

UK P2P pioneer Zopa exits space to double down on banking services

Article

The news: Zopa will wind down its peer-to-peer (P2P) business after 16 years of operation, and its banking arm will buy the P2P retail loan portfolio from investors.

More on this: CEO Jaidev Janardana outlined negative investor sentiment toward P2P lending and tighter regulations as key driving factors behind the decision.

- The economic turmoil induced by the pandemic led investors to cash out, and several large players **shuttered**, like **Growth Street** and **Fitzrovia Capital**. Janardana felt this significantly damaged the reputation of the industry.
- Janardana also noted stricter regulation since 2018 squeezed margins, which would also have had the knock-on effect of lower investor returns in the long term.

The initial success of Zopa's banking business also likely encouraged the fintech to sunset its P2P operations.

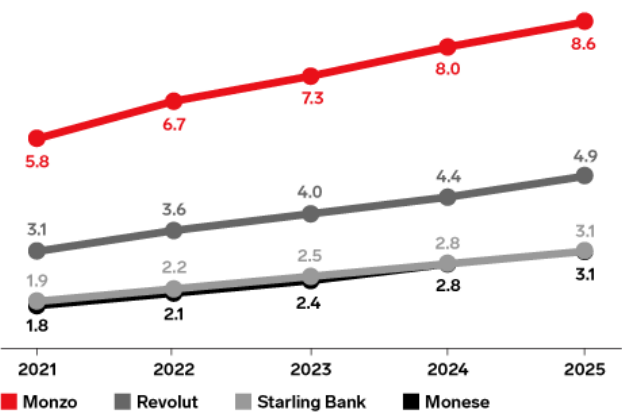
- Zopa has attracted **£675 million (\$865.6 million) in deposits and doled out 150,000 credit cards** since attaining its banking license in December 2019.
- In addition to loans and credit cards, the fintech offers fixed-term savings accounts.

What's next? As Zopa completes its evolution into a neobank, it enters a competitive landscape in which other UK players are awash with funds and have larger customer bases—but its near-term profitability indicates its differentiated focus is paying dividends.

- While substantial, Zopa's **October £225 million (\$228.5 million) fundraise** is less than **Starling's \$376 million in March** and **dwarfed by Revolut's \$800 million in July**.
- Zopa's **UK customer base of 500,000** also trails behind the likes of **Monzo** (5.8 million), **Revolut** (3.1 million), and **Starling** (1.9 million), **per** a 2021 Insider Intelligence forecast.
- Yet Zopa says it is approaching profitability by year-end, indicating that its focus on savings accounts, which creates the capital to finance its personal and car lending operations, is paying off. Lending generates better returns than checking accounts, which make up the bulk of the other large UK neobanks' customer bases.
- And as Zopa plots a late 2022 IPO, its business viability makes it stand out from competitors, and backers might flock to invest as other **neobanks** toil to attain profitability.

UK Neobank Account Holders, by Company, 2021-2025

millions



Note: Individuals who have at least one account at an FSCS-backed, digital-only, full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps, or over the phone

Source: Insider Intelligence, May 2021

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