PODCAST TRANSCRIPTION SESSION NO. 75: MIKE BALIMAN

Welcome to the Lend Academy Podcast, Episode no. 75. This is your host, Peter Renton, Founder of Lend Academy.

Peter Renton: Today on the show, I am delighted to welcome Mike Baliman. He is the creator of the London Fintech Podcast and he has been around financial services in London his entire career and he has a very popular podcast today so I wanted to get him on the show to talk about what's going on in fintech in the UK, in particular with a focus on the peer to peer lending sector. We talk about Brexit, we talk about risk, one of Mike's favorite topics; we talk about some of the different models peer to peer lending platforms have there, we talk about corporate governance and of course, the FCA and regulation. It was a fascinating conversation, hope you enjoy the show!

Welcome to the podcast, Mike.

Mike Baliman: Thank you very much, Peter, it's my pleasure.

Peter: Okay, so let's just get started. Give the people a little bit of an introduction about yourself and how you came to start London Fintech Podcast.

Mike: I've been in the city for over 30 years now. I actually started my life in a tech start-up in Bath, which was a very formative experience. It was founded by three managing directors and in those days, there wasn't much capital around, they second mortgaged their houses so they really cared about results. I was a merchant banker for 13 years, I ran Global Fixed Interest Fund Management at Kleinwort Benson which was the premier blue chip merchant banker at the time and I was the first head of risk in the city in 1992 when it didn't exist and that was managed in the city was the governor and his famous eyebrows. In 1998, I staked to become independent, I'm still independent now, and fast forwarding all the interesting things I did in the middle, I started the podcast some two odd years ago.

Peter: So what prompted you to start it?

Mike: I wake up at 3:00 in the morning, this is actually a true story, I wake at 3:00 in the morning, I thought oh, there isn't a podcast on fintech, I'll do one (laughs) and for some reason, despite all my age and wisdom, I forgot that you never actually do what you think of at 3:00 or 4:00 in the morning so I started one.

Peter: Well, it seems to be going quite well for you and certainly…I've listened to many of your podcasts and I think you are really filling a gap in the market for sure and I think you do a great job.

Mike: Well I think the best ones, Peter as you would have heard were the ones where you've guest starred yourself. (laughs) I should say they're my favorite. (laughs)

Peter: Of course you say that, yes. So anyway let's just launch right into it. I want to start with the elephant in the room that everyone I think in the US is obsessed with probably more than the UK it seems like, and that is Brexit. We're about three months removed from the surprising decision that happened for Britain that's going to exit the European Union. So can you give us your perspective on what you're hearing and what we are going to see out of the British economy at least in the near term.

Mike: Well I think in terms of setting the picture on that, I think the most important thing to be communicated to anybody who literally wasn't here and didn't have to put up with months of propaganda and media coverage is that it was extremely divisive. There really was a large divide emotionally as well as intellectually between those people who voted in and those people who voted out in terms of doing Brexit.

I did a Brexit special with Giles Andrews who I know you know well and you've had on your podcast as pretty much the father of peer to peer in about 2005 in Zopa and he was quite emotive in terms of being a remainer which most people inside the age of 25 in London were remainers. So the divisive campaign was a bit of a challenge and you will find it relatively hard to get neutral assessments of the whole thing in that either people say yes, we won or yes, we lost and we're going to contest the outcome.

In terms of macro-economically, Boris Johnson, the former Mayor of London and now the Foreign Secretary was quite right when he spoke about the government's project fear. So the government from the Prime Minister and Chancellor in particular, but also enlisting the allegedly neutral Governor of the Bank of England and big corporate bosses all went down out of their ways saying it would be a complete disaster for the country if we left.

George Osborne famously said there would be a punishment budget where he’s going to put up our taxes and cut pensions and things like that and later, later admitted that didn't exist and rather like all the sort of war criminals we’ve had running the government so recently (Peter laughs). He wasn't locked up in the Tower of London either so it really was project fear and against that background even people who voted out were worried about what's happened, what was going to happen. What has happened is actually the economy has been relatively robust and things are going relatively well so actually there was much hysteria on both sides.

