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A better lender than a borrower

Nimble's co-founders wouldn't have approved their own loan applications when they started.

The big leap

Fiona Smith

You wonder who would have agreed to lend money to Greg Ellis and Sean Teahan a decade ago when they were mowing lawns to keep afloat while trying to launch their business.

There were credit card debts ($20,000 in Teahan's case), a failed property investment that stripped $60,000 of their savings and the fact that neither had any experience to back up their new venture ... which just happened to be a small loans business.

So it was to friends and family they went, collecting about $100,000 to help launch the online lending company Nimble.

Nine years later, Nimble has financed almost 700,000 short-term loans of up to $1200 each and become a serious force in micro-lending, with a turnover of nearly $37 million last financial year.

The company, which has featured on *BRW*'s Fastest 100 list three years in a row, has raised $18 million over the past two years from more than 50 investors and employs 150 people at its office in Southport, on Queensland's Gold Coast.

In the process of building that business, Nimble has developed a significant asset – its lending system, which uses machine-learning algorithms and behavioural data. This system assesses each loan application against 4500 points of data to help pinpoint borrowers who represent the least risk.

Nimble approves only 25 per cent of applications and default rates have fallen to 4.2 per cent (from 6 per cent) in the past two years since the system has been in place.

"Data helps you make better decisions, faster and better decisions. Everybody wins," Ellis says.

He confirms his own company would not have taken a risk on them in the early days.

"We would not have qualified ourselves, given that we were not employed," he says.

"Today self-employed people can get a loan with Nimble but back then, we only gave loans to PAYG-employed people. Sean and I didn't really have income, aside from mowing lawns, and we were not taking any salary from Nimble so we would not have had adequate income to qualify at that point."

Sean Teahan and Greg Ellis were inspired to start Nimble after seeing friends' cash difficulties. PHOTO: GLENN HUNT

Takeouts

Pinpoint the customer Analysis of applicants includes whether they uses a work email, Hotmail or Gmail address; whether they use capital letters in their application; how long they take to fill out certain fields and whether they make changes; what they spend their money on; the location of their ATMs; and the kind of phones they use. (This helps sift out those who may be unreliable.) This is on top of the usual criteria such as previous defaults, income and welfare dependency.

Marketing The partners set up a shop front and built their business on Google search by paying to promote themselves on the search engine when people typed "short-term loan". Their first television campaign was two years ago.

Greatest challenge Six years ago Queensland changed its consumer credit legislation and Nimble had to stop lending in the state – which supplied 23 per cent of its business. Without a fully developed technology team at the time, they had to scramble to make their business comply with the new rules. Australia switched to federally based consumer credit legislation last year.

Christmas cheer The founders expect a good December, with a potential 20 per cent spike in activity.

Outside investment Nimble has about 50 investors, including iSelect founder and executive chairman Damien Waller and former Wotif Group chief financial officer Sam Friend.

In those early years, the founders were lending with some rudimentary rules, he says.

When borrowers did not make their repayments, it was Ellis and Teahan who had to work the phones to nut out a payment schedule.

This was labour-intensive work and they realised they could cut costs by automating the lending process and becoming more sophisticated in choosing who they would lend money to.

"Customers go through different stages in terms of how much they need and how good a schedule you give them. Maybe, if you give them a smaller loan and a repayment schedule, they can afford it," Teahan says.

"Many people miss a payment and catch up in a few days and we don't charge them anything."

(However, the published policy is that unresolved debts incur a $35 dishonour fee and daily fees of $7 until the account is capped at 200 per cent of the original amount borrowed.) People who default will not be given a second chance by Nimble, but Ellis and Teahan say it is better to work out who is likely to be a safe bet right from the start.

The Nimble website states that bad debts may be passed to an external collections partner after 60 days and the borrower's credit history may be damaged for five years.

Nimble has been using an automated system for three years and 75 per cent of its lending is now through its mobile app.

The loan application process is designed to be fast and painless. It takes five minutes and the applicant gets their answer in as little as 11 seconds. The money is paid straight into their Nimble Visa Prepaid card or their bank account.

The average Nimble borrower is in his or her early 30s, an office worker, paid about $65,000 and needs a short-term loan to tide them over.

Using Nimble is more expensive than a credit card (Nimble charges a 20 per cent establishment fee and then 4 per cent interest per month), but Ellis says its borrowers tend to prefer the extra discipline of having to pay off the loan in a month, using a repayment plan.

The longest term is 50 days.

Teahan says people are wary of long-term credit card debt which can snowball: "I think people found that it was very hard to get out of that debt."

