

## **iwoca Ltd - £10M Award**

### **CIF Key Achievements to Date**

- We became accredited for the CBILS scheme in May and utilised the technology we had previously developed with the support of CIF to launch the first version of our no personal guarantee loan product. We began originating business loans without personal guarantees from 9th June.
- We launched iwocaPay on 5th June, introducing a better alternative to invoice finance tailored for small business.
- We made good progress on our bespoke Open Lending platform development and currently have our 7 beta partners up and running through an initial version of our Lending API.
- We continued to hire across both the Leeds and London offices, with a total of 21 hires made to date, seven who joined the team this quarter.

### **Assessment Period 3 (April 1<sup>st</sup>, 2020 – June 30<sup>th</sup>, 2020)**

We are pleased to report that we have continued to deliver on all our long-term commitments made to BCR in this period. We remain focused on our mission to improve access to finance to enable the success of small businesses, both during and beyond the Covid-19 crisis.

#### **COMMITMENT 1: SERVE A WIDER RANGE OF SME NEEDS BY INTRODUCING A NEW LOAN PRODUCT THAT DOES NOT REQUIRE A PERSONAL GUARANTEE**

**Personal guarantees play an important role in enabling finance for early-stage businesses. However, as businesses evolve, their financing options should follow suit.**

**With the support of the CIF, we will leverage our award-winning technology and risk expertise to develop a new product that does not require a personal guarantee. We will use an asset debenture structure to break the link between business and personal credit. We will also make it paperless and deliver a decision in hours rather than weeks or months.**

**We commit to ensure this product is more competitive than unsecured market alternatives. We further commit that it will be available across our channels by Q1 2021, by the end of 2023 we aim to have originated £250 million.**

This commitment has been accelerated in response to the Covid-19 pandemic and we have now launched our first version of the no personal guarantee product. We became accredited for the CBILS scheme in May and have now started to originate business loans without personal guarantees through the scheme, utilising the technology we previously developed.

Offering CBILS no personal guarantee loans in the short term is aligned to our overall mission - to meaningfully address the funding gap for small businesses. We hope to be able to support a number of small businesses at this critical time, leveraging our wide reaching third party networks to ensure maximum outreach and impact.

#### **COMMITMENT 2: LAUNCH IWOCAPAY, A BETTER ALTERNATIVE TO FACTORING FOR SMALL BUSINESSES**

**70% of our customers have used our credit facility to finance the gap between issuing an invoice and receiving or making payment. By introducing iwocaPay, we will take our financing solution to where small businesses need it most: finance at the point of invoice. Through iwocaPay, we will alleviate the burden of late payments which impacts millions of UK SMEs.**

**iwocaPay creates a win-win credit service for small business sellers and buyers. It will provide SME sellers with the option to extend flexible payment terms to SME buyers while getting paid immediately. This means that iwocaPay enables buyers to choose the payment terms that work best for their cash flow, up to 90 days post invoice receipt, while guaranteeing prompt payment to the seller on a non-recourse basis.**

**We commit to making iwocaPay a more competitive and accessible alternative to factoring for SMEs and available on a 'single invoice' basis, maximising the product's flexibility. We further commit to launching iwocaPay in Q2 2020, by the end of 2023 we aim to have financed 40,000 transactions.**

We launched iwocaPay in June with the publication of our new thought leading report, 'Levelling the Paying' Field. Hearing from more than 500 small business owners, 'Levelling the Paying' Field focuses on the impact coronavirus has had on small business' payment practices and how iwocaPay can help. In terms of our product growth, our current priority is making iwocaPay available to our growing list of interested B2B suppliers, so they can offer flexible payment terms to their small business customers.

### **COMMITMENT 3: CO-DEVELOP CUSTOMISED CREDIT PRODUCTS WITH XERO, THE UK'S LEADING SME ONLINE ACCOUNTING SOFTWARE PLATFORM**

**To bring finance to 463,000 Xero subscribers, with the support of the CIF, a joint development team of Xero and iwoca staff will research, prototype and pilot iwoca lending products for Xero. These customised products will be seamlessly embedded and accessible within Xero's interface and core customer journeys—a first for Xero.**

**Our shared aim is to deploy a competitive range of lending products that will be easily accessible by Xero's 463,000 SME subscribers by the end of Q2 2021.**

Despite some Covid-19 impact on Xero's general business plan, they still have a strong desire to help their small business customers access the finance they need, as per our commitment. We have completed the research phase which has highlighted good propositions for customers to 'discover' relevant loan products but the timing of the next phase of development has been impacted by Covid-19 and will likely not be confirmed until later this year.

### **COMMITMENT 4: LAUNCH OPENLENDING TO FACILITATE THE EXPANSION OF SME FINANCING SOLUTIONS THROUGH THE ENTIRE ECOSYSTEM**

**We strongly believe in the benefits of a connected and cooperating marketplace. In fact, thousands of customers have reached us via bespoke API integrations with selected partners like Tide.**

**OpenBanking has been a game-changer for us and, looking ahead, we see a huge opportunity in OpenFinance—the most recent initiative by the Bank of England to establish a data standard and portable digital identity for SMEs.**

**In this spirit, with the support of the CIF, we will launch OpenLending, a self-serve platform that opens up our lending stack to the entire ecosystem of BCA providers, FinTechs, brokers, accountants and bookkeeping platforms.**

**We will establish a dedicated full stack team that will make OpenLending fully operational. We will build features that enable partners to customise products, such as term, price or commission. Through customisation, our partners will create and deliver a proliferation of new products that are relevant and accessible to their SME customers.**

**We commit to launch OpenLending by the end of 2020. By the end of 2021, we commit to integrating 10 new partners including our pilot with Xero; and by the end of 2023, we commit to having at least 25 new partners and aim to originate at least £400 million through OpenLending.**

Our Open Lending offering has continued to be well-received in the market in Q2 and is a key part of our strategy for No PG (CBILS) customer acquisition. In addition we are making good progress on our bespoke self-serve platform development and currently have our 7 beta partners up and running through an initial version of our Lending API. We remain on track for a formal launch later this year.

### **COMMITMENT 5: DECENTRALISE TO BETTER SUPPORT OUR GEOGRAPHICALLY DIVERSE CUSTOMER BASE**

**Underpinning our commitments is our persistent dedication to service. As we grow and reach new SMEs, we must ensure new customers receive the same level of service we have provided since day one. To do this, we must grow and tap into talent pools beyond London.**

**We focus on serving all UK SMEs and 79% of our current customers reside outside of London.**

**To better serve our customers, we commit to opening a regional office in Glasgow, Edinburgh, Leeds or Bristol and hiring at least 50 staff by 2023. New staff will cover a range of roles, including developers, customer support and relationship managers.**

We have continued to hire across both the Leeds and London offices, with a total of 21 hires made to date. We remain confident that we will meet our hiring targets by 2023

**COMMITMENT 6: MATCH BCR GRANT WITH AT LEAST £13 MILLION OF OUR OWN FUNDS**

**To demonstrate our shared responsibility and deliver on our commitments, we commit to provide at least £13 million of our own funds.**

We continue to uphold our commitment to invest an additional £13m funds on top of the CIF grant. We have matched all funds spent to date to support the continued development of our programme.