

## Starling – £100m Award

### CIF Key Achievements to Date

As at the end of September, Starling has over 404,834 SME customers, exceeding its target of 396,000 SME customers by the end of 2022, resulting in a 7.3% 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 September 2021 are as follows:

- Over 54,000 SME businesses have directly benefited from the £2.4bn 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 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 access a broad suite of business products and services, from accounting through to life insurance, through our Marketplace. We have partnered with an additional 26 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 cards, 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 continue to receive tailored in-app suggestions through the "Starling Suggests" initiative, for example new marketplace propositions or business reminders such as self-assessment deadlines for tax filing.
- 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 use our tablet app.
- Customers are now able to switch current accounts and set up recurring card payments on Starling's web portal.
- Customers can 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.
- Customers can now receive payments in foreign currencies into their EUR or GBP account.

- Customers now have direct access to the first two sessions of Starling's Business Class videos published on its website. These online sessions, held by Starling resident experts are designed to support SME expansion and financial stability.

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

#### **Assessment Period 10 (July 1<sup>st</sup>, 2021 – September 30<sup>th</sup>, 2021)**

These Public Commitments are based on Starling's Revised Business Case which was approved in February 2021. The former Public Commitments, including rationale for the changes can be viewed [here](#).

#### **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 in capital to support the increased RWAs as a result of this programme and invested £39.8m of its own funds from its capital base to support the delivery of the four-year CIF-funded project, a combined total of £89.8m to date.

#### **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. From inception to date, Starling has completed 29 products (9 in 2019 and 20 in 2020). A further 11 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.**

This element of Commitment 2 has been met. Customers are now able to switch current accounts and set up recurring card payments on the SME web portal. Starling is continuing to develop additional features that will give SME customers the power to allow other parties (such as internal teams and third parties) to access relevant aspects of their bank accounts. It continues to progress its Digital mandate variation initiative which will enable customers to release payments based on sign-off from multiple individuals.

**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 continues to develop its Phone chat with specialists capability and Relationship Manager matching initiative, which will provide customers access to the right specialist within our UK-based support team, based on the customers' needs.

**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 successfully completed the roll out of the payment review process of its Smart fraud checking services initiative to customers, utilising Machine Learning technology. Progress is being made on further elements of this initiative.

**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 has met its target of 24 new Marketplace partners. Starling has also introduced a Product comparison tool to facilitate transparent product comparison across business banking providers (e.g. product fees, customer rating and eligibility).

In addition, Starling is developing functionality in the app to allow customers to determine which accounts can be accessed as part of its Aggregation of External Funds initiative. This initiative will allow customers to see the balances they hold in accounts with other banks, within their Starling account and is being developed conforming to Open Banking Implementation Entity (OBIE) standards.

**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. Starling started its participation in the Recovery Loan Scheme on the 1st of June 2021. The Bounce Back Loan Scheme and Coronavirus Business Interruption Loan Scheme, which Starling is participating in, have now closed for new applications. Through these schemes Starling has made a total of £2.4bn of lending available, providing direct support to more than 54,000 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. Starling has exceeded its 2022 year-end target of 396,000 SME customers, with 404,834 SME customers at the end of the period. Despite the challenging business

environment Starling is 90% of the way towards achieving its 2023 target of 450,000 customers and it 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 has been met, with 75% of Starling's SME customers being based outside of London. Currently, the South East and North West regions are Starling's second and third largest customer bases respectively behind London; we expect to continue to meet this target.

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

This commitment has been met. Since the award of the CIF grant, Starling has set up premises in Southampton and Cardiff, and has expanded the Cardiff office as the teams in this location have grown. We have tapped into the talent base of these dynamic locations, building out our business banking offer with 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.**

Starling has met and continues to exceed this commitment. Since April 2019, Starling has recruited 641 FTE. Resourcing levels remain strong.

**Commitment 9: An inclusive workforce: 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 embraces inclusion in all its forms. 41% of Starling's senior positions are currently held by women. Starling is also an active member of the Tech She Can Charter and has collaborated with the charter to design lesson packs for school children, as featured on the Tech We Can website.

**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 met and continues to exceed this commitment. Starling has hired 133 engineers since April 2019. Starling continues to champion UK based technology companies, and to date 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. Starling has also explored techniques and tools to understand how machine learning model predictions can be explainable, fair and free from bias and prejudice. Starling is taking steps to ensure these techniques are fully integrated and embedded into its model development processes. Additionally, Starling engaged an independent auditor to conduct an algorithm audit which has been completed and was successful. It demonstrated that Starling has appropriate controls in place regarding its algorithms and as a result we scored very well on privacy and robustness concerns, as well as showing negligible bias in our facial recognition algorithm. The audit raised only one minor improvement to be made with regards to bias in our facial detection algorithm, though this is not customer impacting.

**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.