UK votes Leave – AltFi leaders react

By Ryan Weeks on 24th June 2016

The UK has voted to leave the EU. Prime Minister David Cameron is stepping down. The pound tanked overnight, at one stage hitting $1.3236, its lowest point since 1985. The FTSE 100 fell more than 500 points before regaining some ground. Now begins the long and likely arduous process of negotiating a Brexit.

With the markets and indeed the country in a state of shock, what are the UK's leaders in alternative finance saying?

Angus Dent, Chief Executive of ArchOver, didn't sugarcoat his thoughts:

"The outcome is a disaster for this country. You can expect foreign businesses, institutions and other investors to start pulling out of the UK. The Chancellor will be forced to put together an emergency Budget to plug the gap and this country, which was on course to become the world's fourth largest economy, will now go backwards. What a waste of all the hard work."

James Meekings, Co-Founder of Funding Circle, the UK's largest pan-European platform, said that the business was extremely well placed to weather any "short term uncertainty":

"The process of leaving the European Union will take two years and there will be no immediate change to Funding Circle's day to day operations."

"Clearly there will be economic and political uncertainty over the short term and we will react accordingly, including factoring this into our credit models. We have been discussing a possible 'Brexit' internally for some time and have already started to execute our contingency plan. The full picture will become clearer as markets adjust and the UK economy moves forward."

"Our business is in a strong position. We have a diverse range of investors lending through the marketplace to UK small businesses, including the European Investment Bank which committed £100 million to UK small businesses earlier this week, and we are extremely well capitalised as a business to weather any short term uncertainty."

"Many of our UK small businesses do not trade with the European Union and are unlikely to be immediately affected. Our small business customers are on average ten years old, and have experienced economic volatility before. We have conducted rigorous stress tests on our loanbook which show that even in the most stressed conditions, investors will continue to earn positive returns."

Zopa CEO Jaidev Janardana sees no immediate impact for the platform or its customers:

"Zopa is a UK-based company and focussed on UK customers, thus we do not expect any direct and immediate impact on the business. Zopa focuses on lending to customers with stable income and very high propensity to repay. This is reflected in our credit risk performance through the past 11 years, and in particular through the 2008 downturn. Our underwriting and pricing policies aim for a positive lender return through similar economic turbulence. We will be monitoring the wider economic trends and key metrics such as unemployment rates and inflation to understand changes in customer and will seek to update our lending criteria to maintain our credit risk performance."

Rhydian Lewis, CEO of RateSetter, sees a potential opportunity for fintech companies:

"FinTech is in its infancy but that means it is necessarily forward-thinking and modern and that allows it to respond more nimbly to the inevitable changes and opportunities that will arise from today's vote. Leaving the EU may discombobulate big banking conglomerates and FinTech businesses will look to fill any spaces. This may prove to be an opportunity for FinTech."

"P2P lending in the UK operates under bespoke UK regulation with less reference to the EU and mechanically it is UK investors and UK borrowers and so there will be little disruption."

Stuart Law, CEO of Assetz Capital, struck a positive tone, while admitting that the platform's credit team would have to be "even more careful" going forwards:

"Brexit will create a big opportunity for Assetz Capital's investors as bank interest rates on business loans are likely to rise (making banks less competitive) and their lending volumes are reduced and at the same time banks are likely to lower their savings account rates even further. This will allow us to continue to grow strongly and deliver more lending to quality businesses who can provide us with solid loan security and also deliver more interest to our lenders. We have already lent around £120m to the British economy backed by what is principally strong property security at modest loan to value, and as a result our lenders have earned approaching £12m of interest since 2013. We expect this to continue but the credit team will be even more careful on the quality of businesses we lend to as we navigate the inevitable wobbles created out of the Brexit. Hard security on loans will be even more important but then that is our speciality. We have never lent on frothily priced housing developments in the prime London market as we had expectations of this type of set-back however we will continue to work with experienced developers of

modestly sized and priced schemes in normal locations from London suburbs all the way out to the provinces."

Fleximize Founder Max Chmyshuk offered a balanced view:

"The result of the referendum means that, inevitably, we will now be entering into a period of economic uncertainty. Despite this, we believe innovative businesses that are disrupting their markets should continue to thrive. It's important to remember that many of the UK's most successful startups were born during the last recession, so there's no reason to believe that this will lead to a decline in the UK's startup scene."

Jeff Lynn, CEO and Co-Founder of Seedrs, says that the vote simply adds "one more set of borders to the mix":

"Along with the leaders of the vast majority of growth-focused businesses in the UK, I advocated for the Remain side, but the country has decided otherwise, and that decision must be respected. The outcome of this vote has no impact on our continued optimism for Seedrs' growth and success. We built Seedrs from day one to be a global, cross-border business and all that Brexit fundamentally does is add one more set of borders to the mix."

MarketInvoice CEO Anil Stocker, a firm backer of the Remain campaign, says that it's "business as usual" for the platform:

"It's business as usual at MarketInvoice. Our platform is here to help UK companies access funding through good times and bad. The majority of our funding comes from UK investors who take a long-term view of the asset class and its potential to perform through the cycle."

"Although it's clear the economy faces a period of short-term uncertainty, businesses still require finance to deliver goods, pay suppliers, and cover overheads. We're even more focused on our mission in supporting our customers in the days, weeks and years ahead."

Christian Faes, Co-Founder and CEO of LendInvest, spoke to the resiliency of the platform:

"Brexit is the sort of major market-moving event that we have built the LendInvest business to be able to withstand. We are well capitalised, profitable, and have one of the most diverse funding bases of any lender in both the marketplace lending (p2p) and mortgage markets."