There was a committee in Parliament that centered both the in and the out campaigns saying basically both lied through their teeth and I know you guys are in a presidential campaign at the moment so you also are used to the fact that everything politicians say isn't necessarily a hundred percent true.

Peter: Yes, indeed.

Mike: We are now actually calming down and in practice we are still part of the EU. I’m revising at the moment, I just did a podcast today on the PSD2, the payments systems directive that's coming out of Europe about access to payments and open banking and open API's and all these things that are exciting people over here and on the current time scale, we're still going to be in Europe when that directive comes out so we're going to have to comply with it. So for the near term, we're still part of Europe; for the medium term, it's not actually clear where we're going to get to so the medium term remains unclear, but surprise, surprise, life goes on, even the people who are upset at leaving. Well, you get on with your life after long.

Peter: Right, right. It sounds like the medium term is unknown, it could be bad, there could be a bad recession, there could be people suddenly making Berlin or Dublin their hub for Europe, particularly when it comes to international companies, but I guess from your perspective you would say that it's too early to say what the impact is going to be.

Mike: I think I and many others and Giles is a good example are very optimistic because Britain has had literally centuries and centuries of going it alone. I remember as a school boy about the age of 14 or 15 basically having had British and European history summed up for me saying that over the centuries Britain has always had one foot in Europe and one foot in Ireland. That's exactly the same at the moment so that's how the vote went; one foot was to be Continental Europe as it were and the other not so.

I think we've got good connections with your former country, Australia and the whole Commonwealth and around the world. I think that even the extreme cases where we're not too much part of the sort of EC project, there's a good scenario. The other thing which complicates it is in terms of financial services as a whole, not just looking at fintech or even p2p within that.

All the indications are at the moment that surprise, surprise, financial services firms want this thing called passporting which basically allows them to do financial services business around Europe. In order to do passporting, ironically or not as the case may be, you have to follow all the ECU legislations so we can get in the context of financials services, a situation where we voted to go out of the EC, but actually by choice we end up having to implement all of their rules anyway.

Peter: (laughs) Right, so the financial services may actually not be a huge change, that's fascinating. Okay, I want to move on to talking a little bit about peer to peer lending. I know you cover all of fintech not just peer to peer lending although I tend to see a good chunk of your episodes are focused on this space. So in the context with Brexit and other things that are happening in the UK, I mean how is the UK fintech sector doing and what could peer to peer lending learn from the rest of fintech in the UK?

Mike: There are some large questions. I think in terms of fintech as a whole in the UK. So like a tapestry with a number of threads being woven together so fintech in the UK and perhaps worldwide would not be what it is without 2008 because 2008, as far as the policymakers were concerned, gave the policymakers a clear agenda to drive as much as possible competition away from the banks.

A good example of that in the non peer to peer sector is in payments so in the UK we've had something called the PSR, Payment Systems Regulator, set up. Hannah Nixon who came from something like electricity or something like that, but she's an economic regulator so her purpose is to increase competition. So both the UK Payment Services Regulator but also this directive I referred to earlier called PSD2 in Europe are about opening access to payments directly for fintechs without being banks so that shift affects us all around the world and 2008 was 2008, it caused a lot of popular anger, in particular it caused a lot of popular anger here where for the sake of argument the banks were “bailed out” and given lots of money and then banks being banks, a lot of them just paid themselves big bonuses using their money. (Peter laughs)

So there are lots of logical arguments why the incumbents may well win this one, but actually there's still a lot of popular disquiet and people who say...oh yes, let's try a new app-only bank for example because it isn't bank XYZ, my current bank. That's sort of the context of fintech, I mean a lot of that is carrying on regardless, a lot of it is really just as you know the impact of digital upon the financial services industry, digital hit media for example quite some time ago, but it's now only hitting financial services so you got all these things in the pot.

