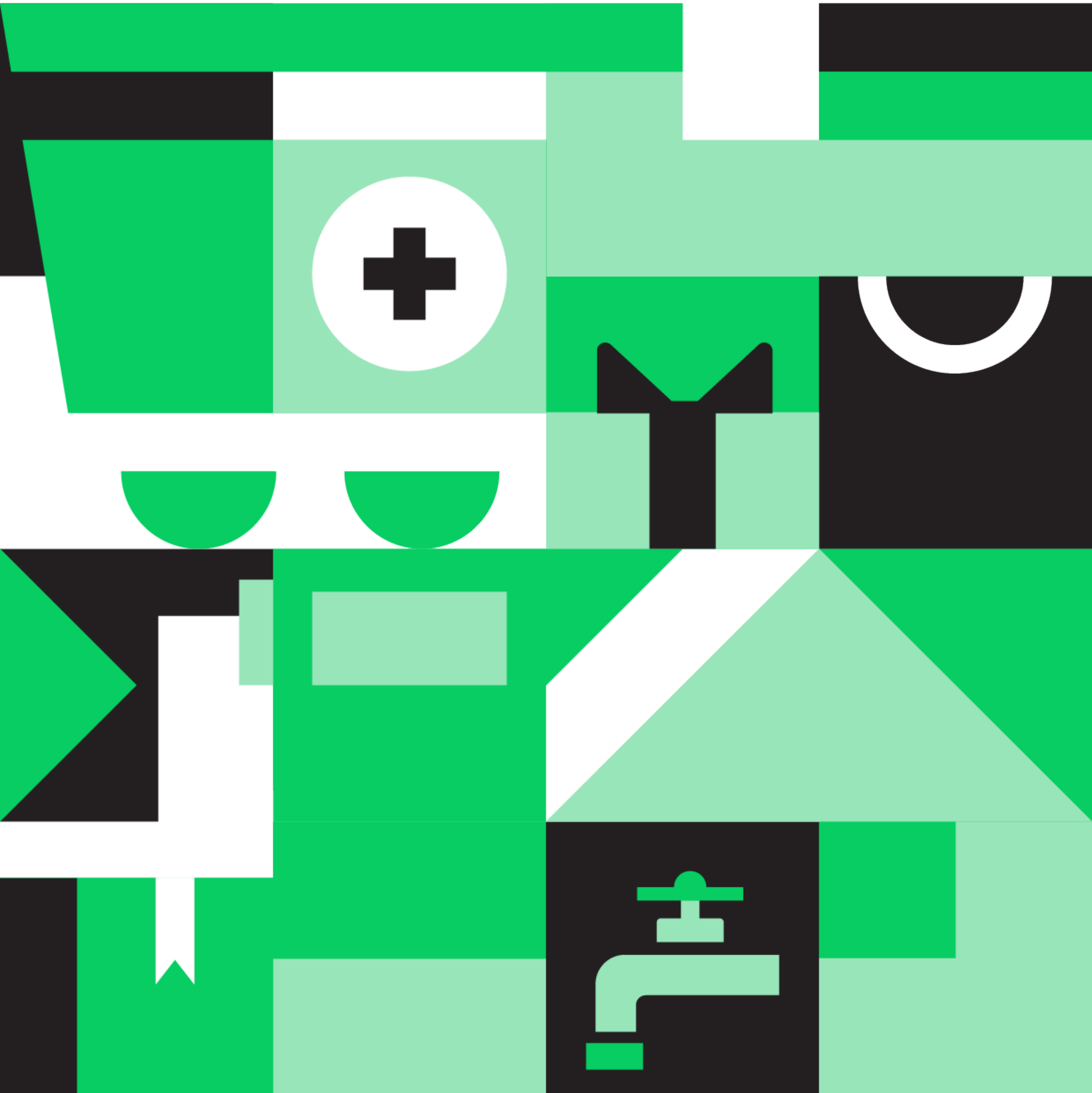
netguru

# Payday Startups

Expert report 2019



# Table of contents

# Expert's opinion

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*The UK is currently facing a huge amount of economic uncertainty because of Brexit turmoil, which unfortunately means that the current trend of low wages and rock bottom inflation will continue. This in turn will unfortunately push UK workers towards high cost credit options in order to make it through the month. As a result, I expect that the payday loan market will keep growing unless the government does something drastic to tackle these issues.*

*It's a travesty that the payday loan industry is as large as it is. High cost credit is used by over 3 million UK consumers. The average payday loan amount is £250, and when fees are applied the amount repayable shoots up to £413 - that's 1.65 times the average amount borrowed. This creates a vicious cycle where people take out a loan to last the month but are then hit with astronomical fees which push them deep into a black hole of debt.*

*Thankfully, there are now alternatives that can prevent workers from having to fall back on these predatory options. Income streaming technology like Wagestream enables businesses to pay their employees flexibly. This means they can access a portion of their earned income rather than having to fall back on a loan. This is actively helping people out of debt. The next evolution of our tech - Savestream - will also allow workers to stream their earned income directly into an in-app savings account, forming lifelong smart financial habits.*

*It's important that consumers are always wary of any company that is loaning money - there are now a new generation of pay day lenders masquerading as financial wellness solutions but are in fact just increasing the debt burden on UK workers. We should be clear that any business which offers debt as a financial wellness solution is part of the problem. Debt prevention if the solution.*

