PODCAST TRANSCRIPTION SESSION NO. 202 - GILES ANDREWS

Welcome to the Lend Academy Podcast, Episode No. 202. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

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Today's show is sponsored by LendIt Fintech Europe 2019, Europe's leading event for innovation and financial services. It's coming up on the 26th and 27th of September in London at the Business Design Centre. We've recently opened registration as well as speaker applications. You can find out more by going to lendit.com/europe.

Peter Renton: We have a fascinating guest on the show today. Giles Andrews has been around fintech since the very beginning, he was one of the co-founders of Zopa back in 2004, he was CEO for many years, led them through the financial crisis and beyond and he was Chairman of the Board until earlier this year. He is now a director there, but has chairman responsibilities at several companies, some of the leading brands in Europe, companies like MarketInvoice and Kreditech.

He is also Chairman of a company called Dynamic Credit, which is a very large lender in the Netherlands as well as Bethnal Green Ventures and he has other board responsibilities as well. But in this episode we dig into the origins of Zopa. We talk a lot about what the team was thinking back then and how that has evolved over time and Giles also gives us his perspective on the UK fintech scene today. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Giles!

Giles Andrews: Hi, Peter.

Peter: Great, so I like to get these things started...I know you've been in fintech now for just about longer than anybody, but I'd like to go back before that. Give us some background about what you did in your career before Zopa, if you can remember that far back.

Giles: I'm not that old, Peter, I can remember that far back (Peter laughs) and it had nothing to do with financial services or technology, yeah, very different. So when I left college, I actually went and worked in the motor industry which was fulfilling a childhood ambition really to mess about with cars. I mean, it got a bit more serious than that, but I think that was why I started there. I had this view that if you followed a passion you might end up doing it competently or even well and I got very lucky, I met some interesting people and started a business four/five years in, in my sort of mid-20's.

If you remember this far back, this was the early 90's, 91, 92. There was a very severe recession, particularly in the UK, but pretty globally as well, and car businesses were going bust left, right and center and we put together a team…we took control of a shell company that was listed on the London Stock Exchange and used that as a vehicle to build a dealer group, a sort of regional dealer group so not a national one, but one that covered probably about a quarter of the country, and built that up over the course of the 1990's and sold it in the late 90's. Timing was everything, we sort of got in at the bottom and managed to sell out reasonably near the peak, not the top, but sold out reasonably near the top. Had an absolute ball, really enjoyed it and I think scratched the itch...I then sort of decided I didn't need to spend the rest of my life working with motor cars, but had a really good time on the way.

It's something that I always say to people, young people, they're terribly concerned about what they do for a living and what career they've taken. I think they tend to often pick very conventional safe choices that maybe their parents or their university career officers recommend.

Actually, if you go a bit more left field and just find something that you're really passionate about, the chances are you will do it better and you might even stand out and with a bit of luck along the way, I think you can get a great training in business. At the end of the day when you start out, your first job, the work you're doing is not that exciting on the whole, whatever it is, so at least if you're doing it in an environment that stimulates you and you find exciting, you can put up with a bit more. No regrets, really enjoyed it.

Peter: So then how did you go from that to being a Co-Founder of Zopa? What was sort of the...what was the genesis of, you know, like the formation of the company?

Giles: Well I took myself off to business school so having had a great time in the motor industry, I suppose the one frustration was I hadn't really used too much of my brain so I had a yearning to go back to doing a bit of studying and I took myself off to business school in France and also had a bit of a yearning to live in France for a year so that was good fun. One thing, I met some really interesting people, one of whom went on to become a Co-Founder of Zopa with me four/five years later or five or six years later, I should be precise.

But also, I think one of the great joys of business school is people are sort of at a crossroads in their career, it gives you a chance to think about what you want to do. I actually ended up, a few years later running a business of my own. I was doing some consultancy advice, sort of strategic consultancy advice into the motor industry which was obviously something I understood quite well and I think business school had given me the tools to take me to at least credibly present a consultancy service, but also doing a bit of angel investing and helping startups raise money. So that was my first introduction to the startup world, I wouldn't say the fintech world because it didn't exist and it wasn't typically in financial services, they were traditional businesses, but they were coming out of the dot com era so there was technology involved.

