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USE CASE



Group B

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Comunitae | Peer to Peer Lending – USE CASE

Starting a new project is always challenging, but it gets even tougher when you do not possess the right components to carry out your idea, and you depend on different factors to begin this journey. In the case of David, Joe & Fran the main stopper was money, in fact, the lack of it.

These three friends with a great entrepreneurial mindset, they had a brilliant idea for a new startup in the AI field, however they were lacking the necessary cash to be able to launch their project. They decided approach the traditional financial entities to request for the loan that will allow them takeoff their idea, however being the three of them jobless at that time and without the minimum endorsements that the banks were requesting. This situation led to the rejection of their request from 5 different banks, and with no other options at their sight left, they were about to abandon their idea.

However, Joe was reluctant to leave their great idea, and he kept on looking for alternative financing options, until an old cohort from his university told him about the peer-to-peer lending method, which in USA was being very successful and helped many people and startups to realize their dreams and become entrepreneurs. Joe did his research to try to find a company that will support P2P lending in Spain, and after some time he came across Comunitae, known as the company leader in this sector, with a solid review from investors or lenders as well as borrowers.

Joe could not wait to communicate to his colleagues the discovery of this great platform, which they were extremely happy about it, and they started reading more about it before stepping forward in order to feel more confident. After further research, they found out that Comunitae, since its opening in 2009, they have lent around 15 million euros, with delinquency levels below that of traditional banks. The average return was 8.17% for investors. And at that time, they established themselves as the most important crowdlending platform in Spain.

In order to ensure that this option would be suitable for them as a startup and not as an individual, their arranged a meeting with the founder, Arturo Cervera, as it was a very good friend of one of their contacts. The purpose of the meeting was mainly to understand how Comunitae worked and how would they benefit from it.

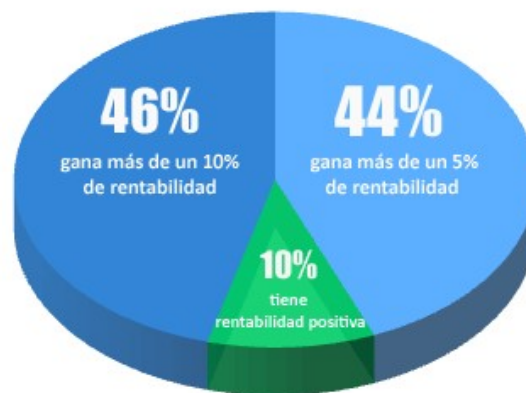
The meeting could not be better, they were utterly happy and after a few days they placed the request to raise for the necessary funds to start their project. In their request, in order to make it more attractive to the investors, they have attached all the supporting documents, including but not limited to their market study, business and marketing plan, growth strategy, etc.

As expected, their project attracted many investors and they were able to obtain the necessary founding within a couple of weeks, with a very attractive interesting rate.

The model that Comunitae propose, makes sense given the lack of financing for small and medium-sized companies from banks and we will probably see a significant development of this type of business in the coming years.

One of the first operations carried out at Comunitae was for a company in the consumer electronics sector, which requested 15,800 euros and was covered by contributions from 159 people who invested an average of 100 euros each. The operation was closed at 15% annual interest. The company, which agreed to repay the loan in three months, provided as collateral a promissory note for the same amount as a security.

The remarkable characteristic about Comunitae is that any person, of legal age and resident in Spain, who does not appear in any delinquent file can apply for a loan in Comunitae. Below is the profitability of the investments based on the percentage of profits.



At this point, you might be wondering on where Comunitae gets their source of income from. This is covered from several sources such as portfolio management commission which is paid by the investor which is 2% per year of the outstanding balance of their loans. In addition to the below:

1. Opening commission, paid by the borrower, 3% of the loan amount.
2. Non-payment commission, paid by the borrower, 8% of the unpaid installment
3. Commission for return costs, paid by the borrower, ranges between 5 euros for amounts between € 0 and € 49 and € 60 for amounts of € 500 or more.

