

21st January, 2021

CITY A.M.

City AM Exclusive: 'Banks should deliver the same experience as Amazon and Netflix', says Ezbob CEO - CityAM : CityAM

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Ezbob CEO Tomer Guriel thinks once the government SME lending programs end, there will be "renewed lender appetite" among UK banks

After a year that was hugely disrupted by Covid-19 and the entire economy and its workforce moved online, *City A.M.* sat down with Tomer Guriel, CEO of Mayfair-based Ezbob, which provides digital lending software to some of the biggest banks and financial institutions in the City.

A vaccine is being rolled out, so the City may slowly leave this dark pandemic behind. What will this year hold for UK businesses as they build towards recovery?

The much-publicised government lending programmes have enabled banks to establish new relationships with many SMEs. The challenge now is how to deepen these relationships to drive profitability. Open Banking will continue to be further embraced by financial institutions and their customers.

So what will SME lending look like post-Covid?

There are two elements to consider when answering your question: lending programmes and the SMEs themselves. The past year has highlighted which SMEs are resilient, and which are not. Those that have shifted their business online, whether they're a restaurant, a retailer or from another sector, have benefited from a significant spike in online consumption as consumer behaviours change amidst the pandemic, and many have actually become more profitable. Online is a more cost-effective way of managing your business.

So what are the consequences?

Such businesses are in a strong position to borrow, whether the scheme is backed by the government or not. The UK Chancellor has extended the government's lending programmes until the end of March, but with various vaccines breaking through, it's only a matter of time until the likes of the Coronavirus Business Interruption Loan Scheme (CBILS) come to an end. However, digitally oriented businesses with strong fundamentals will become an attractive proposition for lenders to finance.

How will SMEs access the finance needed to fuel their recovery and subsequent growth?

Customers will expect from banks the same intuitive and intelligent user experience they get from digital leaders like Amazon and Netflix. Banks will need to up their game. For quite some time banks have been skittish about lending to small businesses due to the high total costs, estimated at £3,000 per loan. Our work with the likes of Metro Bank and Esme Loans has shown that a digital, automated solution significantly reduces the acquisition cost and can make SME lending profitable.

Once the government SME lending programs end, I think we will see renewed lender appetite among the banks

Interestingly, those SMEs who accessed the government lending schemes borrowed around £30k on average, compared with a pre-Covid average of £60-70k. I expect to see SMEs, who've proven their resilience amidst one of the toughest economic times in human history, tap lenders, close that gap, and borrow more as the economy recovers. Lenders can service this additional demand by implementing an automated onboarding process that's specifically designed to conquer such high volumes.

You just mentioned banks should deliver the same experience as Amazon and Netflix and they need 'to up their game.' So how can banks build stronger relationships with small businesses?

In 2020, banks and other lenders embarked on unexpected relationships with SMEs as a result of administering the government lending programmes. And this wasn't just in the UK but also at a global level. In the US, for example, the Paycheck Protection Program established by the CARES Act strengthened the bond between many American banks and the country's small businesses.

The challenge for banks is to grow these new relationships; the pandemic created a link via digital SME lending programmes and financial institutions must now maintain and sustain these partnerships through additional product offerings. They have a great opportunity to cater for all of an SME's needs whilst boosting their own profitability. Banks who participated in these government sponsored programs are able evaluate a new SME customer remotely and very accurately because of Open Banking data.

Banks can expand their relationship, with other products and services, based on their experience as a borrower

You've touched on digital transformation in lending. How do you see this progressing in 2021?

Covid-19 has caused banks to hit the accelerator, and we've seen significantly more progress in 2020 than anyone could have anticipated. In the past banks have been looking to implement one specific feature to unlock one specific efficiency.

Today however, banks and other lenders are hungry for holistic solutions that are automated and paperless, covering the entire user journey as well as all aspects of compliance, risk and decisioning. Highly automated digital remote lending improves the bank's operations and delivers significant value to the end customer. Next year, we'll see many more lenders using advanced lending technology for onboarding, decisioning, activation, and servicing.

So fintech is the buzzword.

Yes, it's clear that banks today have developed a lot more trust in fintech than they initially had, when we started Ezbob in 2012. Banks are happy for trusted fintech partners to provide an end-to-end digital journey, for the customers but also the bank's employees. The pandemic has shown that employees can work from home efficiently, and so banks are looking for digital tools they can implement to support remote working and unlock further cost savings as they move away from physical sites.



CEO Tomer Guriel in his office in Mayfair

Earlier you mentioned Open Banking, how are businesses and consumers engaging with it?

Open Banking was ahead of its time. It's an amazing initiative that was conceived and implemented before the pandemic and is a key enabler for digital banking transformation! In September, the number of Open Banking users in the UK passed two million, up from around a million in January [2020]. This indicates that more people and companies are becoming comfortable with it. I think that the EU's General Data Protection Regulation (GDPR) has really helped people feel confident that third parties will handle their data with care and respect.

So what can banks do to promote mass adoption?

If you consider that the last couple of years have been about raising awareness of Open Banking and finding use cases, 2021 will be the year we take the first steps towards mass adoption. I think the number of users will double, or even triple, in 2021. Further adoption in Open Banking relies on banks using open data in a more holistic way, embedding it into processes and services beyond account aggregation and payments.

Open Banking allows banks to truly understand people, and their unique circumstances

For example, in a world reshaped by the pandemic, traditional credit bureau data is no longer enough to accurately predict credit risk. Open Banking has boosted risk and affordability assessments, with the latest lending solutions capable of mining real-time transaction data and non-traditional sources, such as Amazon or eBay activity, to better inform credit decisions at a time when many people's income is fluctuating.

Finally, one more question about the user experience, since you stressed its importance earlier. What user experience trends do you think will become more prominent this year?

Consumers and businesses now expect a banking application to be just as smart and frictionless as others they've become used to, whether that's with retailers or service providers like Uber, who use data and analytics to minimise the need for customer input. Enough banks are innovating in this area to swing the pendulum and make these levels of service a basic requirement.

Instant decisions based on minimal customer and business input will also become increasingly common. This is a feature that both consumers and businesses value highly. In fact, a recent study by the British Business Bank highlighted that 'ease or convenience of application' is the number one driving force for a positive lending experience.

So less branches, more computers.

Smarter digital onboarding! In the past, onboarding was all about onerous forms and lengthy Anti-Money Laundering and Know so-called Your Client checks, but advances in machine learning and the data available in the rich Open Banking environment are combining to bring much more intelligence into the process.

A business should no longer have to wait a week or longer for a decision?

Yes, quicker, smarter auto-decisions in lending will be immediately informed by the multiple channels you engage with, whether that's paying a utility bill or data generated at point of sale. I expect that 80 per cent of lending decisions will be made right on the spot, meaning less manual work, less personal engagement and

more satisfied customers. And this will extend beyond SME lending, into asset finance, mortgages, and other sectors.

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