Peter Briffett, CEO and co-founder, Wagestream

# Executive summary

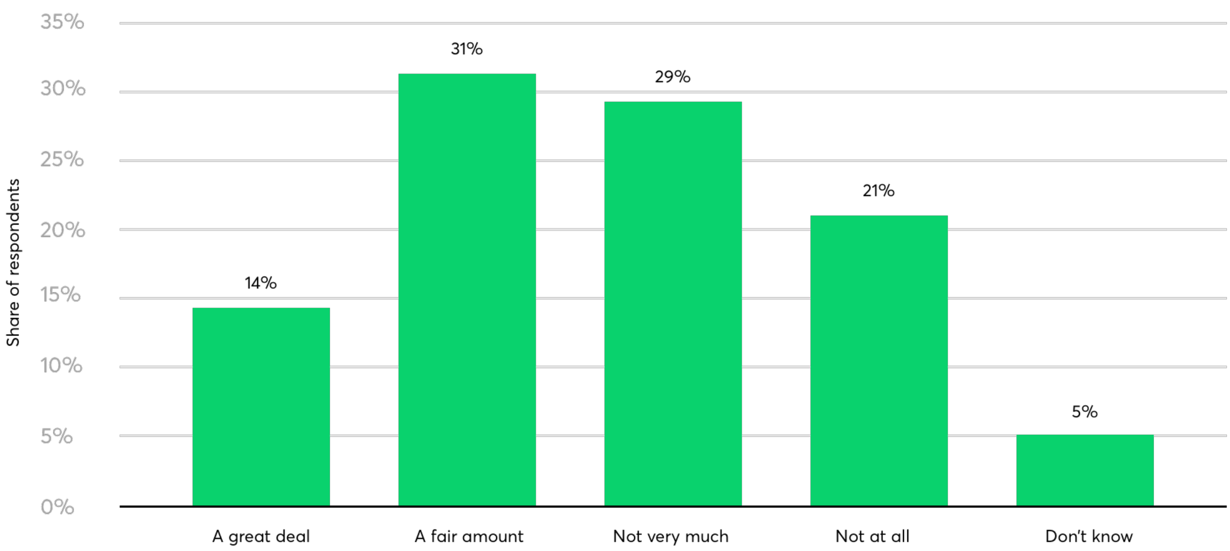
- Almost **74% of people in the UK** are worried about unexpected expenses on a daily basis;
- **83% of payday loan customers** have taken out a loan online - and this number is still growing;
- The **number of payday lenders** has reduced following the introduction of the price cap regulation by the FCA. At the same time, it opened a **chance for financial companies** to enter with alternatives such as payday startups - fintech, digital products;
- One of the most popular alternatives to payday loans are **payday startups**. The major focus of payday startups is to address **timing for pay periods** to close the gap between income and user needs;
- **Growing employment and the number of businesses** on the market is an opportunity to create more employee-centered B2B and B2C solutions;
- **Financial education** is very important to reduce over-reliance on short-term credit to cater for living and emergency expenses;
- While the current payday startups market is mostly US-oriented, **the UK market still has plenty of growth potential**;
- Most existing fintech products help users manage their finances in advance, plan their budget, and pay bills online. **This engages users** and increases retention.

# About the report

The economic state for the UK remains difficult. While rate of unemployment is one of the lowest in Europe, many people still receive low wages and real wages are lower than a decade ago.

Changing the structure of work and employment arrangement led to people having non-stable incomes while having to deal steadily growing costs of living. What's more, almost 74% of people in the UK are worried about unexpected expenses on a daily basis.

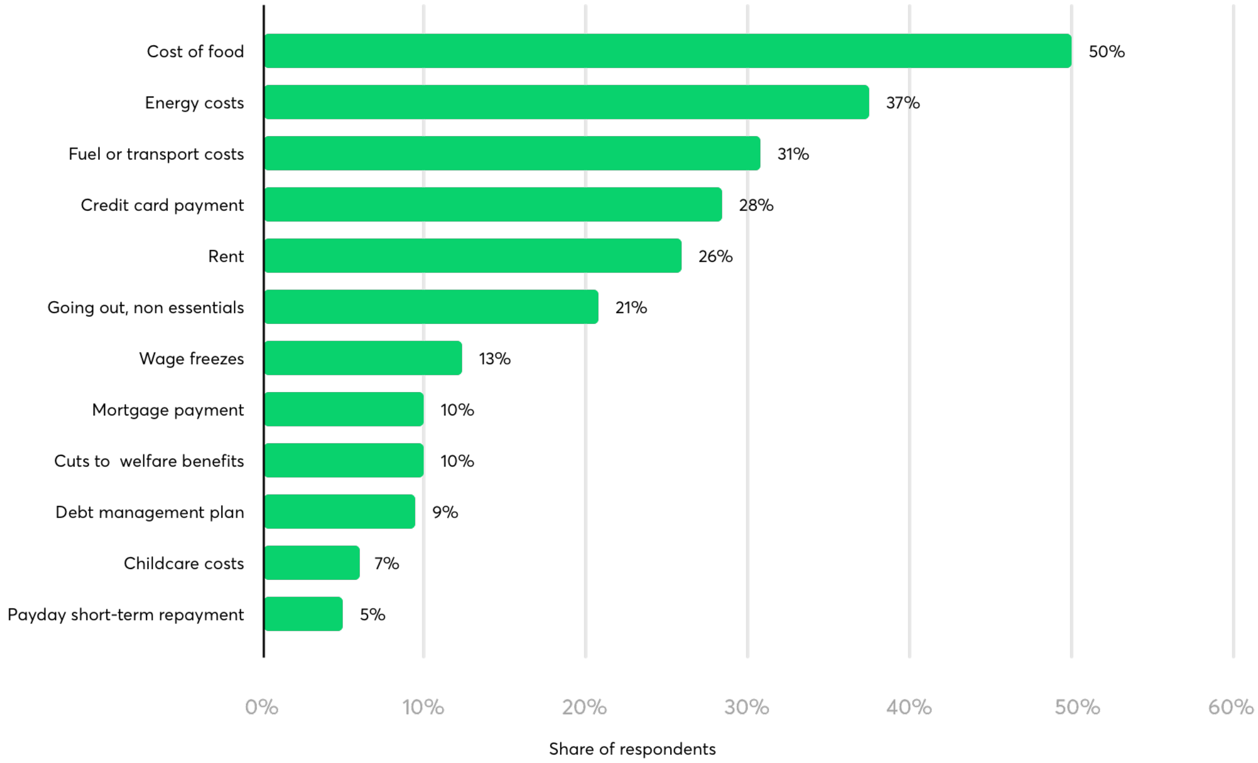
### To what extent are you worried about unexpected expenses?