"Our priority now is ensuring that LendInvest remains a great place for very talented people to come to work, regardless of their country of origin."

Conrad Ford, Chief Executive of Funding Options, called the result an act of "national economic self-harm":

"I set up Funding Options at the height of the credit crunch to try to unlock vital lending to UK SMEs. Our economy has moved on a lot since then, so it's deeply depressing that we seem to be voluntarily returning to those dark days in an act of national economic self-harm. Unlike some London technology sector peers, I'm confident that London will brush itself off and move on, as it has always done. Ironically, I suspect that it's the very regions that actually voted for Brexit that will not recover from this economic blow."

Bruce Davis, Co-Founder and Joint MD of Abundance, was upbeat on his platform's prospects:

“Voters have torn up the political map, and in doing so have created huge turbulence in the financial markets. Shares, ISAs and Pensions invested in equites are taking a short term hit, which for most is best ridden out in the hope of a bounce back in time."

“For Abundance investors holding Debentures in renewable energy projects, today’s news is far less disruptive as all will carry on as it was. If anything, the pressure will be positive as Brexit is likely to increase energy price inflation and thus any variable returns on our projects. This reflects a key advantage of the more secure and stable returns paid on the investments we offer, providing our investors with some valuable calm in these stormy times.”

John Goodall, CEO and Founder of Landbay, expounded on the virtues of the buy-to-let sector:

“While Brexit has forecasters speculating about the future of the economy this morning, the outcome will do little to disrupt the resilience of the UK’s established buy-to-let sector. Yes, this is unknown territory, and political and economic uncertainty will in all likelihood lead to a protracted period of wider market turbulence, but investors in the sector are uniquely insulated from that storm."

“The private rental sector is built on strong foundations. Buy-to-let mortgages were one of the best performing types of loans throughout the credit crisis, and we believe demand for rental property will continue to outstrip supply, while average rents will continue to increase above the rate of inflation. We will no doubt see significant change over the coming months, but agile peer-to-peer platforms are in prime position to capitalise on this opportunity. At a time when investors are tripping over themselves to find an alternative to the equity markets, the strength of the rental sector makes buy-to-let backed peer-to-peer mortgages a sound and predicable investment proposition.”

Goncalo de Vasconcelos, CEO of SyndicateRoom, says that now is the time for investors to branch out into alternative asset classes:

“SyndicateRoom focuses on long-term investments in the UK market. What today’s market reaction shows is the need for investors to spread their investments across sectors and across asset classes, especially in times of uncertainty. By giving more attention to diversifying their portfolio, investors can be best placed to absorb market volatility and better manage their risk."

"Brexit comes as a surprise to many and the shockwaves are clear, but it is too early to say what the effects will be.”

Chirag Shah, CEO of Nucleus Commercial Finance, thinks that small businesses now need to look beyond the banks for funding:

“The referendum is now decided and, with the vote for Brexit, SMEs must now look towards the future - whatever lies beyond it, and whatever it will bring. A major worry must be their financial stability and so small businesses need to brace themselves and ensure they have the liquidity required to get them through a potential economic downturn."

“Banks were one of the biggest beneficiaries of the EU, so leaving will impact their ability to provide loans and overdrafts to SMEs. SMEs now need to look beyond traditional finance to ensure their business is

prepared to deal with whatever the future brings: they will need finance to pursue opportunities, but also cash liquidity if things take a turn for the worse to make sure they are able to stay afloat."

Robert Stafler, Chief Executive of Fintex Capital, anticipates a shift towards conservatism, at the expense of growth:

"Sadly, the outcome of the EU referendum is bad news for the UK economy as a whole. This country now faces a difficult period of economic uncertainty and possibly some political instability, and it is not clear for how long this environment of uncertainty will prevail. With this in mind, investors on UK p2p marketplaces should be prudent and diligent, since certain asset classes and originators will be more default-prone than others in a weaker economic environment. As such, there should now be a flight to quality."

"Platforms with riskier assets will have to think carefully to what extent they wish to adjust their credit models to de-risk their originations to ensure they can continue to deliver performance in the weaker economy that is now expected. This may come at the expense of some desired growth. In some cases this will be necessary to ensure long-term viability."

"The good news for the p2p sector is that we can expect interest rates to remain lower-for-longer. The outcome of the EU Referendum is likely to keep us in a low interest rate environment for a while. This means that the meaningful spread between the net yields available on leading UK p2p marketplaces on the one hand, and base rates on the other, is likely to prevail for longer. Over the past years, yield has been hard to come by in the wider market. Attractive yields should remain available on those p2p platforms that are focused on safer loans, and also on those savvy enough to adjust their models at this point in time."

Karteek Patel, CEO of Crowdstacker, also sees opportunity in the wake of Brexit:

"Ironically what the UK needs now is innovation to create and support growth. Innovation ensures competitiveness and the flexibility to make the most of new opportunities."

"Luckily for the UK, whilst traditional lenders are more likely to reduce lending in the face of uncertainty, and with some banks already threatening to move some of their operations out of the country, we have a very healthy alternative finance industry that can help to maintain an environment of investment."

"Both borrowing businesses and lending investors have become more aware of, and comfortable with these types of alternative opportunities – the most recent Nesta report, for example, shows that 12% of small business investment already comes from these sources. We see no reason why this can't continue to increase."

Christine Farnish, Chair of the P2PFA, says that the fundamentals of P2P lending will not be affected:

"*Inevitably the UK now faces a difficult period of economic and political uncertainty. But I would urge observers to remember that none of this short term turmoil changes the fundamentals of p2p lending. People will still need to borrow, save and invest. And p2p lending's clear consumer and economic benefits are not going to go away.*"