4. Commission for deposit with credit card, paid by the investor, maximum of 2%.
5. Commission for special operations, a commission of € 30 will be applied for each request for additional services to those agreed in the document.
6. Commission for direct debit expenses, € 1 for each direct debit receipt.

Comunitae calls to the morality of investors, meaning that if you have an interest in obtain a profit from those extra euros that you have in your account each month, and at the same time support the economic needs of small Spanish entrepreneurs, Comunitae should be a pretty alternative to consider.

The below table support the repeated stated that Comunitae is leading the peer-to-peer business in Spain. Only looking at the third column, we can observe that Comunitae has more than 5 times the volume of business than the second competitor, LoanBook, and that the average profitability rate is higher as well.

Plataforma	Año establecimiento	Volumen de negocio	Últimos datos	RENTABILIDAD MEDIA
Comunitae	2009	14.700.000 (el 70% 2014/15)	En Enero 2015 1.150.000	9,13%
LoanBook (españa)	2012	2.600.000	-	del 4% al 9%
Arboribus	2012	1.460.000	70.000 (web)	8,13%
Lendico	2014	-		del 6 al 24% dependiendo de rating
zank	2013	150.000 (03/2014)	-	11,94%
bondora				19,98
grow.ly	2013	387.000		
zencap	2014	700.000		

The ingredients that led to the success of Comunitae

Now, we will cover the main and essential points that led to the success of this company. In general terms the organization works as follows; Comunitae will carry out an analysis on each of the loan requests and will classify them according to their risk. Lenders will bid on loan requests since participating in the community is an investment for them. Community managers generally advise lenders to diversify loans across different loan tiers. The Comunitae service is also designed so that non-profit entities can obtain financing under advantageous conditions, for that they will create group options.

It is important to note that Comunitae focus on profitability rather than on carrying out a large number of operations. This conclusion can be extracted after studying 5 months of operation in 2009, were they had 14,500 users and about 3,800 applications with a rejection rate of around 90% and an average interest on loans at levels between 10 and 11%. The high rejection rate lays the foundations for people to trust the platform when it comes to lending their money however, on the other hand, the growth in the number of users who ask for money is quite low. Despite the above scenario, we must take into account the vision of competition, as it seems that for now the banks do not see P2P loans as competition and are taking refuge in the legal problems that some companies have had in other countries.

Currently, the bank delinquency stands at 12.7%, however at Comunitae, this indicator is below 3%. By having such low delinquency, the percentage of profitability increases, standing at 13.71% for 2014. To conclude, it is important to comment that Comunitae makes its own risk assessment, with a non-negotiable pre-tax fixed interest rate (APR). Just for reference, their average operation is € 6,000. Below we can observe the growth of Comunitae from 2009 till 2015

