

Starling – £100m Award

CIF Key Achievements to Date

As at the end of September, Starling has over 233,000 SME customers, exceeding its target of 131,000 SME customers by the end of 2020, resulting in a 4.0% share of the UK SME market. We remain open for new SME customers.

Starling has launched a number of innovative features since being awarded the CIF grant, with the below updates covering over achievements up to the end of September 2020.

- Our new lending products, including unsecured loans which are distributed through our new SME lending platform are supporting over 31,000 Starling businesses to gain access to credit. Starling has also signed agreements with Funding Circle to lend under the CBILS and BBLS programme. In total Starling has made over £1.2bn of lending available to businesses at a critical time, exceeding its target of £913m of lending to SMEs by the end of 2022.
- The business toolkit, enabling SMEs to estimate and save for their tax, record and submit their VAT to HMRC, create and match invoices, and manage their bills – all from their Starling account.
- We have partnered and integrated with an additional 19 partners in our Marketplace, connecting customers to a broad suite of business products and services from accounting through to life insurance.
- Our multi-currency offering with Business Euro and USD accounts, with international payment capabilities allowing customers to make and receive payments in these currencies at competitive buy / sell rates.
- Our cheque imaging initiative, which enables customers to pay in cheques by scanning via smartphones or tablets, has supported customers to pay in money digitally, and stay safe at home.
- Multi-director account access, with digital onboarding has enabled our more complex businesses to start banking with Starling.
- Our SME web portal has given our customers the ability to manage online banking on their desktop or laptop as well as direct from their smartphone.
- We have developed the functionality to allow customers to start an activity (e.g. a loan application) and pick it up again later, on another device if desired, to complete it.

The above has been achieved whilst consistently delivering on our recruitment, diversity and geo-location inclusion targets.

Assessment Period 6 (July 1st, 2020 – September 30th, 2020)

Commitment 1: Starling will also invest a further £95m of its own funds in support of this initiative, over four years.

To date, Starling has met this through investment of £66.5m to support the delivery of the four-year CIF-funded project.

Commitment 2: Starling has designed its initiative to positively challenge the dominance of the big banks and to make customers want to change who they bank with. By investing in proprietary, cloud-based technology, and extending its established banking and engineering capabilities, Starling will rapidly accelerate the development of its market-disrupting business bank.

Starling will achieve this by delivering the following:

Sophisticated banking solutions that will simplify complex business life: Starling will build a full suite of 52 digital banking products to meet the needs of all sole traders, micro businesses and small SME businesses. Examples include flexible deposit accounts, multiuser card functionality, instant invoicing, VAT management, advanced invoice financing, smart FX, supply chain finance using blockchain based technology and secured business lending.

Starling is building a full suite of 52 digital banking products over four years to meet the needs of its SME customers. In addition to the 9 products Starling launched in 2019 and the 2 products released in the first half of 2020, Starling completed its International payments (USD and EUR) initiative in this assessment period. This allows customers to make and receive payments in these currencies at competitive buy / sell rates.

A further 22 initiatives are well underway.

As a result of the Covid-19 pandemic and nationwide lockdown, Starling is onboarding a greater number of more complex, medium-sized businesses than originally anticipated in our 2018 business case. These businesses are deciding for the first time that they need a fully-digital banking experience, and we are seeing additional demand as they struggle to open business accounts with competitors that have withdrawn from the market. As the expected profile of our business customers has shifted, this has led to a rescheduling of our product delivery to better meet their requirements. We do not anticipate that this will cause our overall delivery timeframe to fall behind schedule.

Digital touchpoints that are beautifully designed and secure to use: SME customers will be able to move effortlessly between digital channels to originate, authorise and manage transactions on the go and team banking for multi-user accounts. Starling understands that many SMEs want to manage their banking online as well as through mobile applications and to support this, it will launch its web portal in Q3 2019.

We have continued to iterate and improve the three digital touchpoints that we have already launched: our Web portal, Multi-owner accounts and Save and “pick up later” initiatives. Additionally, Starling advanced the build of its Tablet app by completing the technical work required to adapt the mobile app for use on tablets and it is currently working on re-designing the mobile layout.

Digitally-enabled customer services and relationship management: SME customers will receive instant advice 24/7 including virtual assistance, relationship manager (RM) matching and micro scheduling to book “to the minute” appointments.

A portion of the bank’s Customer Service team is now piloting a proprietary internal chat system developed by Starling, which will be the foundation of its Virtual assistance initiative. This is part of the development of an intelligent AI assistant which will improve Starling’s 24/7 customer support.

Starling also continues to develop its Video chat with specialists initiative, which will provide customers with access to a member of the UK-based support team.

Intelligent tools that utilise data to offer insight and automation: Starling will launch 'My Financials', an AI-based predictive tool showing cash-flow forecasting and, where appropriate and with consent, recommendations for banking solutions.

