

Management

July 2, 2021

Verband deutscher Kreditplattformen e.V. - Joachimsthaler Str. 30 - 10719 Berlin

State Secretary in the
Federal Ministry of Finance
Dr. Jörg Kukies
Wilhelmstrasse 97
10117 Berlin

House Bank Principle

Dear Dr. Kukies,

Although Germany had [the strongest economy in the EU](#) in 2020, with a gross domestic product of EUR 3,332 billion, the efficiency and speed of the corona aid programs turned out to be rather sobering compared to its European neighbours. By way of comparison: in the period from April to August 2020, the volume of credit drawn in France amounted to around EUR 120 billion, in Spain to EUR 100 billion and in Italy to almost EUR 55 billion. By contrast, the figure [in Germany](#) is just EUR 45 billion. In the [United Kingdom](#), £68 billion, or almost €80 billion, had been disbursed through relief loan programs by December 2020.

Why were other European countries and the USA, for example, so much more dynamic in their aid programs? In our view, the reason for this is that Germany adheres to the “house bank principle”. In other European countries, on the other hand, Digital Lender were given the opportunity to help with the transmission of aid loans.

Funding Circle, for example, one of the four founding members of the association, was involved in the UK's CBILS (*Coronavirus Large Business Interruption Loan Scheme*) program, which specializes in SMEs, and in 2020 alone, it brokered £2.6 billion to SMEs, making it [the third-largest broker](#) for the program. Funding Circle [was also involved](#) in the US PPP.

In France, the brokerage of corona aid loans was also not limited to banks. Digital Lenders were [included in the circle of supporters](#). The same applies to other EU member states such as Italy, the

Anschrift

Verband deutscher Kreditplattformen e.V.
Joachimsthaler Str. 30
10719 Berlin
AG Charlottenburg, VR 37585 B

Kontakt

✉: info@kreditplattformen.de
☎: +49/ (0) 30.94.85.46.60
🌐: www.kreditplattformen.de

Vorstand

Philipp Kriependorf
Jens Siebert
Jan Stechele
Marco Hinz

Geschäftsführung

Constantin Fabricius

Netherlands and Spain. Some of our members have long been able to demonstrate their skills in these countries and contribute to overcoming the crisis – only in Germany is this not possible. But why not also integrate Fintech Lenders in Germany in the future when granting aid loans, instead of sticking to the rigid principle of the house bank? This would offer the following advantages:

1. Digital processes of the credit platforms enable a paperless and uncomplicated processing.
2. Digital solutions through data-driven approaches enable fast processing, documentation and disbursement of the loans.
3. APIs potentially enable a connection to existing banking systems.
4. The customer can be served directly when they request a loan via a credit platform and do not have to be referred to their primary bank.

Digital Lending now has a successful track record and the ecosystem knows already a higher number of established players. In 2020, a loan volume of [€11.7 billion](#) was processed by the members of the Association of German Credit Platforms. They are not “shady” start-ups, but established players with professional processes, efficient risk and compliance management and now several years of experience in successfully financing consumers, companies and municipalities.

Banks have also recognized the trend and are opening up to the platform sector through numerous collaborations and ecosystem strategies. They ascribe [the highest strategic relevance](#) to the ecosystem approach. European funding, such as money from the Juncker Plan, has long been invested by the European Investment Fund (EIF) through our German founding member creditshelf. Another example is the French platform October, through which the promotional banks of several EU countries, bpifrance/France, Instituto de Crédito Oficial/Spain and Cassa Depositi e Prestiti/Italy, in addition to the EIF, also forward funds. In order to accelerate the disbursement of development loans in the future and thus make optimal and rapid use of the funds provided, we believe that the principle of using one's own bank should also be abandoned in Germany.

This is also supported by the [interest rate cut announced by KfW just a few days ago, which it will achieve by passing on negative bank rates](#). As a result, loans from house banks will become cheaper, although the risk will remain the same. Digital Lender, on the other hand, do not have this

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advantage and offer their products at the same prices. This distorts competition to the detriment of our industry.

We are always happy to meet with you in person to discuss this in more detail.

Yours sincerely



Constantin Fabricius
Managing Director
Lawyer (Syndic)

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