### Most people in the UK pointed out the following items as the ones they struggle with the most before payday:

- Cost of food
- Energy costs
- Fuel, transport costs and credit card payments
- Rent

## Leading up to payday, I struggle as a result of...




For many people in the UK, payday loans have become a source of emergency income to cover unexpected expenses in recent years, becoming increasingly popular at the same time.

Despite all of its drawbacks, **the payday market is growing rapidly**, and so are the **new payday providers** and **alternatives such as payday startups** trying to make these services smarter, more instant, and better suited to the consumers' needs.

**We decided to explore** how we can enhance the related experience and **make payday loans better**. Find out what makes users take a payday loan, their behaviour, as well as how they plan, spend, and save their income.

Our report includes analyses of third-party research and our own research based on comparison of market leaders, trends and offers, as well as demographic and behavior analysis. Additionally, we conducted an overview of government loan reports from the UK.

The main sources for the data in the report were UK Payday Investigation Report and Statista's reports, but we also looked at results from other studies:

- Payday Loan Startups Companies Overview
- Payday loan statistics
- CB Insights Fintech Report Q1 2019
- Other articles and publications

We believe this report will bring valuable insights to fintech companies, help them look into the payday loan industry and discover new directions to develop payday startups, which will translate into a better understanding of the users' needs and increase their income.

# Part I: The current state of payday loans

## What are payday loans

Payday loans are short-term, unsecured credit products, which are usually taken out for 12 months or less. The average loan size was noted as £260 and nearly all payday loans are for £1,000 or less.

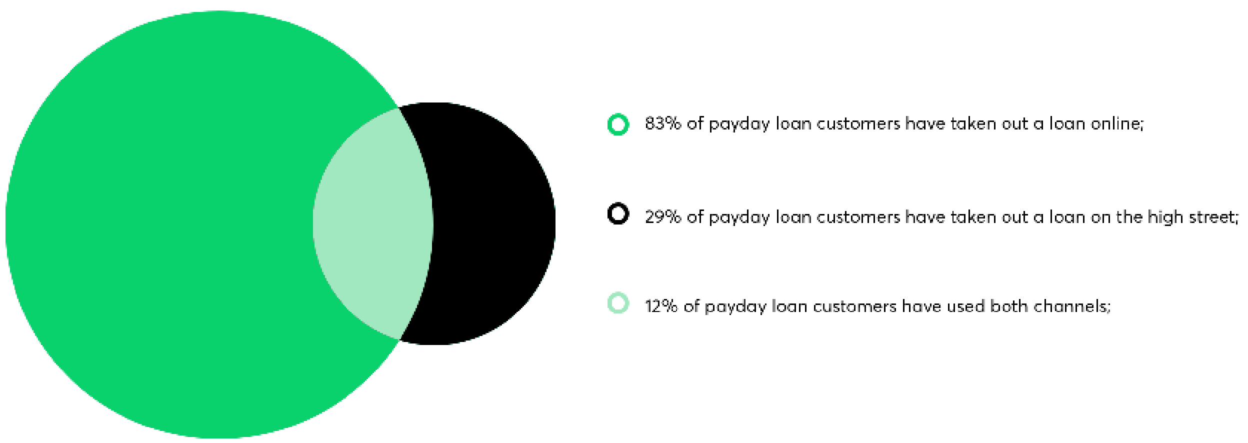
Within this definition a variety of products are offered, including traditional payday loans repayable in a single instalment and longer-term loans where the loan is repaid in a number of instalments over several months.

**There are two ways of taking loans:**

- **High street** - requires customers to visit a retail store;
- **Online** - requires customers to visit a lender's website.

According to UK Payday Investigation Report (CMA), 83% of payday loan customers have taken out a loan online and 29% of customers have taken out a payday loan on the high street.

What is more interesting, the average amount borrowed on the high street (£180) was much lower than that borrowed online (£290).



## Payday market in the UK

The payday loan market grew rapidly between **2008 and 2012** According to UK Payday Investigation Report (CMA), the **total payday loan revenue was around £1.1 billion**, with lenders issuing approximately 10.2 million payday loans worth £2.8 billion.

In 2018, the payday loans industry was worth an estimated £220 million in the UK, down from around £2 billion quoted in 2013. The industry valuation is based on 760,000 loans funded in 2017 according to the BBC and an average loan value of £300, equalling to £228 million.