I found the startup scene really interesting and made a few investments, did okay, decided that that wasn't for me. I wasn’t going to become a lifelong investor, I didn't have enough money to do it properly and in that period of helping startups raise money, I got a phone call from a guy called James Alexander who I'd been to INSEAD with who said he and a number of people had just left the digital bank, Egg, which was the first online bank in the UK, and they had a mad idea which had a working title of Rialto, which is a bridge in Venice linking two market squares and it was eBay for money.

It was this idea of peer-to-peer lending that I thought was just extraordinary so I joined that outfit in very early 2004, not yet called Zopa, and joined them actually to lead a project to help raise the first funding for the company. We hit the streets in London in mid-summer of 2004, at the time when the VC community was just beginning to wake up from the dot com crash and the better players still had some money. No one had raised any money for a while, but the better and bigger funds still had some funds leftover from the dot com boom days and were just beginning to think about deals.

Of course, what had happened…it's terribly historic now, but what had happened in the dot com boom was huge amounts of capacity were being built up, which didn't get used as everything crashed and burned, but leaving behind some infrastructure that allowed people to build what was then called web 2.0 businesses which was sort of collaborative businesses that depended on their users for content, YouTube, if you like, came out of that era and businesses which were more interactive. So there was a trend going on that consumers were beginning to adopt the Internet in a different way, it wasn't just e-commerce, people were beginning to interact more deeply, you saw the beginnings of social networks.

The leading social network in the UK at the time was...Friends Reunited initially and then MySpace, then of course, Facebook, but people's behavior was changing enabled by technology and the team had this radical thought of could you apply those changes to the world of financial services which if you think back to 2004 was a pretty staid affair.

The online banks had simply taken a green screen from a call center and stuck a web interface on it and called it an online business, but the online financial services world had no interaction with customers. These customers weren't really involved, they were passive takers of a product and I think the radical thought that came before the business model of peer-to-peer lending was, can we look at financial services using this new enabling technology to build a business that customers are more involved in. From that thinking came the business model that we all know today as peer-to-peer lending.

Peter: Right, I know it's fascinating to sort of listen to that because it really is...you thought of it before anybody else. I mean, others I know were thinking about it independently or elsewhere in the world but hadn't launched anything, but it was interesting that you guys were the first. Did you have any idea...I mean, when you were first getting started I presume you just wanted to try and create a viable business. You weren't thinking this was going to be the start of this massive worldwide movement. I mean, did you have any idea the impact of what you were doing?

Giles: Yes and no. So we certainly didn't think in movements, no, but we did think we'd build a huge business because the arrogance of youth and the naiveté of the startup world, we just simply thought we had a better model and beyond the technology-enabled I talked about before...the actual business model, the financial linking of people who have some money to invest and people who want to borrow we thought was radically simple.

The simplicity would drive value and technology would help drive that value and also drive great service and we just thought this was better and we would probably be launching a bid for Barclays bank in few year's time (Peter laughs) so we were hugely ambitious for the UK business, but we didn't think that far beyond that. We did think we'd like to take the business to the States because the States is a huge market. At the time, there was no...Prosper came a whole year after we launched in the UK so there was no hint of anyone doing it in the US.

In fact our choice of our Series A investor which was then called Benchmark Capital and now renamed Balderton, but was Benchmark Capital then...at the time more closely linked to Benchmark in the US and they were the sort of granddaddies of peer-to-peer in a sense that they led the Series A financing of eBay. In the UK, Balderton or Benchmark UK backed one of the businesses that ended up becoming Betfair, they had backed Betfair so those were the roots that led to that particular choice of investor, but we were overwhelmed, none of us had ever really raised venture capital at that scale.

