We do have an API, but we haven't yet released that natively so we use a set of limited partners. Right now, we actually have a surplus of investor demands in our marketplace and so we're working on increasing our borrower origination volume and then exposing that publicly That will be the plan in the next....little while.

Peter: There's a lot of platforms who have that same surplus. (laughs)

Matt: Yes, there is, it's a wonderful problem to have, but.....

Peter: Yeah, yeah, so are you open to new investors right now? Do you have any international investors coming on board, or.....

Matt: Right now, we have only domestic investors, but we're in discussion with a number of international players and we've had, over a period of time, a number of discussions and I think we have a view about how we'll open that marketplace up and make that possible.

Peter: Okay, okay, fair enough. Obviously, you've been operating now for a couple of years and you got some track record so I guess....what returns are you delivering and what are the expectations that you're telling investors now as far as returns are.

Matt: We've been delivering high single digit, low double digit returns net of fees and defaults for investors who were exposed to across both of our asset classes since we've launched so we're very happy that given the constraints of the credit environment I described earlier and the fact that we're starting with a cold start, you know, we've achieved our target for investors that have exposure to both those asset classes since day one which was to give people a double digit return. I think we've proven that even in a berserk (laughs) low yield environment, you can uncover attractive asset classes, you can attract quality borrowers and you can successfully discriminate low risk borrowers and price them correctly. So, I think, having done those things, Peter, we feel like now we're in a position to really start to ramp up the growth of the book, but that's been our track record, so far. I think one of the problems in terms of having a backed-up book of investors is the existing investors want more.

Peter: Right.

Matt: ...as well as the net yield, That always tells you you're doing something right.

Peter: We can talk to Lending Club or Prosper about that. I think they're very much in the same boat there. So let's talk about the loan book. Can you share like what is your current volume, what is your expected volume the rest of this year, where are you at?

Matt: We can't disclose that just yet. We'll be making a series of announcement in that direction very shortly and as a result opening up some other data, but what we can say, Peter, is we're seeing continued solid growth and part of what we did towards the end of last year was complete a round of funding with a group of quite prominent Australian investors. The plan that we're now rolling out is to start to raise awareness about the category, I think the big thing at the moment to be completely candid is,,, still far too few people do their research online and, therefore, find us in the places we talked about earlier because, historically, Australians haven't had many choices other than the usual suspects and so we really have a lot of education and awareness raising to do in the market.

Peter: So I want to talk about that funding round real quick because I don't think ......I couldn't believe it when I actually read the article that you were able to pull this off. It's probably the equivalent....just for the benefit of the US listeners, it's almost like the equivalent of Bill Gates, Warren Buffet and Larry Ellison got together and put an investment in. I mean, these literally are the most prominent family names in Australia when it comes to...these are people in the top five wealthiest families and you've got like Rupert Murdoch. US listeners would know is an Australian…but many people don't know that, but, anyway, his company....you've got the Packers who are actually wealthier than the Murdochs and you've got Kerry Stokes who is also right up there, I mean, how did you pull that together and what's there, why did they invest?

Matt: Well, I think we were just lucky, we were in the right place at the right time and I think that in part we are benefitting from the success of other peer-to-peer lenders around the world and proving that at scale these can become very interesting businesses. I think what those investors have also seen in SocietyOne is that there are some architecture and some sort of business focus orientation things about the way we operate and our technology platform particularly that lend themselves to smaller geographic markets where you can do multiple asset classes sort of almost from day one and you can synthesize those into a single aggregate piece for the investor. I think that's quite important because I'm not sure you can come to these....why the US and UK stand. It's quite small regional geographies and building interesting scale businesses just within one asset class. The thing I like is this is an opportunity to operate across a range of asset classes which has all of the attractions we talked about.

Peter: Right, I want to get back to the other point you said. You're talking about ramping up and you obviously raised this round of money, you obviously have cash on your balance sheet. I talked to other people in this industry in Australia and they've been a little bit surprised that SocietyOne hasn't really ramped up their marketing yet. You obviously have this money in your balance sheet now for several months, what are you waiting for?