## Payday lenders in the UK

There were around 200 payday lenders offering loans to UK customers as of October 2013. However, the market has been more concentrated than this figure might suggest, with the three largest lenders (CashEuroNet, Dollar and Wonga) accounting for around 70% of total revenue generated from payday lending in the UK in the financial year 2012 and the ten largest lenders accounting for more than 90% of the total figure.

There are currently around 40-50 payday lenders in the UK, which is around 20% of the 200 lenders that traded in the UK in 2013 and 2014.

## Game-changing payday industry

The above shows that the payday loans industry is worth less than a couple of years ago which has caused many companies to exit. This is a good sign for customers and fintech companies.

What's more, in the last 5 years new alternatives became available. This includes the use of peer to peer loans, guarantor loans, and other fintech financial products.

Furthermore, individuals are able to sell and buy goods more easily online through e-commerce marketplaces. We are definitely moving towards a better regulated and safer payday loans industry.

*You'll see the payday loan businesses suffer because of the rise of the daily pay benefit offered through employers. This model is far safer and more cost effective than the direct to consumer products that will debit an employee's bank account and market directly to the consumer. I think we'll find more market entrants who do both, but again, employees will drive this demand for a daily pay benefit and will force companies to offer it to stay competitive. This, in our mind, is the future of pay. Companies will be seeking solutions that are compliant everywhere, pose the least amount of risk and internal resources, and finally are simple to use.*

Jason Lee, CEO and Co-founder at DailyPay

## Key problems

While the industry is still changing, we pointed out a few issues that still lead to a negative perception of payday loans. A report (PDF) from health education charity the Royal Society for Public Health, found that payday loans are the most unhealthy form of credit.

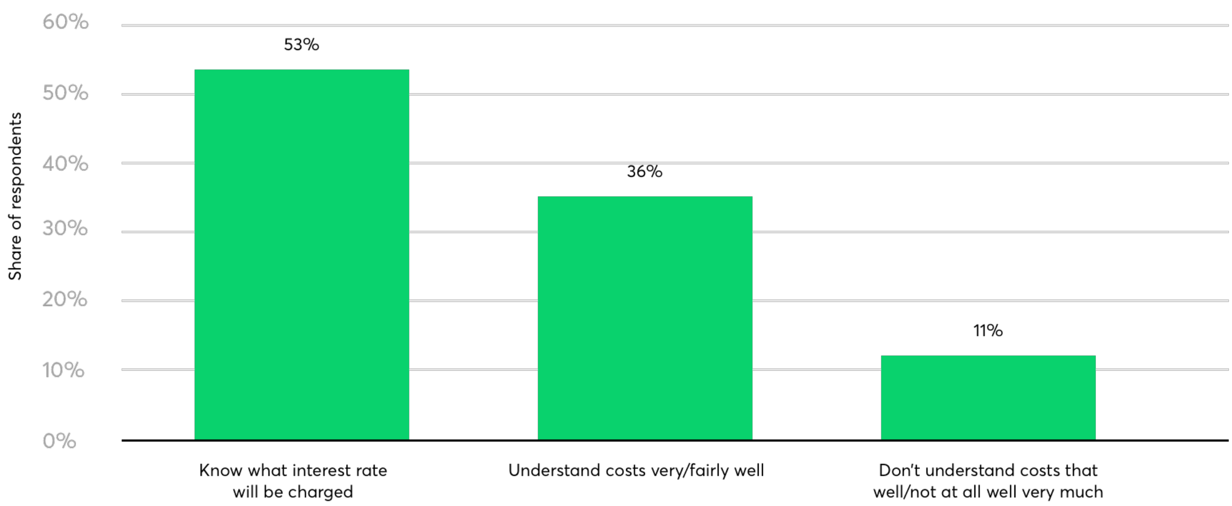
### High interest rates

One of the main problems are their extremely high interest rates. Payday lending market investigation numbers show that the prices of payday loans used to cluster around a headline price of £30 for a £100, month-long loan. Repaying money at high interest rates is the main cause of payday loan debt. Around 48% of respondents to ComRes's study have current debt for payday loans.

### Poor consumer's knowledge

Another crucial pain point is lack of general knowledge and low understanding of loan charges. among consumers Only 53% of people living in the UK are aware of the additional costs.

### Level of understanding loans costs



## Problems with repaying loans

According to StepChange (2017), a significant majority of unsecured debt for the average person in the UK comes from personal loans. Only 64% of payday loans issued in 2012 were repaid in full, either early or on time.

Payday lending market investigation indicates that online customers are more likely to repay loans in full on time than high street borrowers. What's more, customers used to be confident about their ability to repay the loan by the agreed date. However, a significant minority of customers (17%) reported having found getting money to repay their loan to be far more difficult than they had expected.

This is especially true for consumers who:

- had previously taken out payday loans in order to pay off debts to other payday lenders;
- had a poor understanding of financial terms and conditions;
- had been refused loans before;
- had experienced debt problems in the last five years.

> "
>
> *The biggest issue with payday loans is that they require a person's bank account information in order to debit for repayment of a loan. This can cause a person to overdraft their bank account and cause further financial stress for that individual. The much safer thing to do is to offer access to earned wages through employers so that employees can safely repay advances on payday without being put in a bind.*
>
> Jason Lee, CEO and Co-founder at DailyPay

## Demographics and consumer behavior

Despite all of the drawbacks of payday loans and their unclear conditions, people still borrow money on such terms. The main reasons behind it are that it is a fast and easy way to get emergency funds, minimum document requirements, and the ability to take a payday loan even with a bad credit score.