I had helped some startups raise angel money, none of us had ever raised venture capital at scale and we were overwhelmed by the response of London, the London community. We had lots of term sheets, lots of conversations going because it was a big idea and I think, you know, people bought into the enthusiasm, energy and ambition of the team.

Peter: Right, right. One more question before we move forward to today, but I'm curious about your decision to really focus on the prime borrowers back then because that actually...obviously no one knew there was a financial crisis coming. It served you very, very well and your counterpart in the US, Prosper, really decided that they would open it up for pretty much anybody. So what was the thinking behind the focus on prime borrowers?

Giles: Well, I think it was actually a very controversial decision at the time so pretty well everybody told us we were wrong. So anyone who wanted to log in some free consultancy or even board members or investors were saying, this subprime lending business has got much higher margins, surely you should do that and we had two reasons why we didn't then, well three reasons actually.

The first one was that we believed quite strongly in this loss aversion theory. Behavioral economics tells you that we all are humans, you know, irrational humans tend to value losses in a much greater way than we value profit, we sort of bank our profits, but we get very excited about losing money. Given that we were going to be inviting people to lend on a website they've never heard of, money to strangers on the Internet, we figured that building trust would be kind of important so that was, I think, quite sensible, but perhaps pretty obvious.

I think the slightly less obvious strand from that is to say that people will get very, very excited when they lose money, excited in a negative way when they lose money and we just thought that offering people at the time, I think, a 6% gross return that would turn into a 5% net return with very low level of defaults would be a much more popular proposition than something that lends at 15% and had 8% defaults and a 7% net margin, even though the 7 is bigger than the 5 because people would get really, really angry about losing money.

Plus, operationally, as a startup we wanted to build the simplest business possible and if we lend money to prime consumers who on the whole repay, we don't need to build a great collections function so that saves one thing to do because losses won't come for 6, 9, 12 months, in any event, so that's one less thing to worry about and it makes the business operationally more complex. Now if you look back at one of the biggest criticisms that Prosper had, one I think that we've proven right, people did get really upset when they lost money.

Two, the complaint was then directed at the company because the perception was the company was doing a bad job collecting the money. I used to read the chat forums on the Prosper site before they got removed. The angst was more around what's this company doing about this, they’re not doing anything. On the Internet, I found the borrower, I know he lives at 23 Arcadia Avenue and I know he's got a new car (Peter laughs), why isn't Prosper going around and getting the money off him. Of course, you can't do that, that's not a practical suggestion, but I think the noise and the loss of goodwill was enormous because the perception was the business wasn't in control and wasn’t acting on its customer’s best interest so we didn’t have any of that.

It was nothing to do with being really clever and foreseeing the subprime crash. I wish we could say it was, but it wasn't. It was the conservatism based around thinking that we didn't operationally want to deal with a lot of defaults and we didn't want our new asset class, which depended completely on trust, to be blown up by the noise of losses occurring. And I think, lastly, and equally importantly, all of us were slightly averse to the idea of lending money to people who in many cases, couldn't repay it, we just thought it was distasteful.

Peter: Right.

Giles: And you know, none of us thought we're building a business here to actually make people’s lives worse. I think subprime lending executed badly actually then really makes people’s lives worse rather than better. I think prime lending to finance people's hopes, dreams and aspirations and projects to improve their life is much more socially beneficial.

Peter: Right, right. So then let's fast forward a few years then, you actually became CEO of Zopa, you were CEO for many years, you bring in a Capital One executive, Jaidev, who we had on the show a couple of years ago. One thing I'm curious about, and I never heard the answer to this. When you brought Jaidev in obviously to a senior position, was it Jaidev that brought the idea that Zopa should become a bank one day or should have a banking division, or was that percolating before Jaidev's arrival?