In terms of what peer to peer can learn from other sectors, I think peer to peer has had pretty much its own trajectory as have the other ones, you know, payments or digital currencies or investment or robo-advisers, as the States tend to call it. In terms of the peer to peer sector I think the macro picture is very simple and this is obviously a British perspective as quote "we invented it" and then as usual America goes off and does it bigger and better. You’ve had the first IPOs and all of that kind of stuff and got much greater volumes.

But it started here in 2005 and then pretty much we started trying to catch up with the people who have overtaken us, so the zeitgeist, the spirit of the whole thing about 18 months ago was very much around, you know, the big ones posturing about…oh, IPOs, we're preparing ourself for IPO maybe later this year which some of them said. Privately, of course as you might imagine some of the founders are rubbing their hands in glee and thinking…oh, we could be worth 250 million pounds by Christmas, wow, wouldn't that be fantastic. And 250 million pounds is a round of drinks where you come from, but over here it's seen as an infinite sum of money. I say that because there are several hedge fund managers who are paid a billion per annum.

So there was this kind of this lust for growth and one or two of the platforms, without naming names, made some pretty injudicious calls in late 2014/early 2015 which is hitting their credit performance. Of course, what's happened as a result again of shadowing pretty much what's going on the States is with the reduction of institutional flows and the various crises that you've covered extremely well at your end, on your podcast and on your blog material, the same kind of thing has happened in the UK, inflows have dried up.

Actually, as I forecasted in January for fintech as a whole in 2016 in London, this is pretty much the year for shake out so we've seen a peer to peer, notably Funding Knight going bust not for reasons of fraud unlike TrustBuddy, but just basically because they went bust to cut a long story short. So at the moment, it's slightly in the doldrums, it's a little bit becalmed and it really I think needs to re-focus over here not on externalities such as are we floated/are we not floated, but really what actually is our unique added value that we do better than anybody else and then push ahead finding customers who want that.

Peter: Yeah, that makes perfect sense, makes perfect sense. So I want to talk about risk which I know is one of your favorite topics. You chaired a panel at last years LendIt on risk, but I wanted to get your perspective...you know, are investors in peer to peer lending today...do you think they're being adequately rewarded for the risks they are taking?

Mike: That's a good question. I mean just to take a little step back. Actually, I was a patron in the first place, I mean I managed a lot of money in the 80's and then I turned gamekeeper internally at a bank and in 1992/1993 when nobody who were on main boards of banks, believed that risk has anything to do with them...the attitude then was risk is for the little people, the traders on the ground floor kind of thing, not for management and it took all the changes like Barings Bank going bust for management to start paying attention.

We then went through a massive cycle, and this is useful background for the peer to peer, first of all management paying attention and then IT vendors coming in and selling huge, expensive systems that would take forever to implement to produce a number, the VAR, the value at risk. Which said the risk in Citigroup is 5 trillion, the risk in Barclays is 4 trillion, you know that kind of thing and they never seem to have got the answer. Turned out not to be the answer, of course, we then have had post 2008, vast increase in bureaucratization of regulations, regulation has actually sort of leapt forward and I think this is a journey which I'm slightly concerned that peer to peer will go through.

I think where peer to peer at the moment is, is very much like the early 90's in banking as a whole which is actually you have got what you always had in banking which is you got people looking at the quality of the credits that the platform is doing. It does not really matter that they're not buying them themselves, I mean some of them are...the direct lending models do as you know, but generally in peer to peer you're passing it on to someone else who's buying it. Nevertheless, you've got this kind of quality control end, the underwriting end and they've always been there. What you're seeing now a little bit more, and as you've said I've forecast this in my writing last year, some of the platforms hiring heads of risk whose mandate went further than just making sure as it were they buy good eggs for sale in their shop.

What we haven't yet got to is the stage of where banking is, especially on trading risk got too high a VAR. What we haven't got yet is the platforms in the UK or in the US as far as I've seen, publishing a number saying this is the risk, it's 42 or it's 4.2 or it's 0.42, there's no quality of assessment other than in a couple of cases. Funding Circle springs to mind as well as Landbay where they've done stress tests which is when they say, when the worst hits the fan, as defined by the Bank of England worst case which is what the banks use, then the portfolio will fall 1, 5, 10 whatever percent and there's a constant number.