Making small minimum payments over a month means they can more easily control their financial position, he says.

Ellis adds that credit cards are too seductive for some: "It is so easy to delay the pain and get instant gratification. In a year, you could be $3000 in debt."

Ellis and Teahan were inspired to start Nimble after seeing some of the difficulties their friends experienced when they were temporarily short of cash.

The two men met in Ireland, working for the same telecommunications company in Cork. Teahan was an accountant and Ellis was an Australian economics graduate on a working holiday.

Their first venture, during the Irish economic boom, was a recruitment company for pharmacists. They sold that business after three years for about $150,000 when a third partner left.

The founders are now working on entering lending markets overseas and are considering offering bigger loans.

While there are competitors in Europe and the US, they say their database and analysis gives them an advantage that would be difficult to replicate.

Best cash rates

Top 5 accounts v big bank offerings*

Online savings accounts (based on $10,000 deposit)

Institution	Product	Base rate	Promotion rate	Monthly promotion terms
ME Bank	Online Savings	2.75%	4.10%	Promotional rate for the first 4 months
RAMS	Saver	2.71%	4.01%	Minimum $200 deposit, no withdrawals
Citibank	Online Saver	2.90%	4.00%	Promotional rate for the first 4 months
Community First	Matrimony	4.00%	4.00%	n/a
First Option CU	iT Saver	2.60%	4.00%	Promotional rate for the first 4 months
Major banks				
ANZ	Progress Saver	0.01%	3.51%	Minimum $10 deposit and no withdrawals
CBA	GoalSaver	0.01%	3.65%	Grow balance by $200, one withdrawal
NAB	Reward Saver	1.00%	3.63%	Minimum one deposit, no withdrawals
Westpac	Reward Saver	0.01%	3.50%	Minimum $50 deposit, no withdrawals

Top 1-year term deposits (based on $50,000 deposit)

Institution	Nominal rate	Effective rate	Payment terms
Bankwest	3.69%	3.75%	Non-compounding paid monthly
Teachers Mutual Bank	3.65%	3.71%	Non-compounding paid monthly
Rural Bank ONE	3.60%	3.66%	Non-compounding paid monthly
Victoria Teachers Mutual Bank	3.60%	3.66%	Non-compounding paid fortnightly
ME Bank	3.65%	3.65%	Non-compounding paid at maturity
Major banks			
ANZ	3.20%	3.20%	Non-compounding paid at maturity
CBA	3.25%	3.25%	Non-compounding paid at maturity
NAB	3.20%	3.20%	Non-compounding paid at maturity
Westpac	3.10%	3.10%	Non-compounding paid at maturity

Junior saver (based on $500 deposit)

Institution	Product	Base rate	Promotion rate	Monthly promotion terms
Bankwest	Kids' Bonus Saver	0.01%	5.75%	Deposit $25 - $250, no withdrawals
First Option CU	Kids Bonus Saver	0.15%	5.15%	No withdrawals - minimum $5 deposit
CUA	Youth eSaver	5.05%	-	-
Quay Credit Union	SmartSaver	2.50%	4.50%	Deposit at least $25, no withdrawals
bcu	Scoot's Super Saver	1.00%	4.00%	Deposit $20, withdraw no more than $5
Major banks				
ANZ	Progress Saver for Kids	0.01%	3.51%	Deposit at least $10, no withdrawals
CBA	Youthsaver Account	0.01%	3.65%	Deposit at least once, no withdrawals
NAB	Smart Reward Saver	1.00%	3.63%	Deposit at least once, no withdrawals
Westpac	Kids/Youth Reward	0.01%	3.50%	Deposit any value, no withdrawals

SMSF (based on $50,000 deposit)

Institution	Product	Base rate	Promotion rate	Monthly promotion terms
First Option	iT Saver	2.75%	4.00%	Promotional rate for the first 4 mths
Horizon CU	Reward Saver	0.00%	4.00%	Minimum $50 deposit, no withdrawals
Defence Bank	iSaver	2.50%	3.80%	Promotional rate for the first 3 mths
Macquarie CU	Online Savings Account	2.90%	3.80%	Minimum $200 deposit, no withdrawals
ADCU	DIY Super Saver	3.76%	-	-
Major banks				
ANZ	Business Premium Saver	1.60%	2.85%	Promotional rate until Dec 31
CBA	SMSF Direct Investment	2.50%	-	-
NAB	Business Cash Maximiser SMSF+	3.30%	-	-
Westpac	DIY Super Savings Account	2.70%	-	-

*Rates correct as at Dec 22, 2014. The search results do not include all providers and may not include all features relevant to you.

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