

iwoca Ltd - £10M Award

CIF Key Achievements to Date

- We have accelerated our no and limited personal guarantee lending through the CBILS scheme. To date we have issued £70m in CBILS lending to support small businesses during this critical time. We have leveraged our third-party networks and direct marketing channels to ensure maximum access to the product for SMEs, with our market share of CBILS approvals growing to 5.55% for the period 17th August to 20th September 2020 (based on HM Treasury data).
- Following the launch of iwocaPay in May, we have continued to grow and activate our seller base through improvements in user experience and providing the necessary tools to make iwocaPay part of their business processes. In Q3 our seller base grew by over 150% to 87 sellers, and those sellers have increased their usage of iwocaPay with the number of invoices with a paylink growing by more than 700%.
- Since our reporting and the announcement of a second lockdown, many sellers have reported a slow-down in their business. As a result and to support small businesses through this period, we have waived all of iwocaPay fees during lockdown until Dec 2nd.
- We have continued to develop our bespoke self-serve OpenLending platform and onboarded one additional partner to bring our total to 8.

Assessment Period 4 (July 1st, 2020 – September 30th, 2020)

We are pleased to report that we have continued to deliver on all our long-term commitments made to BCR in this assessment period, with an update provided on each of these below.

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

Original Commitment:

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.

Rational for the change:

In response to the covid-19 pandemic we accelerated this commitment with the launch of our CBILS product, which provides finance to small businesses with no or a greatly reduced personal guarantee. We used the technology we developed as part of this commitment to launch this product in Q2 2020 to ensure that we could provide finance to small businesses during this critical time. We are now expanding no and limited personal guarantees across our product range, with the aim of originating £250 million by 2023.

New Commitment:

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 in 2020 and by the end of 2023 we aim to have originated £250 million.

Following our successful accreditation by the British Business Bank for CBILS in May, we have accelerated the progress against our commitment of offering no and limited partial personal guarantee products. We are ahead of plan to originate £250 million of these products by the end of 2023.

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.

Building off the insights of our report, Levelling the 'Paying' Field, we continue to see strong demand from businesses who are re-thinking how they manage and offer payment terms. Over the last quarter, our priority has been to grow our active supplier base. Since July, we have more than tripled the number of suppliers offering iwocaPay to their 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.

We have made progress in our co-development of customised lending products with Xero. We hope to launch a beta version of one test idea in Q4, although this timing is dependent on whether there is any further unforeseen impact from Covid-19 impact.

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.

We remain on track for the formal launch of our OpenLending platform. This quarter we have continued to make good progress on the development of the bespoke self-serve platform, as well as adding an additional beta partner, bringing us to a total of eight, and strengthening our partner success team.

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 made no further hires this quarter and remain at 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 will continue to uphold our commitment to invest an additional £13m of our own funds in addition to the CIF grant.