Giles: No, it wasn’t percolating before and it wasn't his idea and it wasn't my idea (Peter laughs). I think we all have to be very honest what are our ideas. I mean, Jaidev joined as COO in 2015 and with hindsight has turned into the most extraordinarily lucky and good hire, it’s all about hiring good people. There's a lot of luck involved and you can put as much effort and energy into doing it well, but there's still luck involved and there's always been a great meeting of minds from when we first met, it's true through today.

What we were looking for in hiring him was someone who had a background in bigger businesses where he understood the value and benefits and structure and a degree more formality because we were by then sort of 100 people and still running in that slightly chaotic startup style. I was getting frustrated as the CEO because doubling the headcount didn't double the productivity of the business and therefore we were getting some diminishing returns from our investment.

I just thought I needed some help and he had a really interesting background because, as you know, he has a background steeped in credit risk management, but at Capital One they tend to make their risk analysts into marketing people as well so he understood both sides of the business. In fact, they sort of meet in the middle in Capital One so I think it’s a really interesting structure. But he also managed quite big divisions of the business so he'd run the collections practice which was hundreds of people and you know, with performance management and all that kind of stuff which was all new to us.

There was a great benefit in bringing that kind of skill and experience but we clearly wanted someone who had an entrepreneurial flair as well. That makes the population rather small and it’s probably not so difficult to hire people with the right level of operational experience, but hiring them with some entrepreneurial flair as well and that sort of startup culture as opposed to, you know, big company bureaucracy culture was the challenge and that’s where we got very lucky. So when he joined, he effectively took over managing pretty well all the internal functions of the business and I became much more externally focused.

After a year, we looked at each other and thought, actually, you know, you're sort of running most of the company, why don't you become the CEO and I become Chairman. At that point, what we did day to day didn't change and I carried on managing some external relationships and he carried on managing the internal affairs of the company, but the promotion was really recognition for what a brilliant job he'd done and the fact that he had effectively taken over most of the management of the business. And then over time, I began to hand over some of those relationships and took a…more of a step back and became a more conventional non-executive.

Peter: Right, so you've got to answer my question though, so where did the idea come from for a bank?

Giles: Sorry (Peter laughs), sorry.

Peter: It's okay.

Giles: Well, I actually can't remember where it came from, I mean, actually I think it came out of board discussions so it shows the value of a good board. We were playing in an increasingly prime world where the headline price charged by prime lenders was on an ever downward trend and it's becoming increasingly challenging to sort of meet the cost of that lending and offer a reasonable peer to peer return given the risk involved in peer to peer lending. So that is what sort of made us start to think about it, but we also had a keenness to expand the product set and this is perhaps where Jaidev's experience was more relevant since he came out of Capital One’s credit card company so his DNA was credit cards.

He always wanted to try and find a way to introduce credit card lending into Zopa and he identified quite quickly that even before he joined we had built very capable risk management systems. He was quite impressed with what he found, very good data analytics and good user experience, we won some awards for the quality of our service on our personal loans so we had some building blocks that suggested we understood consumer credit, we understood how to price it and we understood how to present it to customers and sell it so it seemed natural to think what other consumer credit categories are there that are big, well obviously credit cards.

We struggled and struggled and struggled to work out a way to fund credit cards through peer-to-peer investing. Because a peer-to-peer investor understandably wanted a return on his or her money all the time and a credit card is a facility to do that. You've got to have the money available to lend and ultimately, we came to the conclusion that the best funding vehicle for a credit card business would be a bank funded by retail deposits. That was sort of the genesis of the idea. Once we had come up with the idea of the bank...obviously, Jaidev really latched on to it and ran with it because it became a solution to something that I think he’d always thought was something Zopa should ultimately move towards.

Peter: Yes.

Giles: Credit card lending rather than necessarily taking bank deposits.

Peter: Right, right. So maybe you can explain for our listeners exactly how Zopa is structured these days because you...I mean, you have the preliminary approval for a banking license, you still haven’t really started that up, but from my understanding the two entities are completely separate now with separate boards, separate CEOs, just explain exactly how it works these days.