So I think my most honest answer I can give you as someone with 30 years of risk experience in the city, both with the incumbents and the new ones is that a precise answer to that problem awaits the platforms themselves quantifying what they think the risk is. They are not doing that which as you know was one of themes of the 2015 LendIt in Europe. Having said that as a [thank packet] if you are investing in the best quality platforms at the moment, your returns are something like 10 times bank returns and they're not taking too much risk so as a [thank packet] you're probably okay still.

Peter: So what you're really getting at there is that the platform should stress test...every platform should stress test their portfolio with using the '08 crisis as sort of a benchmark or whatever is the base, The Bank of England has some sort of benchmarks there so people can say…right, the expected return is X, the expected return in another downturn is Y then you can then invest or make a decision. Is that really what you're saying...that every one should be doing that or is there something more?

Mike: I think that's half of it. I certainly don't see why platforms, the biggest of whom frankly have got a lot of money, one of the larger UK ones which is also in the States and Germany are Funding Circle...raised $150 million last year and informally I'm told they haven't spent it all yet, so they have significant resources and they are already doing the stress tests. So I don't see why, putting it the other way around, why the platforms should not both do the stress tests and publish them as in the way that they are brokers just selling stuff on. So that is absolutely one side of the coin which would allow you, I know you've spoken about investments for many years now, which would allow you Peter, to look at your portfolio and go...okay, if according to the federal reserve test which it gives the banks...if the worst happens, whatever the worst is defined as, I will lose 1%, 5%, 10% of my portfolio and then you as an individual investor with your individual portfolio will know.

That's one side of the coin, the other flip side of the coin, coming back to how banks use VAR and stress tests, is not the extreme condition, it's not sort of what happens every five years or ten years, but it's much more like day-to-day volatility. If you put some money in the New York Stock Exchange and you diversify it then you've got a reasonable idea on a bad day you might lose 1% or 2%, you know that kind of thing because let's say you're doing a relatively short term investment, you may never actually hit the stress test scenarios in terms of your portfolio.

Peter: Sure, sure, so I want to talk about some of the different models that we have in the UK and Europe. Particularly in the UK there seems to be...several of the leading companies have provision funds or safeguard funds or whatever you want to call it that are basically going to take the losses and preserve the principal of investors supposedly and then others that choose not to do that and say...you know what, you're on your own, if defaults happen you're going to lose principal. So do you have a preference? I'm interested in your thoughts on both those two different kinds of models.

Mike: Yes, and I think it's true to say that certainly from my perspective, again just to simplify the overall picture which is always more complex than simplification, the only two firms who really lead big time on provision funds are Zopa and RateSetter and they have different models that I'll come on to as you've covered in your shows or what I tend to call hard fail, what I tend to call soft fail provision funds. I'll come back to those.

One of the motivations we had over here which may not apply in the States hence the difference is that there was a problem over here of not being able to offset your capital losses against your income in your portfolio. So let's say for the sake of argument, I had ten loans in my portfolio and they were all yielding I don't know 10% and one of them went bust. I would have to pay income tax on, for the sake of argument, 10%, but I'd then only have a capital gains loss of 10% which I couldn't offset it so it was taxation reasons that drove it. I know that was the thinking of Zopa and that is slowly changing, that need is going away. If you look at what Zopa is doing, it's already introduced various products where you don't have to go through that provision fund so they are somewhat backing away from it.

In terms of the two models of provision funds, RateSetter's model is what I call a hard fail model. It's got the provision fund set up. If anybody's individual investments are impaired and I think at the top of my head no one's lost a penny with RateSetter yet, the provision will make them good, it will pay the interest they should be getting in their capital bank and that's all fine, it's worked, believe me. The problem with the hard fail model as RateSetter have it and the FT Alphaville columnist covered this quite a lot in-depth this year as well as the in-trade press, the problem with the hard fail model is that when the provision fund runs out in RateSetter everyone's assets are pooled, it basically turns into a mutual fund which is then wound down.

