Financial Inclusion TechSprint (May 2024) video Transcript.

Team 3 – nestegg

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I'm the co-founder at nestegg. I'm joined today by my fellow cofounder Ben Breen, and we bring a unique combination of experience. And I've been working in money, Advice and credit union since 1996. And Ben's been shipping and building software for more than three decades.

So there was this philosopher back in the 60s called Mick Jagger, and he basically once said that you can't always get what you want, but sometimes if you try, you might just get what you need. Well, maybe the stones were wrong.

So we've spoken to hundreds of borrowers about borrowing. They all wanted to speak to us about saving. Borrowing wasn't the goal. Saving was the goal. Borrowing was an end to justify their means. So people wanted to save, but they needed to borrow. And we know 9 million people are being declined. And what we found is a lot of this is almost what you might call faultless declines.

So it's a product qualification. I go to the bank, I haven't got £500 loan product for you. So you're declined or you've got a lower credit score. Well prove me wrong. People on low incomes do not have good credit scores and people have got a thin file and they enter a catch 22. I've got a thin credit file. I can't access credit. I can't access credit because I gotta think credit file and three million people are ending up with these guys, which is interestingly 3 times more than actually end up with a legitimate lenders. And that's where we come in to try and prevent people using those super high cost lenders.

So Nest Egg is the credit broker with a conscience. We are 100% focused on community based savings and loans and we work exclusively with credit unions and they have this unique thing called a save as you borrow loan. So when you repay your loan, a proportion of your loan repayment is paid into a savings account. So at the end you've built yourself an nestegg and this is one of many nudges to changing behaviours that improve financial resilience. And this inclusive approach to credit has this community responsibility. You're borrowing from your local community and you're more likely to repay. In fact, the default rates and credit union loans are only 1/3 of that you'd expect from the banks for people with similar credit scores.

And what a huge opportunity. 95% of people do not use community finance. And this is where we come in. So nestegg built a broker platform. We stood in the middle and we have a decision engine using credit data and open banking data blended together.

We have decisioned a billion pounds worth of loans so far outside of the broker platform for 40 lenders and for applicants, the service is completely free and the applicants are super vulnerable. So the Financial Lives survey, for example, found that 47% of people with low levels of financial resilience lived in rented accommodation. 75% of nestegg users live in rented accommodation, 2/3 of nestegg users live in the top 10% most deprived areas compared to four in 10 for the Financial Life survey. And overall incomes are very low from these borrowers. And the impact of going to one of our credit union partners is huge. 65% of people report a transformative impact in terms of their financial situation and what we might call the debt to savings ratio really improves.

What do I mean by that? Well, I mean after five years of membership in a credit union, if you have £1000 on average you've got £500 in savings, You've built yourself a nest egg, which means your long term need to borrow greatly reduces and eight in 10 report a positive impact on their financial well-being. So what's going on with this map? This is a map of one of the clients on the broker platform, the red light. The red areas are the top 10 most deprived wards in the UK and the slightly darker brown are the savers. You borrow loans that have been issued and in those communities, those individuals have saved £11 million.

So maybe, Mick, you can get what you need, but also what you want.

And this is where nestegg comes in. So we are currently in right at the beginning of the TechSprint, we started a proof of concept with Lloyds Banking Group, people land on our website depending where they've come from and we begin by loan matching them. So this is a process where we match them with a lender. As I mentioned, credit unions have this geographical remit and we asked him a series of questions. Now those questions are absolutely minimised. We do not share the data with anyone else.

We explain their reason for every question being asked in order to have this privacy by design and a lender in our dashboard can go in and just alter their criteria for who can join that credit union in a few minutes. We then match the lender and we find the loan products and in this particular case we kind of rank the products according to the lowest cost 1st and the highest likelihood of being accepted and a lender can bring a product to market in minutes.

Set the interest rates, decide what data to use. Open banking, credit reference agency, blend it together. Set the interest rate, set the decision criteria and an applicant can really easily track their application once it's submitted. And this is, as I said, a combination of open banking and credit data to get more accepts where they're previously might have been declines.

But of course, not everyone is suitable for a loan. So people are declined, but our decision engine knows exactly why you've been declined. So for example, if you've been declined because you've had a default, we will tell you you've been declined because you've got a default and we'll tell you what you need to do about it. So every decision engine code, if you like, has content and advice and tips linked to it.

But of course some people won't be suitable for credit. We have a built in benefits and tax income maximisation service and we refer out to others, other organisations that can support vulnerable individuals and for the banks and other financial services that are referring to us. This is big on consumer duty. It's a positive decline journey for people who are being declined, avoiding high cost credit. And importantly, 29% of people who get declined say they want help and information on finding an alternative source of credit.

So let's take a look. So we're borrowing £1000 over 18 months cut. Long story short, credit union compared to the high cost credit, not the loan sharks, it's an even greater saving there. But according to a credit union versus a high cost creditor, it's about £500 saving.

So what do we want? So we are, we've got 40 responsible lenders we're bringing on to this broker platform. We have an opportunity for five other referring organisations, for example, to send us half a million applications. Our partner lenders will make 50,000 loans worth £75,000,000 and they'll save £25,000,000 in interest. And almost all of that benefit will go into the top 20% most deprived regions in the country. And this is the next step. This isn't the actual potential market that's much greater.

9 million people forget this is the next step we want to go to in our journey.

So with nestegg, referring to credit unions, accessing savers, you borrow schemes, maybe you can get what you want and what you need.

So thank you for listening.