Giles Andrews founded Zopa, the peer-to-peer lender, eight years after his MBA.

When Giles Andrews launched Zopa, the world’s first peer-to-peer lender, eight years after his MBA in 2005, he could not have predicted the industry’s rapid growth.

A niche of the nascent fintech sector, P2P platforms have pumped £4.4 billion into the UK economy over the past decade.

The financial crisis ensured borrowers turned to alternative forms of finance as bank loans dried up. A wave of new lenders have emerged, which are stealing market share from incumbents with slick digital business models.

The advantage start-ups have is that banks are saddled with legacy IT systems, says Raghu Rau, professor of finance at Cambridge University’s Judge Business School.
Zopa was the first, but several new entrants have made waves in the P2P space, such as Funding Circle, Prosper, and Lending Club — the latter duo established by graduates of top business schools Wharton and HEC Paris.

The once-novel idea of matching consumers and borrowers using algorithms has gained mainstream appeal as consumers, investors and banks rush to a new generation of financial services players.

“Zopa has established itself as a trusted and mainstream service,” says Giles, executive chairman of the venture that has facilitated more than $1 billion in loans to more than 150,000 borrowers.

He launched the London-based company, which has 165 employees and has raised $56 million in equity funding, after a year at INSEAD, the business school spread across France, Singapore, and Abu Dhabi.

Some of his peers have followed suit, exploring fintech start-ups in areas like currencies, transfers and investment management, according to Campbell Harvey, finance professor at Duke's Fuqua School of Business, whose students are forming blockchain ventures.

At MIT Sloan School of Management, Antoinette Schoar, professor of entrepreneurial finance, says: “A number of students are launching start-ups in fintech, from peer-to-peer lending to roboadvisers.”

Many are trying to shake-up traditional financial services players with innovative technologies and cheaper services. “We look to disrupt the existing banking model,” says Taavet Hinrikus, co-founder and CEO of TransferWise, the peer-to-peer money transfers business.

He launched TransferWise in 2010 — the same year he graduated from INSEAD's MBA — with Kristo Käärmann, after frustrating experiences trying to send cash from London to Estonia, their home country.

Since then TransferWise has become arguably London's hottest fintech start-up, with $90 million in backing, including from Silicon Valley venture fund Andreessen Horowitz and Citigroup's former CEO.

"Actions speak louder than words and there is no more apt an action than this to show just how ripe financial services are for disruption," Taavet says of the cash injection, valuating the company at about $1 billion.

The UK capital has emerged as a fintech hub, securing almost a quarter of all investment raised by London-based tech companies, according to London & Partners. “London is positioning itself to be a global leader in fintech,” says Andrei Kirilenko, director of the Centre for Global Finance and Technology at Imperial College Business School.
Another venture electrifying London’s fintech scene is WorldRemit (https://www.worldremit.com/), a cash transfers business valued at about $500 million, which enables around 400,000 transfers each month.

Ismail Ahmed, its co-founder and CEO, says WorldRemit removes the friction associated with “old-fashioned” money transfer services. “Sending from a smartphone or computer enables people to transfer money 24/7,” he says.

WorldRemit raised $45 million this month, led by the likes of Silicon Valley Bank, bringing the total pot to nearly $200 million. But the company’s initial cash call came from London Business School (http://www.businessbecause.com/london-business-school-lbs/news)s network, where Ismail earned his EMBA, in 2010, and incubated the start-up.

“It was with the help of super-angels in the school network that we could raise the $7.5 million in seed funding needed to start,” he says.

The business school network proved powerful for Daniel Macklin, co-founder and vice president at SoFi (https://www.sofi.com/), the online student loans provider that is valued at around $4 billion.

About 40 investors took part in an early fundraising round — and every one was an alumnus of Stanford University, where Daniel and three co-founders — Mike Cagney; James Finnigan; Ian Brady — founded the company, while in the Graduate School of Business, in 2011.

“Business school gave us that advantage to be able to develop and incubate an idea in a safe environment,” says Daniel, who cut his teeth at Standard Chartered Bank.

SoFi has since grown to have more than 500 employees and 90,000 users, who have received more than $6 billion in loans.

The company is headquartered in San Francisco’s Bay Area, which is luring entrepreneurs who want to launch or join fintech companies, according to Adair Morse, assistant professor of finance at the nearby Haas School of Business (http://www.businessbecause.com/university-of-california-at-berkeley-haas/news).

When Nick Hungerford graduated from Stanford with an MBA in 2010, however, he chose London as the location to found his fintech start-up, a year later.

Nutmeg (http://www.nutmeg.com/) offers an online, low-cost wealth management service. “For 300 years rich people have had two choices: give your money to someone else to manage; or do it yourself,” Nick says.

But now, a “wave of companies has come along and said there is a third way,” he says, combining the services offered by institutional wealth managers with a “DIY” digital approach.

Rejected 50 times before securing investment, Nutmeg raised around $40 million in funding from investors including Schroders, Europe’s second largest asset manager, and London VC firm Balderton Capital.
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