There's suddenly a sea change, it doesn't matter which ten investments you've got if you know what they are. Your bad apples get pooled with my good apples and we're all in the same boat together. Personally, I think this is a flawed model because you're always on the edge of a precipice, you're always on the edge of this digital change where you stop being one thing and start being another.

Soft fail models such as Zopa's, basically what happens is when their provision funds runs out, they say…oh, sorry, Peter, you know we've been subsiding your losses for the last few years, but you know what, our provision funds run out, we can't subsidize anymore so you'll be taking the losses, but the platform continues as a platform. I think coming back to the risk point as a whole, the other problem with provision funds is they obfuscate what the risk really is.

Peter: Right.

Mike: The good thing with marketplace models, be it Lending Club or be it Funding Circle, is that you can look at C2's and you can look at the data around C2's as you've done in the past or that kind of stuff and you can make more quantitative assessments yourself even if they're not making it. When it's a provision fund, it's a black box and in insurance, coming back to other sectors and what we can learn from it, in insurance funds, the firms the vastest ones (inaudible) in the world. You're not allowed to say…oh, this is what our insurance fund needs to be and we've decided and it's the right number, honest. You have to get external auditors to come in and audit and tell you what the number is, so again, there's a number of conflicts in these models. So it's really rather problematic I think I'd say.

Peter: Sure, okay, so I want to talk a little bit about corporate governance. On a recent podcast you interviewed Geoff Miller, it was an excellent discussion about what's going on with corporate governance or the lack thereof. I know you're actually moderating a panel on this topic at LendIt Europe so can you give us a little bit of a preview of your thoughts on corporate governance applied to the peer to peer lending sector?

Mike: Yes, as you say it was an excellent one. You're a podcaster yourself so you may have correlated sort of feedback you get with the episode. I've always found that the excellent podcast are the ones where I say very little at all. (laughs) My guest dominates the conversation and vice versa perhaps.

But in the case of Geoff as you know well, Geoff, I think it's true to say, has sat on more boards of more peer to peers than any man in the entire world so he really knows what he speaks. He's really been on his hands and knees at the coalface and he has been on both sides of boardroom difficulties in terms of having to move people on and in terms of having been moved on himself so he really comes at it with a great depth of experience not just theory. I think if we zoom up again and situate this in FS as a whole, I think that we've seen over the last 30 years a development of corporate governance, a massive development of corporate government in the usual bureaucratization way.

Originally, it's a bit like Goldilocks; the porridge is too cold or the porridge is too hot. Originally, the porridge was too cold so when I joined Kleinwort Benson in 1985, pretty much the main board was made up of the executive management and friends of the family and sort of soft tamed clients who wouldn't really particularly disagree with the board and that model didn't have much independence and that model was partly responsible for things like Barings blowing up because there was never anybody on the board that questioned what was going on in sufficient detail.

So the pendulum was on that side, 22:40 if you might excuse my metaphors, the pendulum of course is the bureaucratization has gone massive in the other direction. So all these people who are far smarter than me stayed in existing FS rather than covering this new, exciting sector are now on boards of banks, insurance companies, you name it and a lot of them...it's just a nightmare, you get paid loads of money, but you sit there and you sort of have to flick through six inches worth of paperwork, you know, which is all PC box ticking.

As we've seen with banks like HSBC which had been fined humungous sums of money, although their shareholders have been fined humungous sums of money even to the extent that the Treasury Select Committee has called some of them in, nobody is ever responsible for anything. So the extremes are pretty minimal, corporate governance, minimal to no corporate governance or massive bureaucratization where everyone's following a rulebook and no one's ever responsible for anything. Where we need to get to in peer to peer and in fintech as a whole is they've got to Goldilocks, the porridge being not too hot and not too cold.

Peter: So then what do you think the peer to peer lending platforms are doing well today? We've covered already some things that you think where they need to improve. What are they doing well?

Mike: That's a good question, I think my hesitation… (laughs).

Peter: Surely there's something, Mike.

