

Starling does first acquisition with £50M deal for Fleet

Article

The news: For its first acquisition, UK neobank **Starling Bank** has chosen **Fleet Mortgages**, a specialty lender to buy-to-let landlords. The [deal](#) is for **£50 million** (\$64.1 million) in a mix of cash and stock. Starling is making a big push into the lending segment by tying in with a subsidiary with strong financials:

- Fleet hasn't had a credit loss in its seven-year history, and has originated a cumulative **£2.3 billion** (\$2.95 billion) worth of mortgages. The company conducts its lending activity exclusively through mortgage adviser distribution channels.
- The lender is set to have a strong 2021, with **£4 million** (\$5.1 million) in pre-tax profits at the half-year mark and new mortgages at **£800 million** (\$1.03 billion), Bob Young, its CEO, said in a statement.

Fleet will continue to operate autonomously on a day-to-day basis and keep its current management team, according to Anne Boden, Starling's CEO.

More on this: Starling has a new way to put its deposit base to work—it stood at **£5.8 billion** (\$7.44 billion) as of March 31, 2021—as the neobank will become Fleet's sole funder.

Starling's acquisition is a milestone in its plans to build out lending operations, which involve mergers and acquisitions, organic lending, and forward-flow arrangements.

The deal with Fleet also marks the beginning of Starling's presence in mortgages as an asset class, Boden said in a statement.

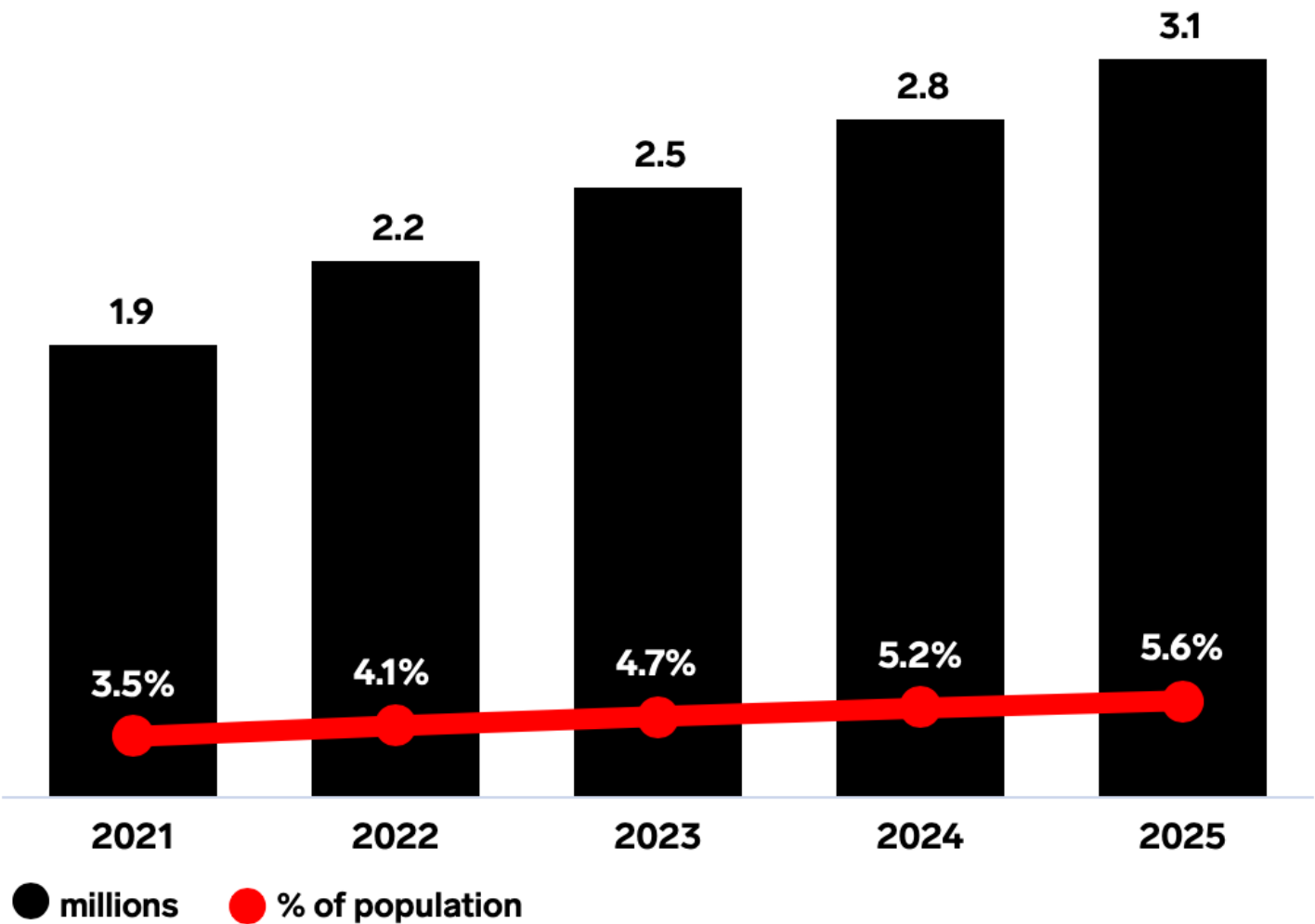
The opportunity: Starling can also use its deposit base to cross-sell its new subsidiary's mortgages to consumer account users, including those who may be landlords and in the future—if the unit expands beyond landlords—to other customers.

Adding Fleet's mortgages also boosts Starling's bottom line: The neobank disclosed that it started bringing in a monthly profit in October 2020 and is aiming for annual profitability.

The mortgage space also gives Starling a presence in a market where there aren't as many neobanks—Starling's chief neobank rivals **Revolut** and **Monzo**, for example, don't operate there. However, Starling could eventually end up competing directly with Atom Bank, which does cater to borrowers, including new buyers.

Starling Bank Account Holders and Penetration

UK, 2021-2025



Source: eMarketer, May 2021

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