

# Börsen-Zeitung

Digital Lending Association

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## Lending Platforms Association moves to Europe

The Berlin-based Digital Lending Association is taking a broader stance in terms of content and geography. The former Association of German Lending Platforms has renamed itself to cover the full spectrum of digital debt financing.

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Tobias Fischer



The leadership team of the Digital Lending Association (from left): Tim Thabe (Creditshelf), Marco Hinz (Crosslend), Association Managing Director Constantin Fabricius and Philipp Kriependorf (Auxmoney).

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Digital Lending Association

# Lending Platforms Association moves to Europe

The "Association of German Lending Platforms" made its first step in Europe in the middle of the year by renaming itself the "Digital Lending Association." The new name intends to express a growing diversity. It was founded in Berlin in summer 2019 by online lending marketplaces Auxmoney, Creditshelf, Kapilendo, and Funding Circle, which all stand for investments in senior loans. By now the full spectrum of digital debt financing is represented in the association. It also includes investors and service providers.

"We experience this diverse mix of companies, that are part of the ecosystem, as very positive," says association managing director Constantin Fabricius in an interview with Börsen-Zeitung. "That's how we want to continue to grow." Namely, in Europe. The memberships of Iwoca as a representative from Great Britain, Estageguru from Estonia and Loanbox from Switzerland also testify to the Europeanization of the association.

## Complete value chain

The current 27 members represent all instruments on the debt financing side: senior loans, promissory bills or varieties of factoring. In addition, there are companies that play a role in the value chain. ID Now, Authada or BSS, for example, which deal with customer identification and money laundering at one end. And at the other end of the value chain are the representatives of receivables management, such as HMCS or Loancos.

The association wants to clearly distinguish itself from the pure brokerage business, as Fabricius says. "That is not our business." He adds that this also applies to buy now, pay later, i.e., the option of buying now and paying later in online retail. "Not necessarily anything is digital lending just because it is digital", says the CEO. After all, he adds, it means to bring institutional or private capital digitally to where corresponding financing is needed.

Marco Hinz, CEO of Crosslends, explains: "You have to look very closely at how digitalization is understood. If a bank scans its faxes and files them as PDFs, is that considered a digitization platform? This is also the case with some intermediaries such as Smava or Check24. The borrower sometimes receives an 85-page contract in paper form to sign. That's not how we understand digitalization."

## Capital Markets Union as the goal

The members of the association want to have a say on the way to completing an inner-European capital market. They want to sit at the table as equal partners when it comes to the continuation of the capital markets union, Fabricius clarifies, because fintech lenders are an indispensable complement to bank-based financing. "This is where we are making progress," he states. "Because it's clear that the Green Deal will not be achieved with banks alone. It's going to take other partners, and we want to do our part."

### **Distinction from bank regulation**

Auxmoney CEO Philipp Kriependorf, who is one of the founding fathers of the association and forms the three-member association board with the bosses of Creditshelf, Tim Thabe, and Crosslend, Marco Hinz, is also conscious in the interview: "We want to ensure that digital lending is an independent and important part of the financing ecosystem in Europe." According to Fabricius, this includes "getting our own regulation, to make abundantly clear: This is what the banks do, and this is what we do."

He observes that more and more companies in the industry are exposing themselves to "strenuous regulation" in the EU, which speaks of growing professionalization. "In particular, many are seeking a European Mifid license rather than dwelling on the swarm finance regulation," Fabricius says. Hinz calls the move to Europe a logical one to show its colors, since Brussels is where the authoritative legislation is made, he says. "We are facing an industry that has a much stronger voice and more firepower," he notes, referring to traditional banks.

The consequences of the ECB's monetary policy turnaround are leaving their mark on most lending platforms. Institutional investors such as insurers, pension funds, banks and family offices, which contribute capital to the lending platforms, no longer invest as much as they used to; after all, the return of interest rates means that there are alternatives again. In addition, refinancing costs have risen. "We are noticing the turnaround in interest rates," Kriependorf acknowledges. "But the effects are mixed." Founded in 2007, Auxmoney once matched private borrowers with private lenders, but has since shifted its focus to institutional investors.

### **Market on the move**

"Investors now have alternatives," says Creditshelf CEO Thabe: "The market has started to move, offering not only higher interest rates but also more opportunities. Raising capital has therefore not become easier." At the same time, Thabe believes to have noticed a larger loan demand at higher rates. "There has been a bit of a shift into the alternative financing space because our perception is that banks have pulled back a little."

Creditshelf's business has recently declined significantly since its refinancing partner Amsterdam Trade Bank became insolvent and the funding commitment from Creditshelf's major shareholder Rolf Elgeti is still awaited.

Funds have so far flowed via his bank Obotritia, which announced its closure at the beginning of the month, citing the tight real estate market in the wake of the interest rate turnaround and stricter requirements of the banking supervisory authorities as reasons.