Starling's Invoices to direct payments initiative was made available to all customers during this assessment period as part of the Business Toolkit. Starling has continued to broaden the range of use cases and improve the user experience for its "Starling suggests" initiative, which provides customers with more tailored recommendations whilst they are in the app.

Marketplace for business: the Starling Marketplace, which allows SME owners to access a wide range of third-party financial services and software providers to personalise their account, will include no fewer than 48 new partners, mostly UK based, including treasury services and human resources. Marketplace will also provide personalised recommendations for third-party applications, based on analysis of business and wider industry and seasonal trends.

Starling continues to expand the range of third-party providers available to its SME customers. During this assessment period, Starling has launched another new Marketplace partner: Penfold. This is in addition to the 18 Marketplace partnerships previously launched. Covid-19 has caused negotiations with Marketplace partners to take longer than anticipated, which has impacted our delivery schedule. We remain hopeful of meeting our 2020 target by the end of the year.

Commitment 3: Starling will also build a suite of lending products using automated and secure processes that deliver loans in minutes to boost SME growth and productivity. Starling commits to having made £913m of additional lending available to SMEs by the end of 2023.

Through its continued participation in the Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme, Starling has provided credit to support over 31,000 SME customers. As at 30th September, Starling has made a total of £1.2bn of lending available to SMEs.

Commitment 4: Starling has set a goal of attracting over 450,000 customers by the end of 2023. This will allow Starling to have the market size to make an enduring change to competition. Starling will achieve this while at the same time maintaining existing high levels of customer satisfaction. Starling will continue to monitor and maintain a high current app store rating.

Despite the challenging business environment, Starling has exceeded its 2020 year-end target of 131,000 SME customers, with 233,052 SME customers as at the end of September 2020. Starling continues to maintain existing high levels of customer satisfaction.

Commitment 5: A bank for all regions: Starling is committed to serving SMEs throughout the UK. Currently 68% of its SME customer base is outside Greater London. Starling will continue with this UK wide focus with over 60% of all future business customers based outside of London.

73% of Starling's SME customers are based outside of London.

Commitment 6: Starling will also locate its new Operations Centre outside of London.

Starling has opened new combined operations and engineering centres in Southampton and Cardiff.

Commitment 7: Starling will continue providing counter access for SMEs that need to make cash deposits and withdrawals through its partnership with the Post Office, which has 11,500 branches, more than all the UK's banks and building societies combined.

Starling continues to provide these services through the Post Office.

Commitment 8: An inclusive workforce: Starling commits to recruiting an additional 398 staff within the UK.

Since April 2019, Starling has recruited 338 FTE, exceeding its 2020 target. Resourcing levels remain strong and it has not furloughed any members of staff.

Commitment 9: An inclusive workforce: Starling commits to recruiting an additional 398 staff within the UK. Starling will be an active member of the Tech She Can Charter, working across the industry to increase the number of women working in technology roles in the UK. It is already a signatory of the Women in Finance Charter and has pledged to have 40% of its senior positions occupied by women by 2021. It will embrace inclusion in all its forms.

Starling is an active member of the Tech She Can Charter and 42% of Starling's senior positions are currently held by women. Starling embraces inclusion in all its forms.

Commitment 10: Backing UK technology: Starling will continue to design, deliver and maintain its leading edge technology platform in the UK. Included in the 398 staff recruited will be 84 engineers, again based in the UK. Where possible, it will purchase from UK-based SME financial services and software companies when it requires expertise outside its own core competencies.

Starling has hired 94 engineers since April 2019, exceeding its 2020 target. Starling continues to champion UK based technology companies, and worked with Softwire, BJSS and Infinity Works during the period to supplement its in-house engineering capability.

Commitment 11: Technology for good: Starling commits to maintaining best-in-class processes to protect client and personal data, as well as commercially sensitive data of its commercial partners and to reporting incidents as required by GDPR. It commits to a regular independent audit of its algorithms and technological processes to ensure they are fair and free from bias and prejudice.

Starling continues to hold the principle of "technology for good" and there have been no reportable incidents during this assessment period.

Commitment 12: Stimulating market innovation: Starling will provide SME customers with a comprehensive set of open APIs allowing customers to tailor the platform to their individual needs. Starling's advances and innovation will also force other banks to respond, delivering a better service for sole traders, micro businesses and small SMEs in the UK. This will rapidly improve outcomes for the people that make up 59% of UK employment and businesses that make up 99% of the UK economy.

Starling has a comprehensive API platform covering a wide range of functionality. As well as being available to regulated third-party providers, STA and BCA account holders are able to register as developers and get API access to their own accounts. Since being awarded the Pool A grant, Starling

has vastly expanded its range of APIs, allowing SMEs to build rich integrations to help automate their banking and bookkeeping.

Thanks to the performance and reliability provided, Starling has utilised these same APIs and authentication methods to deliver its web banking and business toolkit products facilitating the development of more advanced business current accounts and ancillary products for SMEs in the UK.