

Starling – £100m Award

CIF Key Achievements to Date

As at the end of December, Starling has over 290,000 SME customers, exceeding its target of 131,000 SME customers by the end of 2020, resulting in a 5.0% share of the UK SME market. Starling remains open for new SME customers.

Starling customers have benefitted from the launch of a number of initiatives as a result of the CIF grant. Its key achievements to the end of December 2020 are as follows:

- Over 44,000 SME businesses have directly benefited from the £1.8bn of lending made available by Starling to date. This has been channelled through the bank's lending products and distributed through its SME lending platform. Additionally, Starling has launched advanced credit decision functionality to enhance its underwriting capabilities. Starling has already exceeded its 2022 cumulative CIF lending target of £913m.
- SMEs can now supercharge their business banking activities through Starling's Business Toolkit. They can easily estimate and save for their tax, record and submit their VAT, create and match invoices, manage their bills, upload historic account and payments data from other sources and securely store financial documents digitally – all from their Starling account.
- SMEs can now access a broad suite of business products and services, from accounting through to life insurance, through our Marketplace. We have partnered with an additional 25 partners since the start of the CIF programme.
- SMEs can open Business euro and US dollar accounts, allowing them to hold the currencies, spend on card, and make and receive payments.
- SMEs can easily compare key components of Starling's products (e.g. price, fees, customer rating and eligibility) with those offered by competitors through the bank's product comparison tool. Additionally, customers now receive tailored in-app suggestions through the "Starling Suggests" initiative.
- Business customers can pay in cheques whilst staying safe at home by using Starling's cheque imaging initiative to scan cheques via their mobile device.
- More complex businesses with multiple directors are better able to onboard and manage their Starling account through our multi-director access initiative, with each additional director getting a debit card.
- Customers can benefit from Starling's SME web portal to manage online banking from their desktop or laptop, or direct from their mobile device. Additionally, those who use tablets can now use our tablet app.
- Customers can now use Starling's proprietary internal chat system, providing them with 24/7 customer support for certain simple queries and tasks.
- Customers are able to start an activity (e.g. a loan application) and pick it up again later on another device, if desired.

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

Assessment Period 7 (October 1st, 2020 – December 31st, 2020)

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

This commitment is on track. To date, Starling has raised £50m and invested £21.3m of its own funds to support the delivery of the four-year CIF-funded project.

ORIGINAL COMMITMENT:

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.

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.

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.

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.

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.

Rationale for the change:

We have broadened our offering to appeal to larger SMEs and businesses with complex ownership structures.

We are seeing demand from more complex businesses to provide SME banking for them. The changes will materially improve the financial products and services available to SMEs and enhance competition, allowing us to serve a wider spectrum of businesses and unlock a greater share of the

market of larger SMEs. As we have added new products and removed others, the number of digital banking products has changed from 52 to 47.

In our example of an “Intelligent tools” product, we've replaced 'My Financials' with 'Starling Suggests'.

Since writing our initial bid, open banking has accelerated, and allowed our customers to benefit from the types of services we intended to offer via our Marketplace, provided by specialised FinTechs. In our own Marketplace we have seen real benefit from a smaller number of partners providing a core financial use case (such as deepening accounting or payroll integrations) that offer most value for our SME customers. Accordingly, we have reduced the number of partners we commit to through the Marketplace to focus on the most valuable and relevant services. We continue to support external partnerships from a wide range of organisations through our Open API.

UPDATED COMMITMENT:

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 47 digital banking products to meet the needs of sole traders, micro businesses, small SME businesses, larger SMEs and businesses with complex ownership structures. Examples include flexible deposit accounts, multi-user card functionality, instant invoicing, VAT management, digital mandate variation, secure user management, smart fraud checking and client money accounts.

This commitment is on track. Starling is building a full suite of 47 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 3 products released in the first three quarters of 2020, Starling completed another 17 products in Q4 2020. These include a Digital safe deposit box for storing financial documents and Historic data imports which let customers upload historic account data from other sources. A further 5 initiatives are well underway.

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.

Starling has adapted its mobile app for use on tablet devices and released the Tablet app to all business customers this period. Additionally, it has continued to iterate and improve the three digital touchpoints that it has already launched: the Web portal, Multi-owner accounts and Save and “pick up later” initiatives.

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.

The proprietary internal chat system developed by Starling continues to be used by the bank's Customer Service team. 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 chat with specialists capability, 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 "Starling suggests", utilising advanced data analytics to provide customers with personalised prompts to guide their financial decision making and product selection.

Starling has continued to broaden the range of use cases and improved the user experience for its "Starling suggests" initiative, which provides customers with more tailored recommendations whilst they are in the app. The first SME-focussed suggestions were released this period.

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 24 new partners, mostly UK based.

Starling continues to expand the range of third-party providers available to its SME customers. During this assessment period, Starling has launched 6 new Marketplace partnerships with: BrightHR, iZettle, Sumup, Nutmeg, Dinghy and Paystream (accounting). This is in addition to the 19 Marketplace partnerships previously launched, bringing the total to 25, exceeding the target. Furthermore, Starling introduced a product comparison tool to facilitate transparent price comparison across business banking providers (e.g. product fees, customer rating and eligibility) this period.

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.

This commitment has been met. Through our continued participation in the Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme, Starling has made a total of £1.8bn of lending available, providing direct support to more than 44,000 Starling SME customers.

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.

This commitment is on track. Despite the challenging business environment, Starling has exceeded its 2020 year-end target of 131,000 SME customers, with 290,361 SME customers as at the end of December 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.

This commitment is on track. 73% of Starling's SME customers are based outside of London. Currently the SouthEast and North West regions are Starling's second and third largest customer bases respectively behind London.

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

This commitment is on track. Since the award of the CIF grant, Starling has set up new premises in Southampton and Cardiff. We have tapped into the talent base of these dynamic locations, building out our business banking offer with new teams including customer services (e.g. SME onboarding; SME collections) as well as engineering and data science, and we continue to recruit in these areas.

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.

This commitment is on track. 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.

This commitment is on track. Since April 2019, Starling has recruited 368 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.

This commitment is on track. Starling is an active member of the Tech She Can Charter and 43% 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.

This commitment is on track. Starling has hired 104 engineers since April 2019. Starling continues to champion UK based technology companies, and has worked with Softwire, BJSS and Infinity Works 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.

This commitment is on track. Starling continues to hold the principle of "technology for good" and there have been no reportable incidents during this Assessment Period.

ORIGINAL COMMITMENT:

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.

Rationale for the change:

We have broadened our offering to appeal to larger SMEs and businesses with complex ownership structures.

We are seeing demand from more complex businesses to provide SME banking for them. The changes will materially improve the financial products and services available to SMEs and enhance competition, allowing us to serve a wider spectrum of businesses and unlock a greater share of the market of larger SMEs.

UPDATED COMMITMENT:

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, small SMEs, larger SMEs and businesses with complex ownership structures 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.

This commitment is on track. 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.