Giles: So we always had one business so Zopa, actually had a holding company structure but that’s not really relevant to your listeners but we had one business and that was our peer-to-peer business so we had one board, one CEO and a set of shareholders that were interested in that one business. It became very clear that the regulators would want to see a separate business applying for a bank license and getting a bank license and being operated as a bank and as soon as you start separating it, you then enter into a sort of a challenging question of how do you manage the conflicts of interest between two different businesses.

You can do it while retaining the same business with sort of very detailed service agreements between different bits of the business, or you can choose to separate them for governance purposes and allow those two businesses to interact via complicated service arrangements and contracts and that's what we decided to do. It satisfied the regulators need to see a bank that was separate and they didn't want to see directors on that, they didn't want to see shareholders on that bank board. They wanted to see a majority of independents plus management so it became quite clear quite quickly that I wouldn't be the right chairman of that business so we went out and hired...I think I actually just spent most of the last couple of years hiring board members.

So we built a bank board which was independent, with a very capable chairman and now four independent directors, including him and that meant all of a sudden we couldn't as shareholders in the holding company group manage the peer-to-peer business alongside that because that wouldn't be appropriate governance having the bank reporting into the group, but the group directly operating a peer-to-peer business.

So therefore we created another board to steer and provide the governance framework for the peer-to-peer business and that's the board that Christine Farnish who I know you've also interviewed, became the chair and that had to have a majority of independent directors so we hired three independent directors for that business and that left the group board effectively being replaced where shareholders sit and ultimately…where long term strategy is discussed but the actual operation of the businesses occurs at the subsidiary level and as you say we've got Jaidev as CEO of the bank and Natasha Wear the CEO of the peer to peer business.

Peter: Right, right. And so I know you stepped down as Chairman in February I believe...

Giles: That was the last bit of board building I did so having built the bank board and the peer to peer board and things like that, I thought what should the group board look like and what should the direction of travel of that look like. I think, ultimately, that will involve a smaller board with fewer investors on it, something the PRA would like to see. The regulators, I think, when there's a dual board structure of a holding company and a bank, they obviously want to know that the right decisions are occurring in the right places and that the group board doesn't meddle and doesn't play too big a role in the management of the business and one way to satisfy them is to make that increasingly independent as well.

So that's the next sort of journey we're on and step one on that was to recruit an independent chairman of the group so we identified Gordon McCallum, hired him early on this year as the first fully independent director who sits on the group board, The chair of the bank and the chair of the peer-to-peer business also sit on the group board.

Peter: Right, and so you're on the group board as well?

Giles: Yeah, yes, I am. I mean, I'm obviously a significant investor in the company and hopefully, my experience has some benefit which I can bring to that board, but I think the direction of travel was to create a more independent board and also to begin to position us, I know I don't want to get ahead of myself here, but to begin to position the company on the journey towards potential IPO where you would require...and therefore you want to begin to build a team and it's going to take at least a couple of years to do so, but you want to begin to position yourself for that process.

Peter: Right, okay so moving beyond Zopa, you've got many business interests these days beyond Zopa and I just want to run through a couple of these. There are several I'm sure listeners would be very interested in….the first one I want to talk about is MarketInvoice. I mean, we had Anil on the podcast last year and it's a company that's pretty well known around the world these days. So tell us why you chose MarketInvoice, and just an update on that company.

Giles: So MarkeInvoice is an invoice discounting platform, so it's not a peer to peer lending business, but it uses money from a variety of sources, including individuals, high net worths, and some institutions so there is slightly sort of a peer-to-peer flavor to its funding. It doesn't lend because it buys invoices at a discount to provide working capital, it's not, strictly speaking, a lending business, but ultimately, you know, it's a credit business in the sense that we have to make decisions as to which invoices are going to be repaid. So we provide working capital to SMEs.

