



A tech-first approach to SME financing

With Plaid, YouLend can offer a no-docs application experience and approve more businesses for funding



3 in 4

Because twice as many applicants link their accounts compared with the company's previous iteration, 3 in 4 applicants can apply without submitting any documents

"Plaid helps us have a 'yes' mindset and approve thousands of additional businesses at lower prices."

MARK UFLAND,
CTO, YouLend

PLAID PRODUCTS USED

Assets
Transactions
Auth

Problem

Before Plaid, YouLend required prospective customers to upload bank statements as part of their funding application, which was burdensome and hurt conversion.

Solution

With Plaid, YouLend allows customers to provide 24 months of bank transaction history without uploading documents, resulting in higher conversion and approval rates.

Results with Plaid

YouLend reports the following results with Plaid:

3 in 4	3 in 4 applicants can apply for funding without submitting any documents
91%	When businesses link their accounts using Plaid, YouLend approves 91% of funding applications, up from 84% for those who don't
20%	On average, businesses that link their accounts using Plaid are offered fees that are 20% lower
< 24 hours	When businesses choose to link their accounts using Plaid, YouLend can disburse funds same day

Short-term business funding is the lifeblood of small- and medium-sized enterprises (SMEs). It can unlock opportunities to grow and scale, such as buying new equipment or hiring seasonal staff. Yet, two in five SMEs say they lack sufficient capital to keep their businesses going—a shortage of funds that can squash a good business idea and even lead to bankruptcy.

According to YouLend CTO Mark Ufland, a major reason is that traditional banks struggle to underwrite SMEs in an automated manner. Many rely on traditional lagging data points such as statutory account filings which are hard to process at scale and often poor indicators of affordability when underwriting businesses.

"Furthermore, banks must hold significant capital against SME loans, rendering them less profitable, especially if they have a heavy cost structure for underwriting," adds Ufland. "The result is that banks are less interested in this space."

Over the past decade, tech companies like YouLend have stepped in to fill the gap. By evaluating nonconventional data points such as a business' monthly card payment data, immediate cash flow, repeat buyer behaviour, and digital footprint (in addition to more traditional measures of creditworthiness), YouLend's software platform can extend credit to SMEs that otherwise might not qualify.

In order to strengthen the assessment of a business' immediate cash-flow position, YouLend needed applicants' bank statement data without the hassle of the applicant uploading files or photographs. That's when YouLend turned to Plaid.

Twice the uptake

Since 2016, London-based YouLend has offered SMEs financing exclusively through partnerships with ecommerce platforms, tech companies and payment service providers. YouLend's software platform and APIs enable partners to offer financing in their own branding to SMEs. From within YouLend's partners' interfaces, SMEs can then apply for financing and, where relevant, finish by connecting a financial account to improve underwriting accuracy.

With Plaid, this final step is simple. Applicants select their financial institution from a list and authenticate securely using a biometric login. Plaid now connects to more than 11,000 financial institutions around the world—often in a matter of seconds.

"[Plaid gives us] double the uptake compared to our previous iteration. We think this is market-leading based on our knowledge of other tech companies and lenders in Europe."

MARK UFLAND,
CTO, YouLend

"Before we integrated with Plaid, businesses had to upload PDFs of their bank statements, which gave us just a few months of transaction data," explains Ufland. "With Plaid, we can see 24 months transaction data directly from source without unduly burdening the applicant."

When businesses choose to link their financial accounts with Plaid, the average application time drops from eight minutes to three. Because connecting accounts with Plaid is swift and intuitive, 90% of YouLend's applicants in the e-commerce space choose this option, as do 65% of applicants with brick-and-mortar stores.

"This is double the uptake of our previous iteration, which means that three in four SMEs can apply easily without uploading documents," says Ufland. "We think this is market-leading based on our knowledge of other tech companies and lenders in Europe."

91%

When businesses link their accounts using Plaid, YouLend approves 91% of their funding applications, up from 84% for those who don't

Extending financing to more businesses

Once a business's account is connected, YouLend can use daily transactions data to calculate things like average monthly sales, sales volatility, and the number of sales sources. Adding these data points to the underwriting process directly from the source enables a more efficient underwriting process and better pricing for applicants.

In fact, when applicants connect their accounts using Plaid, the approval rate jumps from 84% without Plaid to 91% with Plaid. The same applicants are also offered 20% lower prices, on average.

20%

On average, businesses that link their accounts using Plaid are offered prices that are 20% lower

"Daily sales are the heartbeat of an SME," says Ufland. "Plaid helps us have a 'yes' mindset and approve thousands of additional businesses at lower prices."

Because YouLend's platform can read Plaid data automatically, businesses can receive funds same-day.

"This is massive for our customers," says Ufland. "The difference between getting funds in one day versus seven can determine whether customers can fund a business opportunity."

Partnering on Europe expansion

Right now, YouLend operates in the UK, Ireland, the Netherlands and Poland, and plans to expand throughout continental Europe. As part of this vision, they aspire to improve their ability to make instant loan decisions and accelerate payout times.

YouLend sees Plaid as a key partner in both initiatives.

"With Plaid, we can see 24 months of transaction history, which gives us much more confidence in our risk model."

MARK UFLAND,
CTO, YouLend

"When Plaid goes live in a new country, they enable us to execute a more sophisticated workflow to deliver faster approvals. When Plaid launched in the Netherlands, for example, they helped us speed up our underwriting decisions and improve pricing to customers there," concludes Ufland. "And when it comes to instant decisions, this is much easier when customers link their accounts."

plaid.com

Plaid builds digital infrastructure that allows people to securely connect their financial accounts to the apps they want to use. We power more than 4,000 financial apps and services, as well as more than 11,000 financial institutions in the US, Canada, UK, and Europe.

Questions? Reach out to our sales team at info@plaid.com