Mike: Exactly, right. Can I come back on that one tomorrow on a recorder (laughs). Well, I think that the best peer to peers, because obviously you know, we're talking about dozens and dozens and dozens, the best peer to peers are successfully transitioning from being start-ups to scale-ups. They are robust firms with robust processes, good digital front ends which work and good marketing and looking after things.

So again, going back to objective advice, Zopa tends to get awards almost every year as far as I can see on customer service, great customer service so they are looking after their customers very well, they have remunerated their clients very well. You know, risk is all about the future, the past, whether it's sort of horse races or baseball, we know what the results are and certainly, historically, if you diversify your portfolio, as you know well yourself, Peter, if you diversify your portfolio in the last five years in peer to peers, the best peer to peers in the UK, you would have for sake of argument made ten times bank cash or five times bank cash. So they have provided great investments in the past, they've gone through this big phase change from start-ups to scale-ups and some of them are quality businesses. I think that the challenge at the moment is how do you go from being a scale-up to a growth company.

Peter: Right, that makes sense and that's really where the industry is I feel like right now, particularly in the UK where there's no company that could call themselves a big business yet, but some of them are on their way which sort of segues into my next question about regulation because the FCA has been lauded throughout the world as having done a decent job in regulating an industry and not stifling it and encouraging competition. It seems like the FCA may be changing their perspective. We know they're going back and doing visits with some of the platforms now, I mean, what are you hearing about the FCA, from the platforms, are there regulatory changes coming?

Mike: So the big regulatory change was a year ago on the peer to peers as you know had to apply to be regulated. I think the main thing that I can tell as an insider on the circuit is like many things in life, what you read in the media is not reality (laughs) and can be very different from reality. So, certainly, I read the same kind of materials as you and I've seen lots of praise for how wonderful the FCA is and how brilliant the regulator is and how it's a model for the whole world, etc. etc. Now how much of that is truth and how much of that is propaganda, I shall leave that as an exercise for the listener. Suffice it to say, that a number of people I've read quoted in the mainstream medias or even in the industry media, they say...oh, the FCA is wonderful. The FCA is wonderful. You talk to them in private over a beer and you get a very different story.

Peter: Right.

Mike: So, for example, just to pick up one particular area, this regulation process started last year. I'm thinking of one example of a firm that's got less than 20 people in an office, they had one of the big four accountancy practices in three months, for three months basically, filling in the forms for regulation; a year later, they're still not regulated (laughs). I'd like that kind of job really, you can take such time scales, there's a challenge. Because of this explosive growth of regulation around the world there's a challenge of...which goes back to the old Latin phrase "Quis custodiet ipsos custodes," who is going to guard the guards, who regulates the regulators. So where a regulator is performing well or not so well, who is actually regulating that and there's a lot of frustration in the industry around the regulation.

The other one is the independent finance ISA which basically is a tax shelter savings vehicle over here. There was lots of worries a year ago that on the 1st of April suddenly there will be trillions of dollars or trillions of pounds flooding into peer to peers, how will they handle it? Well, actually, it's really sort of limped off the start because the regulators are being quite slow.

The other context in the regulator is that like many of these things, it gets politicized in the modern world and there have been sort of changes of heads of the regulator and various noises made by MP's and notably Adair Turner who I know you've got coming to give an interesting talk at LendIt 2016 in Europe. He was quoted, I believe, slightly out of context and slightly offhand saying this is going to be the biggest crisis since the last one to which my retort has always been if every cent or every penny in the UK that is invested in peer to peer disappeared overnight a few people would be pretty upset, but it would be macro-economically insignificant.

Peter: Right, yes it will, but to his point…I know that he's been quoted…pretty much every negative article mentions that as a supporting quote for their argument, but to his point that is true today, but obviously if the growth trajectory keeps going in five or ten years time. While it wouldn't have the systemic risk of a Lloyds or an HSBC going out of business, it certainly would hurt a lot more.

I just want to circle back on to the innovative finance ISA because it seems like that is something that....you know, I remember talking to the platforms in January and February saying that oh yeah, we hope to be done by March and here we are in September and the top platforms still have not been approved for this ISA. So what's going on there, is it just the regulator being inundated, I mean, minor platforms have been approved, but the big guys haven't, it just seems strange to me.