I've known Anil and Ilya, his co-founder for many years through initially the Peer-to-Peer Finance Association and just generally the London fintech scene. I've always liked the guys and thought they had an interesting business. They took on some venture capital funding from an investor I know well, Northzone, and that often comes with the suggestion to start raising some independence and governance on the board. Therefore, I was sort of approached because I… from two different angles, I knew the founders and I knew one of the investors so I went to have a chat with them and liked what I saw.

I was interested in the thought that I could...MarketInvoice was in a stage of a journey that I had been through, made hundreds of mistakes, but hopefully learned from those mistakes and therefore would have something to bring in the scaling of another fintech business using technology and a different funding structure to provide value to a different set of customers, but many of the same principles and I've been chair there for about two and a half years and really enjoyed it and we've been quite successful in the last year raising substantial amounts of money now from Barclays and Santander, amongst others.

I think the Barclays partnership is probably the deepest bank/fintech partnership we've seen in the UK where actually the bank is saying we will introduce our customers to a fintech business to provide a service that we simply can't provide. They've got lots of customers and we've got a service their customers would love. Often the challenge for fintech businesses is cost of acquisition and distribution.

Barclays has got a million SME customers so the challenge of course is then getting the huge business to work well with an agile staff and it's very early days. We're really encouraged by the volume of leads we're getting from Barclays and the quality of the leads and the quality of engagement from their regional staff. So their regional managers, regional directors are the people who interact with their customers have engaged...now that we've sort of finished the national rollout, extraordinary deeply and it's really exciting how that partnership is going.

Peter: I think it is, I always say it's one of the most important partnerships in all of marketplace lending, you've got a very well established bank and it's a deep partnership, as you say, and I think it's going to be fascinating to see what comes of that.

So then I want to move on to Kreditech which is another one where you're Chairman of the Board and it's a different kind of organization although it's been around the online lending space for many, many years. How did that come about because it's a different company, it's based in Germany and operates primarily, I believe, in developing countries. Tell us...

Giles: The biggest markets for Kreditech are probably London and Spain, we also have a business in Russia, we have a business most recently launched in India. The original thesis of Kreditech way back when was that it was going to operate in pretty well exclusively in the developing world and I think they found that very difficult and by the time I joined most of that had been closed or was in the process of being closed though I was approached by some of the investors.

So Kreditech had raised substantial amounts of money from the private equity community and in some ways, it was still a venture capital stage business, I mean, I think one of the differences being that venture backed businesses are inherently...have more execution risk associated with them and a different risk reward profile. Investors tend to come a bit later when there is a more proven business model and it is generating cash.

So in some ways, I hope they wouldn't want me saying this, but I think some of the private equity investors invested a little bit too early and were caught up perhaps a little bit in their desire to participate in the fintech story without really understanding the maturity of the business. So I walked into actually quite a difficult situation and to me that was part of the challenge.

So I was keen to work with private equity investors, I think I know the venture community well, you know, raised quite a lot of venture capital from a number of people over the years and sit on a few of venture backed businesses' boards, but I knew much less about the private equity world. The PE world is quite a closed shop, they're sort of…as I made the decision to operate in a more portfolio way with doing more board type work than executive work I thought it would be interesting to try and find a private equity backed business. When I say it's a closed shop I mean they're typically, private equity boards are made up of ex CEOs and CFOs of private equity backed businesses who have done well.

I have never been private equity backed so therefore I wasn't in that pool and I think the fact that it was...they acknowledged that one, it was probably an earlier stage business than they had thought it was when they invested in it and two, frankly it wasn't doing very well and there were concerns around the management team, it's often the case, but you know, there are some challenges. I think my background in having scaled a consumer lending business was helpful so I joined as a real challenge and it's been a challenge. I've been there just over a year now.

We had to regrettably replace the management team, but brought in some really capable new executives who have turned the business around and re-platformed it. We launched it on a new technology platform top to bottom and the business has turned a corner which is really satisfying.