Matt: Well, watch this space. (laughs)

Peter: Okay, okay, fair enough, fair enough. So what do you think about....we had LendIt just a couple of weeks ago as we record this. We had 32 Aussies who made the trip from about like 14 different platforms. This is not a huge market, I don't know whether we can sustain all those platforms, maybe we can, but what do you think about like all these...I mean, there are so many new platforms coming on board, some that I meet and I chat with and even met with today. Some of them are really well run, others look like they're just getting going, what's your attitude to this industry sort of becoming an entrepreneurial hotbed, so to speak?

Matt: My take, Peter, is I think it's a net positive. I mean, we have a huge job to do in Australia to raise borrower and investor awareness about the category, so with the important caveat that I hope that the people who are coming and joining us on this noble educative mission are good actors who run credible businesses and don't cause the industry to have any missteps. Provided that's the case, then I think we have a great opportunity to work together to create interest in the category. With that, over time, I query as well whether the 14 can survive in the long term, but I do think there's room for multiple players and I absolutely think that in the medium term the battle is not between each other, it's to grow the size of the pie that is the alternate lending category of marketplace and peer-to-peer lending.

Peter: So are you talking to the founders of these companies? When you say working together, I mean, do you have anything concrete in mind?

Matt: I think the only other player that's really up and underway, so far, is Daniel from Ratesetter, we have a good relationship with Daniel, we do a number of things together. We recently presented a joint submission to local after the financial services inquiry down here in Australia last year, or, early this year, I beg your pardon, and talked a lot about the need for innovation. We submitted a number of policy responses and one of them was around comprehensive credit and how important that is for alternative lenders, particularly, Peer-to-Peer players and we did that together so, yes, as and when it makes sense we're very willing to collaborate and put forth and join in.

Peter: Right, right, okay. So one thing that grabbed my attention, many years ago now, when you guys were first getting going was when....I think it was at Finovate in Singapore, you demoed this mobile app which I've never seen anything like before and I was chatting with your partner, Greg, at LendIt and he says you're doing a lot more work in mobile now, can you explain how mobile fits in with your strategy from the borrowers side, especially in ....like are borrower's coming through there, are they applying for loans on their phones today?

Matt: Yes..

Peter: So what's your strategy there?

Matt: Well, one of the things that was obvious to us sometime ago is that you can't just adopt a me too strategy. You've really got to try and build on the success of some of the early pioneers in the peer-to-peer market and try to say what else can we do in addition to that? One of the areas we've focused on, as you know from the very early days, is architecting for a mobile first experience. One of the constraints though in this particular geography is that there's a set of policy and process steps you have to put in place that are around disclosure and the form of those disclosures which don't lend themselves easily, to sort of responsive design mobile apps or other things. There are a set of constraints that don't exist when you show the working version of the product at Finovate, but do when you have to roll it out in the real world so that means some sort of compliance and regulatory factors that we have had to consider in terms of just how clean and simple we can make it as opposed to trying off, making sure we are doing everything we need to do from a disclosure and compliance point of view, but having said that, you can come to SocietyOne and get an online experience or particularly a mobile experience which we think is right up there in terms of what you can get anywhere else in the industry.

Peter: What percentage of your borrowers are applying on the phone?

Matt: More than 60 something percent of borrowers last week are coming on a mobile device.

Peter: Wow, more than 60, that's really impressive. That's way above what US platforms would be. What about investors side, are the investors...is it far higher on the borrowers side than the investors side?

Matt: Yup, investor is +50% of people are trying to access on a tablet or mobile device.

Peter: Okay.

Matt: It's pretty extraordinary, but then again Australia has this history, as you know, of being slow to get started then all of a sudden......

Peter: Well, when it comes to mobile phone technology, Australia is way ahead of the US, has been for 15 plus years.

Matt: That's right, the vast majority of our investors are regularly using tablets to view their accounts and engage with their experience.

Peter: Okay, so then we talked a little bit about ....we touched on this a bit....like you talked about multiple asset classes, you're in two asset classes. I love the fact that they're not really correlated. Are you planning on more asset classes in real estate or any kind of....are you talking about different verticals, where are you focusing on the growth?