CMA profiled a characteristic of a payday loan and borrowers through the analysis of their loans data.

**£260**
Avarage loan size

**£100**
Single most common amount borrowed

**3 in 4**
Customers take out more than one loan in a year

**6 loans**
Numbers of loans an average takes out in a year

## Demographics

Figures show that people are more likely to take out a payday loan if they are unmarried, between 25 and 30 years old, living in rented accommodation, and on an income of under £1,500 per month.

Based on demographic analysis by UK Payday Investigation Report the incomes of consumers that take a payday are ranged between:

- 36% of all payday loan consumers had a net household income of less than £18,000;
- 37% of consumers had a net household income of £18,000 to £36,000;
- 28% of consumers had a net household income of greater than £36,000.

The median net individual income for all payday loan consumers (£15,600) was lower than the national median (£17,100).

Nevertheless, the median net individual income of online customers (£16,500) was only slightly less than the national median whereas the median net income of high street customers (£13,400) was significantly less than the national median.

## Persona of the borrower

Payday loan customers were more likely to be male and in full-time work than the population as a whole, to be younger than average, and to live in larger households.

Payday lending market investigation studied whether payday loan customers had experienced any credit or financial problems within the past five years and the numbers are surprising. Around 38% of customers reported that they experienced a bad credit rating and 35% had made arrangements with creditors to pay off arrears.

In total, 52% of customers reported having experienced one or more of these debt problems in the last five years.

**25 to 30**
Years of age

**Single**
With or wihtout dependent childern

**Employed**
Or unemployed but seeking employment

**Tenants**
Either in private rented accommodation, housing associations or council tenants

**On low income**
Household income of less than £1,500 per month

## Why do people take the loans

Around 53% of people living in the UK stated that they had used the money for living expenses (such as groceries and utility bills), 10% said the money related to a car or vehicle expense, and 7% said general shopping, such as clothes or household items.

According to the Payday lending market investigation, when asked why they needed to take out a payday loan, 52% of customers said that the loan was linked to an unexpected increase in expenses or outgoings and 19% said the need was due to an unexpected decrease in income. 93% of those who said their need was due to a change in financial circumstances thought this change was temporary whereas 5% expected the change to be permanent.

Another reason is the gap between paychecks and bills, which usually come separately. As an example, a consumer gets their paycheck at the beginning of the month, but bills come at the end of the month. The difference between a paycheck period of 35 days increases financial issues in 9% more cases than a paycheck period of 28 days. It creates an additional effort to manage one's budget in advance (Techcrunch, 2018).

"

*Payday loans have a problematic history associated with predatory targeting of low-income consumers and lack of transparency, causing consumers to sign up for more than they can handle. They're focused on lending to desperate users who tend to spiral into greater debt because they're paying back both the loan and the high interest rate they've been charged, which can sometimes lead users to paying more than double the original loan amount. Consumers who have to rely on a payday loan are often just trying to meet daily needs and expenses but have turned to payday loans as a last resort. We found that among users who needed instant access to money, nearly 67% just used it for groceries and 58% used it to address emergencies.*

Atif Siddiqi, Founder and CEO of Branch

### Reasons why do people take loans

52% unexpected increase in outgoings

29% other reasons

19% unexpected decrease in income

# Part II: Alternatives to payday loans – payday startups

Whilst the diagnosed consumers' needs are still valid, especially so in the current 'instant' society, companies address their solutions to those who are facing financial issues on a daily basis.

Because of the many drawbacks and the negative perception of payday loans in the past, the fintech industry discovered its niche, an alternative for classic payday loans - **payday startups**.

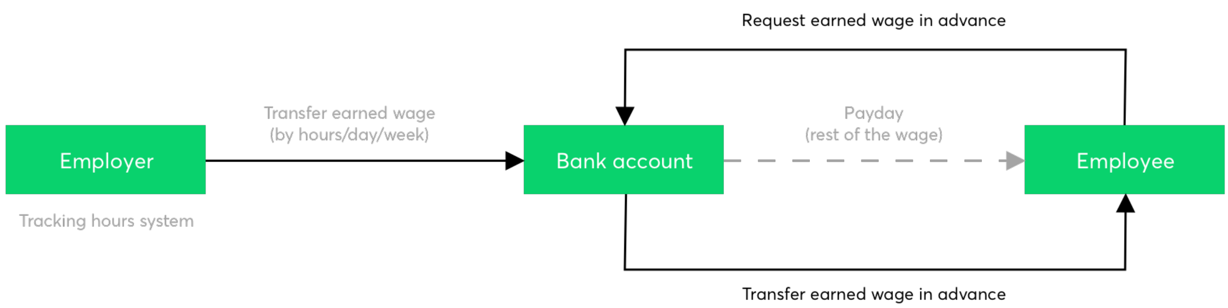
This is a new process of getting a payday loan with an updated flow and additional participants. What is the most important - and opposite to payday loans - the new approach does not have unclear conditions, high interest rates, and a negative credit score impact.

## Employee-centered business model

The new model of **Earned Wage Access** (EWA) engages employers in the loan process. The major focus of payday startups is to address the timing of pay periods in hopes to close the gap between income and user needs.