Mike: Yes, it's an interesting question as you say it is an anomaly. In terms of press releases around the world go on saying that the UK regulations are a model for every one else. I doubt that other countries would want to model one year on something that's rather relatively straightforward like that.

Peter: Yes.

Mike: I mean, the honest answer is that I am unsure. You may as well have heard a variety of insider gossip as to why this is happening, whether it's the regulator or whether some of the firms are holding out, playing hardball or exactly as it happens in every regulated sector in the world whether it's telecoms or electricity or oil and gas or whatever, whether it's just part of a more of a maturing of a relationship between an industry and its regulator, where there's a bit of push and shove on both sides and eventually some agreement is reached to, but I think all that I've heard to be honest is kind of tittle tattle at this stage. I wouldn't want to report it as fact so I think the main thing is that it does all rather fit into this 2016 zeitgeist of an industry that's slightly in the doldrums at the moment and really needs to sort of get out of this phase and start moving forward in whichever direction it sees its future is lying.

Peter: Okay, well we're just about out of time so I've got to let you go, but before we do, I know you're focusing on more than just peer to peer lending industry so what else is catching your attention today?

Mike: Well I think the interesting thing for me is coming across undiscovered gems, it's a bit like rummaging through antique stores, occasionally you find something, oh wow!

I had a podcast myself recently, actually I think it's the one before last, which was with a firm called Smart Pension, who I never came across but I was introduced to. This is founded by a guy called Will Wynne, basically he set up less than two years ago in the UK like many countries in the world...I think he actually copied it from Australia, we have this thing now which is mandatory called Auto Enrolment Workplace Pension which means any employer in the UK pretty much by next year has to set up a pension scheme for his employees. The employees can opt out of it, but they're automatically enrolled in it and we all set this up less than two years ago against the government as competition. The government allows itself in its own rules to be more expensive than the competition which is nice isn't it and the government sponsors its own player to the tune of 80 million pounds losses per annum so you can imagine from a fintech perspective competing against that. Well in Smart Pension's case, they have got 75,000 clients in less than two years.

Peter: Interesting.

Mike: Absolutely phenomenal and in his spare time in a previous incarnation, Will was working for eBay and he had a good idea and he said to his boss I've got this good idea and the boss said...look, you've got too much that I've asked you to do, you don't have time for this, you want to do it in your spare time, you can. So he went out and did it as a spare time project. His spare time project was eBay for Charity which he then set up and got it approved and that's now raised a 100 hundred million pounds. So I think the thing that excites me is actually discovering phenomenal companies like that, that are really an exemplar for every entrepreneur in the world not just in fintech or not just in peer to peer.

Another company I came across recently founded by some ex-Merrill people in the early 2000s called Synechron, got 6,000 staff worldwide, they have not raised any external capital. In the last 15 years they've gone from zero to $600 million per annum revenue, that's phenomenal. They're going to be doing a show later in the year. I think that's what really excites me, it doesn't matter what the economic climate, as you know yourself, Peter having been an entrepreneur in the past. There are some people who can just put on a phenomenal song and dance.

Peter: Yes, indeed. Well on that note, I'm going to have to let you go. I really appreciate your time today, Mike.

Mike: Thank you, Peter, and I really appreciate your podcast. Whenever I get the chance, I always listen to them and it's nice to hear a professional podcaster such as yourself.

Peter: (laughs) Okay, well thanks very much, Mike, talk to you soon. Bye.

Mike: Have a good day, bye.

Peter: As I said, Mike will be at LendIt Europe in a couple of weeks talking about corporate governance. Allow me to give just a few moments of a plug to LendIt Europe. If you go to LendIt.com, you can register right now. It's October 10th and 11th in London, at the Intercontinental Hotel at the O2. It will be the largest gathering of peer to peer lending platforms in the industry ever in Europe. I will be there and if you attend, please come up and say hi.

On that note, I'll sign off, I very much appreciate your listening and I'll catch you next time. Bye.

(closing music)