



## P2P Online Lending Market: Get Your Finances in Order

Peer to Peer Online Lending is the fastest growing market in the financial space that matches borrowers (both individuals and businesses) with the not-so reluctant lenders.

Get rid of that intermediary that dives deep into your pockets and by default collects that significant portion of the hard-earned money of yours!

With the global financial crisis of 2008, the banks have tied its leash on passing credit to SMEs and the borderline creditworthy consumers. So, seems like this online platform is a blessing in disguise. It is!

Not many individuals and businesses are aware of the legitimacy of this network. Let's structure it out for the layman.

### The First Company

Founded in 2005, headquartered in the U.K., **"ZOPA"** is the first Company to offer P2P Lending. On ZOPA, lenders could loan money to a "Group of People" with similar creditworthiness. They assessed the credit scores using Equifax based credit ratings. Through an identity checking agency, the Company verified all lenders and borrowers.

In 2012, less than 1% of the loans turned into uncollectible debts, lowest default rate in the UK. The rate of interest that was charged by ZOPA, came around 6.6%, whereas at that time, the UK banks interest rates on credit cards were as high as 19.1%. This was one great benefit for the borrowers. For lenders, higher returns were made possible. In Nov

2012, average interest on savings accounts in the UK was 0.87%, and term deposits returns were ranging between 2.2% to 2.6% for 1 to 3 years (very low indeed).

This is what the Company tapped, a market where traditional banking was not able to help the everyday consumer, a small business or any individual with a borderline creditworthiness.

It's remarkable, that since inception, ZOPA has issued over ~£2 billion in loans, a company which started with small team and a brilliant idea to complement the traditional banking system.

### **P2P Under “The Alternative Finance”**

According to a report published by KPMG in 2015 – **(The Global P2P Market being \$26 billion worth)**

- P2P Consumer Lending Market amounts to **\$367 million**
- P2P Business Lending Market amounts to **\$213 million**

Noticing the Fast Growth, Large Market Space, large financial institutions are trying to enter the P2P lending market either through collaborations or investments in the business.

### **Future Projections**

- As per the Transparency Market Research, the opportunity in the “Global P2P Market” is expected to be worth ~\$900 Billion by 2024.
- U.S.A. P2P Lending market to grow to \$150 billion by 2025
- *CAGR expectations* – 48.2% between 2016 to 2024. Now, this is one estimate!!!

### **The U.S.A.**

P2P lending seems to be the fastest growing market segment in the country. PWC predicts that the U.S. P2P lending segment will grow to \$150 billion by 2025.

### **The U.K.**

This market is one of the important sources of loans, especially for SMEs, in the United Kingdom.

Other key markets include Indonesia, China, India and Korea.