The strategy of involving employees and employers in the lending process translates into a closed system of interactions between participants. (graph)

## Earned Wage Access flow



For even better understanding of the model, PayActive's learnings (one of the most popular payday startups) highlight what  what drove companies like theirs to issue a Bill of Rights on employee financial wellness:

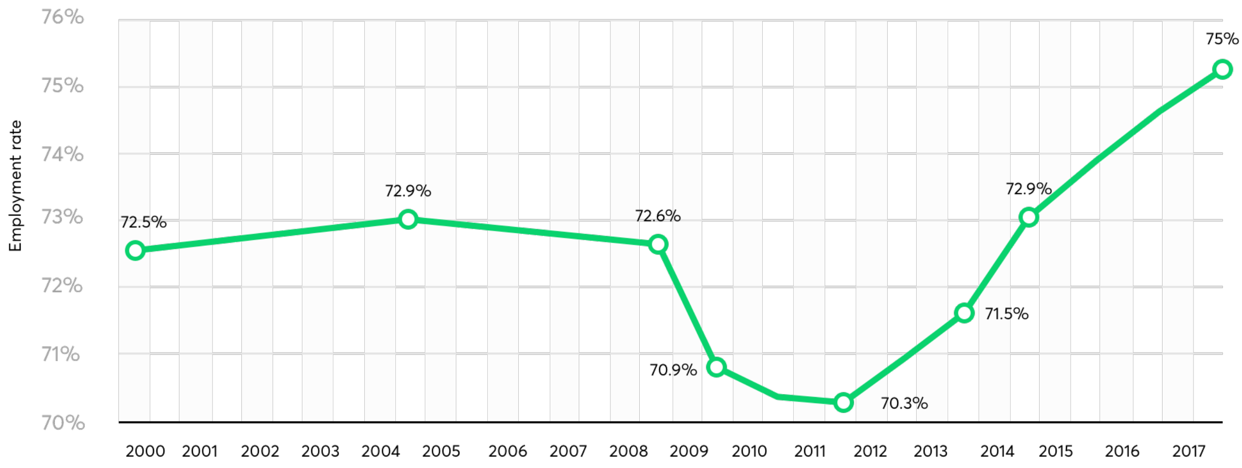
> *Once earned, **wages should be accessible.***
>
> *Access to earned but **unpaid wages must be affordable** and free of traps.*
>
> *Access must include financial **counseling and control,** as well as guardrails.*
>
> ***Banked or unbanked**; everyone must have the ability to get funds, pay bills, and participate in online commerce.*
>
> *Access to funds **must not require** opening **a specific bank account** or restricted to proprietary debit/prepaid cards.*
>
> ***Everyone**, employees and employers, **deserves the happiness** and well-being real financial health provides.*

## Market overview

Identifying these problems and possibilities resulted in the rise of fintechs which have changed the market significantly.

One of the most important factors that changed the market is the growing employment rate. According to a study by Office for National Statistics (UK), the employment rate in the UK has been significantly growing from 2000 to 2018.

### Employment rate in the United Kingdom from 2000 to 2018



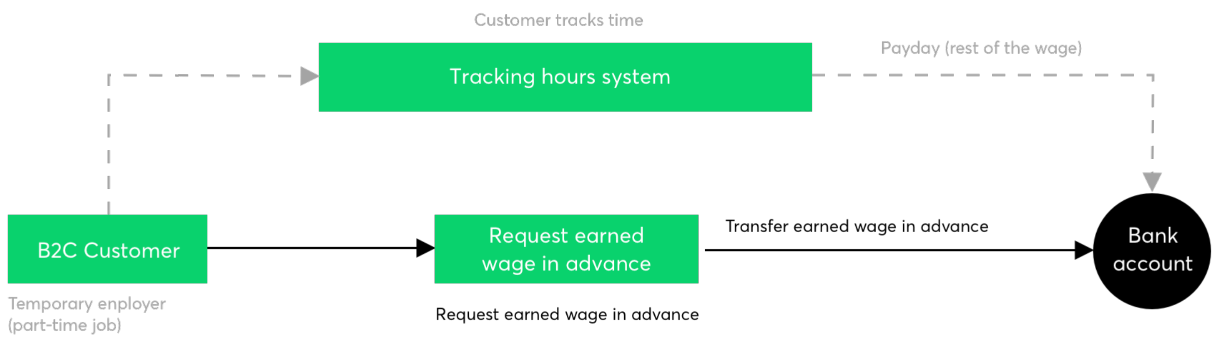
The second factor is the growing number of businesses. It is estimated that there has been a 63% increase in the number of business since 2000.

These two main factors have totally changed the perception of the target audience of payday startups and created a solid background for developing more B2B and employee-centered solutions focused on integration between the employee's bank account and the employee's wage. These are able to replace payday loans and high street loans with a solution that is more beneficial to the end consumers.

Another new market discovery is B2C solutions, which imply a slightly different approach. According to Office for National Statistics (UK), there were more than 8.5 million part-time workers in the UK in May 2017. This group of consumers has an irregular wage schedule and no permanent place of employment. The approach aimed at them provides a direct connection to their bank account and deducts the loan amount after the actual payday. (graph)

> **There has been a 63% increase in the number of businesses since 2000.**

### Payday loans with end-users B2C flow



# Main players

## UK:

### Wagestream

Wagestream is on a mission to end in-work poverty, eradicate payday loans, and destroy the 'Poverty Premium', whereby people on low incomes pay more for a range of essential products and services such as insurance, energy, and credit. Wagestream is doing this by short-circuiting the monthly pay cycle — an antiquated monthly windfall that forces workers into the hands of payday lenders and other high-cost lenders when they approach the end of the month or face unexpected expenses.