Peter: I've certainly noticed that there's lots of new names there on the management team at Kreditech. Anyway, we're running out of time and I do want get to a couple more things. I know you've got other board positions that we won't have time to cover, I'm afraid, but I want to talk about UK fintech for a little bit because it really has been on a roll, particularly the last six to 12 months. There's been lots of really big funding rounds, particularly in the sort of the challenger bank space. What's your view on the sector? Do you feel like the valuations are getting ahead of themselves, or do you feel these companies are all going to do well and it's going to be...these valuations are justified?

Giles: Well I'm going to disappoint you because I'm not going to talk about valuations, (Peter laughs), valuations are in the eye of the beholder. I don't think it's ever a good idea for anyone to comment on other people's valuations. I'll say that I think the market of investors places great value in businesses that consumers like that potentially could disrupt huge industries; banking is definitely one of them. There's some logic to valuing a business which is acquiring customers at a great rate of knots, valuing that highly and valuing the fact that the customers recommended it to their friends and therefore marketing costs are very low.

They are all very good signs which I do support valuing businesses like that highly. I mean, do I think is there room for all of them, probably not. I mean, I don't think there's room for all of the incumbent banks either and I think there will be some challenging times for some of the very big banks, the ones that aren't able to adapt to changing consumer behaviors, changing consumer needs and wants and I think the institutions that go on to be rather large institutions that go on to do well are the ones that…I don't think they've got it today, but create some agility in what they do and adaptability in what they do.

I think that means pretty big investments in technology and I don't mean putting lipstick on a pig and nice front-ends via API's, I mean, actually some real engineering of back-end systems that allow agile product development. I think it has to go all the way through the company, you can't just have a team of people who come up with fantastic user experiences at the front-end and depend by ancient creaky legacy systems, that are really hard to change and adapt.

So I think you're going to have to see...I think all the big players have to adapt to that and some will not make that grade. So I think there will be, I hesitate to use the word, failure, but there will certainly be a diminishing of importance in some of the major institutions. Some of the startups of today will become household names and will go on to do extraordinarily well, probably not all of them. I certainly wouldn't want to pick ones that I think are going to do well and the ones that aren't.

Peter: Right, well apart from Zopa, of course (laughs).

Giles: Apart from Zopa, of course. We're in a completely unique position. We're in a position where we have the agility in terms of our tech stack. We’ve built all the technology ourselves for the bank. If I think back to the quality of technology that we used when we built Zopa in the first place, we’ve always built our own technology or pretty well always since very early on and the quality of the technology we're building today is absolutely leading in any sector, not just financial services whereas you couldn’t necessarily always say that about the past.

So we're well positioned in terms of technology backbone and we have a product which customers love so we won all of these awards for customer service and have an NPS score well into the mid 70's which is extraordinary in financial services…at scale, we've got half a million customers, this isn't just a few people, yet we've also got a business so I think we can acquire customers in the same way as some of the other challengers, but we’ve also got a business that actually performs the bit of banking that tends to make money over the long run which is called lending.

Peter: Right.

Giles: So I think we're in an extremely strong position to build a business that operates as an effective and profitable lender. We may well never have a current account therefore we may well never have tens of millions of customers, but certainly single digit millions of customers, and as of yet I think that makes us unique in the challenger sector.

Peter: Right, right. Well I'm afraid we've run out of time, Giles, I could chat with you for another hour, but we're going to have to leave it there. I've always enjoyed chatting with you and I appreciate you coming on the show today.

Giles: Not at all, Peter, really great to speak to you.

Peter: Okay, thanks, see you.

Giles: Thanks, bye.

Peter: You know what Giles just said there about lending, I think is interesting. These digital banks that are getting funded, both in Europe and in the US, many of them actually don't have any kind of lending operation, I mean, some do, but most of them do not. As Giles said, it's a profitable business. You look at banking now and some of the largest banks are some of the most profitable businesses in the world....one of the reasons, that is, is because lending is a profitable business and I expect we will see many of these digital banks, the ones that really become profitable and successful will be those that have lending operations. That's my theory, anyway.

Anyway on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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(closing music)