

iwoca Ltd - £10M Award

CIF Key Achievements to Date

- We have successfully achieved our no and limited personal guarantee commitment, almost three years ahead of schedule. As at the end of Q1 2021 iwoca had originated £314m in no and limited personal guarantee lending via our CBILS and iwocaPay products, surpassing our commitment target to originate £250m million by the end of 2023. With our CBILS product we have continued to help small businesses gain access to the finance they need during this quarter, with our Q1 2021 CBILS approvals alone representing 10% of the CBILS market this quarter (HM Treasury data).
- We have nearly doubled the number of invoices sent and transactions paid through iwocaPay this quarter. We also launched “Pay Now” that enables sellers to include a seamless and zero cost payment experience through iwocaPay with their invoices to their customers.
- We officially launched our iwocaPay app within the Xero ecosystem this quarter and have seen strong early engagement with Xero sellers, with Xero accounting for 20% of invoices sent through iwocaPay.
- We have made an additional 3 hires this quarter, bringing our total to 25.

Assessment Period 6 (January 1st, 2021 – March 31st, 2021)

These Public Commitments are based on iwoca Ltd’s Revised Business Case which was approved in August 2020. The former Public Commitments, including rationale for the changes can be viewed [here](#).

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

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

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.

We have successfully achieved our commitment to offer a new loan product that requires no or only a limited personal guarantee and we have exceeded our aim to originate £250 million by the end of 2023. We have continued to provide small businesses access to limited personal liability finance through our CBILS and iwocaPay products. This quarter we surpassed our £250m origination target, having reached a total of £314m in no and limited personal guarantee lending by the end of Q1 2021. We have continued to increase our market share, with the value of our Q1 2021 CBILS approvals representing 10% of the CBILS market this quarter (HM Treasury Data).

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 remain on track to meet this commitment. This quarter we launched "Pay Now", which is built on Open Banking and enables sellers to include a seamless and zero cost payment experience through iwocaPay in their invoices to customers. Following this we have seen increased seller engagement, with the number of invoices sent with an iwocaPay payment option nearly doubling.

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.

This quarter we officially launched our iwocaPay app to the market, enabling Xero users to add iwocaPay as a payment option on their invoices sent via Xero. We have seen strong engagement from Xero users, with invoices sent via Xero accounting for 20% of all invoices sent with iwocaPay.

We also prepared for the kick-off of the design phase of our work to embed our Flexi-Loan product within Xero's invoicing workflow. Xero has now approved the plan for the design phase and the work is underway. The approval process took longer than anticipated as it needed to align with the broader road mapping process for Xero's next financial year. Due to this delay the implementation and tech development is unlikely to be completed before the end of Q2 as targeted in our commitment. However we are making every effort to ensure that it is completed as soon as possible after that.

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 this commitment and to date we have originated £29.4m via our OpenLending platform. This quarter our primary focus has been on adding new features and functionality to the platform to enhance our partner experience. The number of new partners on the platform remains the same as last quarter at 9, however we have migrated two of our largest existing partners over from a legacy platform over to the new OpenLending platform.

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 3 hires this quarter, bringing iwoca to a total of 25 hires to date. We remain on track to hire at least 50 staff 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.