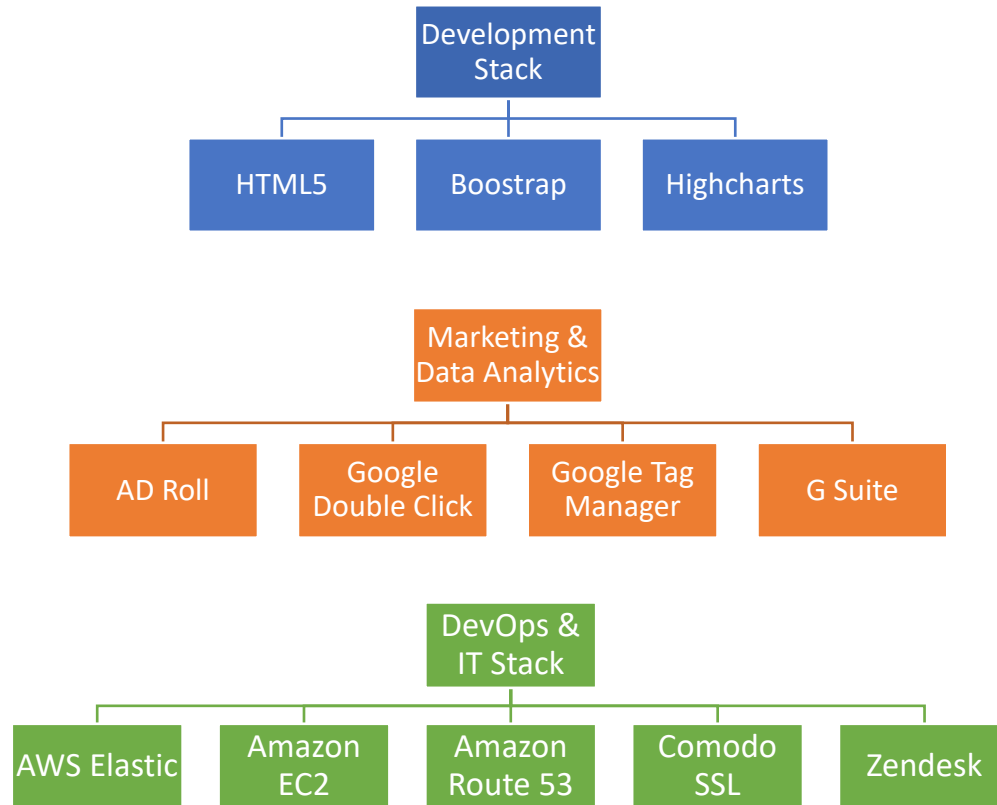
Tabla 1: Estadísticas de Comunitae

Año	Prestado	Vivo	Amortizado	Judicial	Rentab.	Morosidad	Numero de op.	Cantidad media por op
2015	1.186.671,00 €	1.186.671,00 €	- €	- €	17,41%	0,00%	213	5.571,23 €
2014	9.819.809,00 €	3.225.478,75 €	6.303.315,29 €	291.014,96 €	13,71%	2,96%	1746	5.624,17 €
2013	2.191.289,00 €	697.469,44 €	1.340.790,16 €	153.029,40 €	8,62%	6,98%	552	3.969,73 €
2012	674.000,00 €	140.073,85 €	387.769,83 €	146.156,32 €	2,01%	21,68%	164	4.109,76 €
2011	180.525,00 €	9.486,62 €	123.309,44 €	47.728,94 €	-0,97%	26,44%	28	6.447,32 €
2010	395.950,00 €	12.248,44 €	326.344,09 €	56.757,47 €	5,06%	14,33%	53	7.470,75 €
2009	305.900,00 €	12.237,79 €	257.380,81 €	36.281,40 €	9,70%	11,86%	56	5.462,50 €

On the other hand, Comunitae stands out for their use of the technology, leveraging all the power that those provide to the benefit of their investors. Below we will be looking into more details in this aspect.

Technology Stack

Comunitae focused on unique technology combinations in their business that made their work very attractive, fast, and responsive. As example they have mixed multiple cloud-based technology for different purposes as the following:



Investors

There are 3 main investors who supported Comunitae in its journey:

- 1- Cabiedes partners: Spanish venture capital firm that provides seed funding and early-stage and later-stage investment services.
- 2- Abra Invest: provides alternative financing for small and medium enterprises.
- 3- Francois Derbaix: co-founder and co-CEO of Indexa Capital and co-founder and Director of Bewater Funds. He has also co-founded Aplazame, Soysuper, Rentalia, and Toprural.

Funding

Comunitae has raised a total of €3.5M in funding over 3 rounds. Their latest funding was raised on Jan 18, 2012 from a Series B round.

Announced Date	Transaction Name	Number of Investors	Money Raised
Jan-12	Series B - Comunitae	2	€1M
Jul-09	Series A - Comunitae	—	€2.5M
Jan-08	Seed Round - Comunitae	1	—

Competitors

As depicted earlier, Comunitae does not have a competitor from their same level in Spain, however in Europe there are a few companies that are doing quite well in the same field. The most successful companies are located in Eastern Europe. Below is the list of the main European competitors:

- 1- [Bondora](#)
- 2- [mintos](#)
- 3- [TWINO](#)
- 4- [PeerBerry](#)
- 5- [doFinance](#)

References

- [CrunchBase](#)
- [G2 Stack](#)
- [P2P Banking](#)
- [Loogic](#)
- [Rankia](#)