Matt: Well, for us...I mean, I think that there's certainly no limit to what we ultimately want to get to, but for the next little while, Peter, we're very focused on what are our adjacent product categories to our current consumer unsecured loan and what are adjacent categories to our current SME loan. Now our interest is not to try to build an open-to-all commerce in any vertical kind of general SME product or generate consumer product per se. We want to build some quite tailored and niche products that solve a particular point in time credit needs of particular borrowers. So we imagine that every year, we'll be adding asset classes to our platform and that'll be adjacent products that an existing SocietyOne borrower could move into in the next life stage or they will be products that are obvious and other candidates for existing or new customers to adopt.

Peter: Okay, before I let you go, I wanted to talk about the long term play here. I mean, are you really focused on becoming like....you know, you talked about Lending Club and they talk about their being......this is really the banking system of tomorrow, people will take out loans from marketplaces. Are you planning on becoming sort of a viable alternative for the long term for....someone going to apply for a bank...you planning on growing to become 2.5% of the GDP of this country in profits or like....I'm saying that jokingly, but obviously, are you planning on staying here or are you planning on buying Lending Club one day, I mean, what's your....are you going international?

Matt: I think we would see ourselves as being certainly primarily based in Australia and our goal...it's not so much measured in what do we want the loan book to be or what percentage of the peer-to-peer market do we want to be. Our goal is, in fact, to empower Australian borrowers and investors in ways they have not been empowered before. I mean, if you say what are we really passionate about, what we're really passionate about at the moment is in Australia, historically, all of the power has set with the institution issuing the credit and not with the credit worthy borrower. We are passionate about empowering borrowers by giving them back control of their own credit data.

We're the first people ever in Australia to give away free credit scores, for the first time people can get access to a credit score that's done in two minutes without creating an adverse record on your file which is permanently enduring. You can find out (a) how much are you going to be able to borrow, and (b) at what rate. That sort of price discovery capability has never existed in this market. You have to actually go and apply for a loan before anyone will tell you are you worthy and what rate you're going to get it at. Once you've done that, you've got an enduring ding on your credit record then you've filled in 67 fields and waited for two days, who wants to do that again! (laughs)

Peter: Yes.

Matt: So we're really trying to upend the apple cart here and put the borrowers back in control. We see this whole sort of sharing economy collaborative consumption movement is really about the power shift away from institution trust towards an individual trust. We in essence just creating a platform where your name and address will always be protected and not revealed, but the other information about your lifestyle and your behavior, your credit assessment can be posted in the marketplace and people come and bid to underwrite your loan. I feel that power shift becomes very visceral when people then see on our platform who are approved for a loan, investors coming and bidding to underwrite their loan. As that process occurs in real time, the borrower has this moment when they say, hang on a minute, this is amazing, I'm in control. These people are validating my life purpose, my credit need. I think it becomes much more than just having your loan book and what share of GDP are you. That's a very noble mission, one that we actually care about, that's what we're trying to do.

Peter: Okay, great, I will end on that note. Thanks very much, Matt, appreciate your time.

Matt: Thanks, Peter.

Peter: You know, I have to say that I've been very impressed with SocietyOne, pretty much from the first time that I found out about them and the Australian connection aside, I think they're a company that are doing interesting things, they're innovative, they've sort of had a very much....a technology bend from day one and I think they're pushing the envelop in that area. I think they're doing things that few other companies are thinking about. It'll be interesting to see....I mean, they've certainly got everything going for them, they've got a real A-list investor base when it comes to their backers and they're certainly very well positioned to be the Lending Club of Australia. I think they certainly have an opportunity to ramp up their business and their loan volume and really become a major player globally, whether or not they really become the scale of Lending Club. It's probably not really all that likely in a country the size of Australia, but they can certainly be the equivalent size and I think enjoy equivalent success. It would be very interesting to watch, I can't wait to hear the announcements that they've got up their sleeve and we'll certainly be covering that on Lend Academy.

Anyway, on that note, thank you very much for listening and we will catch you next time. Bye.

(closing music)