## WORLD:

### Earnin

Earnin integrates with the user's bank account, provides immediate cash in advance, and deducts the amount user cashed out after payday. Instead of fees, users can leave tips and support Earnin.  Earning also automatically suggests income timing for its users.

Earnin has 516,292 monthly app downloads. It is also the most downloaded app in the segment. (based on Crunchbase).

### DailyPay

Integrating payroll and tracking systems, DailyPay helps people bridge the mismatch between income and bills. The main trend in payday loan startups companies is integration between employee accounts and loan providers. Establishing access to an employee's wages helps ensure repayment of advances or loans.

### Opploans

Opploans provides terms up to 36 months and high-amount loans (about $1,000 - $4,000) Supermoney review. The floating fee rate depends on when you need money and how much money you need. As opposed to fixed fees, this model is transparent to users and could help manage the negative perception of payday loans.

### PayActive

PayActiv was created to "bring financial security, dignity, and savings to the millions experiencing financial stress". The company provides businesses with a comprehensive financial wellness platform for employees. Next to Earned Wage Access, workers are offered additional features, such as intelligent budgeting and saving, financial literacy and counseling, and also a PayActiv card. (based on Crunchbase).

### **Even** (part of Instapay)

Even offers four features within one platform. It was built to help people turn their paycheck into progress. The unique selling point of the app is its simplicity and smooth UX. The platform is integrated with attendance, payroll, and banking systems so it gives a complete picture of financial health for every employee.

### Instant Financial

Instant works alongside existing human capital management, payroll, and time and attendance solutions to provide a real-time cashflow solution to employees who, in turn, are more engaged in the workplace.

Instant Financial has 20,867 monthly app downloads on its Instant Financial app.

## Branch app

Branch is a mobile-first solution that offers both a flat fee instant option and a free advance wage access alternative, and also won't cause users to overdraft when using the service. The app gives users the option to access earned wages, and have additional ways to increase financial stability so that they're not dependent on it.

## FlexWage Solutions

FlexWage Solutions is a financial services company dedicated to improving financial access and well-being for the unbanked and underbanked populations. The company offers WageBank, a solution which connects with employers' HR and payroll systems to provide employees with access to accrued wages. Focused on the b2c market.

## WageBank

WageBank is a part of FlexWage Solutions. It gives employees access to their earned wages prior to their next payday via a debit card. Focused on the b2b market.

FlexWage Solutions has 227 monthly app downloads on its FlexWage app. (based on Crunchbase).

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*There are typically more safeguards in place for consumer using payday advance applications, but not all applications are created equal. Consumers should look for applications that offer transparency in how much it costs to take out an advance and provide other services that help improve their financial outcomes versus just relying on early pay access. Companies whose sole focus is on advanced pay access tend to rely on users withdrawing regularly.*

Atif Siddiqi, Founder and CEO of Branch

# Comparison of the top solutions - worldwide

We compared what payday startups offer to theircustomers and summarized it in two tables.

All leaders were selected based on their ratings on Crunchbase. Most market leaders integrate with the employee's bank account and offer the ability to withdraw wages earned but not yet received.

## Features comparison

| | Even | earnin | PayActiv | dailypay | opploans | instant | FLEXWAGE |
|---|---|---|---|---|---|---|---|
| Ahead of payday | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ |
| Payday loans | ✗ | ✗ | ✗ | ✗ | ✓ | ✗ | ✗ |
| Intergation to employee acc (Wage access) | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ |
| B2C Solution | ✓ | ✓ | ✗ | ✗ | ✓ | ✗ | ✓ |
| B2B Solution | ✓ | ✗ | ✓ | ✓ | ✗ | ✓ | ✓ |
| Mobile application | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Charges and costs, fees | | ✗ | ✓ | ✓ | ✓ | ✗ | |
| Intergation to bank account | ✓ | ✓ | ✗ | ✓ | ✗ | ✓ | ✓ |
| Deduct the amount after payday | ✓ | ✓ | ✓ | ✓ | ✗ | | ✓ |
| Planing Budget Ahead | ✓ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ |
| FICO Credit Check | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | |
| Discount | ✗ | ✗ | ✓ | ✗ | ✗ | ✗ | ✗ |
| Saving tool | ✓ | ✗ | ✓ | ✗ | ✗ | ✗ | ✓ |
| Tracking expenses | ✓ | ✗ | ✓ | ✗ | ✗ | ✓ | ✗ |
| Cashing - cash pick up | ✓ | ✗ | ✗ | ✗ | ✓ | ✗ | ✗ |
| Cashing - Bank deposit | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Pay bills online | | ✗ | ✓ | ✗ | ✗ | ✓ | ✗ |
| Customize payday period | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |

## Unique selling proposition (USP) comparison

| | Even | earnin | PayActiv | dailypay | opploans | Instant | FlexWage | LendUp | LIFT CREDIT |
|---|---|---|---|---|---|---|---|---|---|
| Payday ahead amount range | 100% of their earned wages | $100 - $500 | 50% of paycheck | 100% of their earned wages | | | Calculate % of earned wages | | |
| Payday loans amount range | | | | | $500 - $5,000 | | | $100 - $500 | $100 - $2,500 |
| Avarage duration | Depends on wage schedule | Depends on wage schedule | Depends on wage schedule | Depends on wage schedule | 9-24 months | Depends on wage schedule | Depends on wage schedule | Max 35 days | 3 - 12 months |
| Services costs | $6 - $8 per/ month | Free for end-users | $5 per pay period | Free for end-users | Free | Free for end-users | Free | Verification fee of up to $5 | |
| Mobile App Metrics | 86,982 monthly app downloads | 516,292 monthly app downloads* | | | | 20,867 monthly app downloads | 227 monthly app downloads | | |
| Web Traffic (by SimilarWeb) | | | | | | | | | Monthly Visits 11,570 |
| Market | US | US | US | US | US | Canada | US | US | US |
| Transaction fees | $1.25 to $2.99 | Optional tip of up to $14 per withdrawal | Flat fee | $1.25 to $2.99 | 0% to 3% of the loan amount | No fees | $1.25 to $2.99 | $17 - $44 | $17 - $44 |
| Avarage payday ahead value | $66 | $40 | $65 | $65 | | | | $100 | |
| Frequency | Once a week | Till next payday | Till next payday | Till next payday | | Till next payday | | | |

