

# ThinCats prowls where banks fear to tread

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**UK-based peer-to-peer business lending platform, ThinCats, is establishing a local base to fill the small-business loan market vacated by the big banks.**

The firm joins what is starting to look like a crowded field in peer-to-peer lending to create competition for the banks, just as David Murray's committee is due to opine on the industry.

The most high profile in the class is Society One which is being put in placed by former Challenger boss, Dominic Stevens, and has the backing of Westpac with James Packer, Kerry Stokes and others reportedly set to sign up.

ThinCats founder Sunil Aranha has long experience in small-business loans, including at EFIC, which is the government export facilitation financier, which made one of the more telling submissions to Murray.

EFIC, which is chaired by CBA director Andrew Mohl, noted in its submission to Murray that small-business loans accounted for 10 per cent of total loans in Australia compared with 80 per cent in South Korea and Switzerland.

In Australia, residential loans account for 63 per cent of all bank debt, compared with 40 per cent in Canada and 34 per cent in the US.

This is the gap ThinCats hopes to plug by acting as a go-between for lenders and borrowers.

It serves as a platform.

Someone might want \$20,000 to establish a restaurant so ThinCats would get say \$1000 each from 20 investors with the loans secured over the restaurant's assets.

If the business failed then ThinCats would call in collection houses to recover what they could from the business and return it to the lenders.

One of the most obvious questions about peer-to-peer lending is it's a great business while the market is buoyant, but what happens when the economy turns and the business fails?

In this case, unlike much peer-to-peer lending, the loans are secured. Your loan to any one business is just part of your total investment and the lending platform will arrange a collection house to recover what it can.

That's the theory.

The gap in the market is clear and the big banks are so addicted to housing loans they can't get into their heads that maybe small business is worth backing, outside property loans, so ThinCats is offering its hand to see where the market lies.

The loans would be priced by the market, but would presently be at around 11 to 18 per cent which is the sort of price banks charge for unsecured loans.