

# Behind Sequoia Capital's stumble with payments platform Finix

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Sequoia Capital is some of the smartest money on Sand Hill Road, with a decades-long knack for making early bets on world-changing companies. So how did it just make the sort of mistake that even the greenest of "Shark Tank" wannabes wouldn't make?

**The bottom line:** Sequoia got stuck inside of its own filter bubble.

**Driving the news:** Sequoia last month announced that it led a \$35 million Series B round for Finix, a San Francisco-based payments infrastructure platform.

- As TechCrunch [first reported](#), Sequoia subsequently decided that its investment was in conflict with existing portfolio company Stripe, and opted to walk away.
- This meant effectively donating its \$21 million check to Finix, which then raised an additional \$10 million from PSP Growth and existing backers like Inspired Capital — with PSP's Penny Pritzker taking the board seat that originally belonged to Sequoia.

**So what really happened?** Yes, Sequoia did due diligence, and initially determined that neither the product nor business models were competitive.

- **Product:** Finix is kind of a choose-your-own-adventure for payments, creating API building blocks that clients can mix and match. The advantage is flexibility. Stripe is more holistic, offering an already-assembled solution. The advantage is ease-of-use.
- **Business model:** Finix requires its clients to become payments companies themselves, whereas Stripe acts as the payments company. That basically means that Finix users bear both interchange risks and upside, whereas Stripe users bear neither.

**The trouble was** that these nuanced distinctions were only really understood by experienced payments professionals, and that's who Sequoia spoke with during due diligence.

- It didn't also talk with the ordinary merchants and software companies that view Finix and Stripe as rivals because, in the end, they're competing for the same customers and offering solutions to the same problem.
- But, after making the investment, Sequoia did begin learning more about how normies understood the market.

**Sequoia and Finix did discuss** the possible Stripe conflict during negotiations, although it's unclear if Sequoia had the same conversations with Stripe. It's our understanding, however, that Stripe did not ask Sequoia to walk away from Finix — that's a decision the VC firm made on its own.

- One thing we still don't know is if Sequoia's limited partners are being refunded for their investment. Working on that...

**The takeaway** isn't that the king got taken down a notch, even though it did. It's a reminder that you can't be the smartest guys in the room if you don't learn from those who might seem to know less.

*Editor's note: The story has been corrected to note that PSP Growth wasn't an existing investor.*