*Earnin is present a couple of ,obile application on markets.
The most popular apps downloaded are Earnin - Get Paid Today and Earnin - Get Paid Today.

# Market directions and trends

### Key insights for companies trying to improve people's financial lives

- **Try to help people match up their income and their bills.** Loan origination or fintech apps (like EarnUp) may help people automate their income timing.
- **Try to help people who struggle with the monthly pay cycle.** Our research shows that lower income individuals dislike the monthly pay cycle and suggests that it has a negative impact on their finances.
- **Try to provide access to the paycheck.** By asking people up front to precommit to when they want to take money from their paycheck, a payday startup would still allow people to have access, but could also help them avoid the urge to withdraw too frequently.

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*Payday advance applications have become an increasingly popular alternative to payday loans and we anticipate that they'll become more popular. Especially as the Consumer Financial Protection Bureau has rolled back regulations on payday loans that protect vulnerable borrowers, users are turning to pay advance apps to prevent overdrafting, late fees, and exorbitant interest from traditional payday loans.*

*More employers are beginning to offer payday advance options as a way to attract and retain employees, so we anticipate that payday startups will continue to grow and create greater competition for payday loans. Unlike traditional payday loan options, most payday startups want to do more than advance earnings - they're interested in helping their customers build greater financial wellness and stability.*

*While payday startups' initial offerings focus on advanced access to earned wages, you'll likely see the expansion of product offerings to include those that help their customers save more, ranging from budgeting tools to discounts. At Branch, we not only enable hourly workers to get instant access to earned wages, but also offer opportunities for users to pick up more shifts and boost savings. We also provide ways for users to get a better sense of their overall financial picture by providing tools to anticipate bills, earnings, and budget.*

Atif Siddiqi, Founder and CEO of Branch

## Recommendations:

Based on the results of our research, we highlighted a few valuable propositions that can contribute to enhancing the experience of payday startups:

- **Integration between employee's bank account and employer's work tracking system** (centralizing the loan cycle and removing unnecessary elements from the cycle to create a more sustainable ecosystem);
- **Access to earned-but-unpaid wages instantly** (operating with their own money gives users confidence in their ability to cover expenses without additional effort);
- **B2C approach** - not all companies can provide integration of payday loans between employees and employers. A lot of consumers have a part-time job and irregular income. The B2C approach can cover this audience. Ability to connect your bank account and enter your worked hours or scan an invoice to get cash in advance increases financial stability.
- **Features for user retention** (budget planning and online bill payment increase engagement);
- Loan requests tend to occur on a regular basis; payday loan startups can suggest a way for users to **allocate their budgets** more effectively;
- **Smart fees** that depend on the amount of the payday advance.

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*The future of pay is where employees can control the timing of their pay. There are a couple of root causes for this, but the main thing is that employees who have access to it will come to expect it as the norm, not the exception. They will want to choose how they get paid, based on their needs, and they will want control over their earned wages to reduce financial stress and increase financial security.*

Jason Lee, CEO and Co-founder at DailyPay

## Conclusions

More and more payday loans customers are taking out loans with online providers. It is also clear that consumers are now more confident in providing their details to legitimate payday loan companies. What's more - our current instant society promotes consumerism, with emergency fund raising keeping people away from financial balance at the same time. It means that the payday loan startup industry will continue growing.

According to ComRes survey (in the UK, 2018), most expenses are repeatable and occur once per month. The research shows that this is due to timing gaps between the payday and the due dates of bills. All these observations indicate a new demand for a flexible payment schedule. That currently cannot be offered by every company.

The average amount of a payday loan is £260 in the UK, which is not a big amount. Due to this fact, taking payday loans should not be a complicated and long process. The interaction flow needs to be very fast and clear to cover the 50% of respondents who usually don't understand loan costs and fees and to break the negative stereotypes around payday loans.

A new strategy of payday loans startups is involving employers in the loan process. The major focus of the strategy is closing the gap between income timing and the users' needs. Such a connection between employees and employers creates a closed system within one organization, without involving loan providers.

According to research, only half of the market leaders provide for the B2C market. Taking that into consideration, we can assume that B2C solutions in payday loan startups still have plenty of room to grow.

Based on our research, the most popular payday startups (both B2B and B2C solutions) have extra features that help users manage their finances in advance, plan their budgets, and pay bills online. Such features increase user engagement and retention.

**To sum up, let's highlight the most promising directions for payday loan startups:**

- Integration of payday loans between the employee's bank account and the employer's work tracking system (B2B solutions);
- B2C solutions for users with irregular wage schedules and without a permanent place of employment;
- Flexible payday schedule or providing access to earned but unreceived wages;
- Engaging users by adding extra features to help manage their finance.

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