

27 March 2012

## **Funding Circle secures £10m (\$16m) from Index Ventures and Union Square Ventures as demand for non-bank lending continues to grow**

- £28 million (\$45 million) lent to more than 670 UK small businesses in less than 18 months
- More than 10,000 people registered with investors enjoying inflation beating average yields of 8.4%
- Funding Circle ready to bypass the banks and capitalise on the Government's Budget plans to lend £100m (\$160m) through non-bank channels, such as peer-to-peer lending

Funding Circle, the online marketplace where people directly lend to small businesses in the UK, today announced the closing of £10 million (\$16 million) of Series B financing from joint investors, Index Ventures and US-based Union Square Ventures. This brings the total amount raised to date to £13.2 million (\$21 million).

Launched in August 2010, [Funding Circle](#) currently facilitates £1 million (\$1.6 million) per week of loans to small businesses, enabling people to receive attractive, stable returns for the long-term, while businesses gain low cost finance. This process sidesteps the high street banks with businesses receiving finance in a matter of days compared to up to four months for a traditional bank loan.

The capital from this round will be used to continue to innovate around Funding Circle's service, increase marketing presence and drive recruitment. Funding Circle expects to double its number of employees over the next 12 months.

Samir Desai, co-founder of Funding Circle, said: "This deal represents the next step in the growth of Funding Circle and will help us to create a lasting alternative to banks for small

business loans. Index has been a prominent supporter and advocate of what the business is trying to achieve, and we are delighted to continue our partnership together. We are also excited to welcome Union Square Ventures as co-investors. They bring with them a wealth of expertise and experience having worked with some of the most recognisable technology businesses in the world, including Twitter, Zynga and Foursquare.”

Since launching, Funding Circle has seen yearly growth of more than 400%. This rapid development has been recently recognised by Government with acknowledgment in the Budget that peer-to-peer lending will be looked at as part of Government-backed initiatives to ease the flow of credit to small businesses. Andy Haldane, policymaker at the Bank of England, also recently highlighted that internet-based businesses, like Funding Circle, could revolutionize, and eventually replace, the banking system<sup>1</sup>.

Neil Rimer, co-founder and Partner at Index Ventures said: “Since we first invested in Funding Circle 12 months ago, we have been hugely impressed by the immediate impact the business has had, and the appetite among ordinary people to invest in the growth of UK small businesses. The financial services industry has been crying out for greater competition and diversity in the small business lending market for some time and this is exactly what Funding Circle delivers. We strongly believe Funding Circle has the potential to leave a lasting impact on this industry.”

Andy Weissman, Partner at Union Square Investment said: “We are excited to be participating in this Series B financing of Funding Circle, along with Index Ventures. It was important we found an exciting and vibrant business to invest in that has the potential to radically change the industry it operates in. We believe this approach of financing businesses - away from banks and towards a marketplace model - is powerful and more beneficial to all participants.”

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<sup>1</sup> <http://www.bbc.co.uk/news/business-17400491>

Angel investors, such as Jon Moulton (founder of Better Capital), Edward Wray (co-founder of Betfair) and Charles Dunstone (founder of The Carphone Warehouse) have also increased their investment.

Samir Desai, co-founder of Funding Circle, continued: “At present 90% of the small business lending market is made up by five major high street banks. This lack of competition has continually stifled the attempts of small businesses to gain access to much-needed finance. At the same time investors continue to receive pitiful returns on their savings. At Funding Circle, we are delivering an innovative service that removes the outdated and laborious processes of the banks. We deliver a better deal for businesses and a better deal for investors”.

Since Funding Circle launched in August 2010, more than 10,000 investors have registered, with £28 million lent to more than 670 businesses. Currently, investors have collectively earned average yields of 8.4% with easy access to their funds through Funding Circle’s pioneering secondary market.

## **ENDS**

### **Funding Circle**

Funding Circle ([www.fundingcircle.com](http://www.fundingcircle.com)) is the first ever online marketplace enabling savers and investors to sidestep banks and directly lend to small businesses.

Funding Circle differs from other lending platforms in that it facilitates loans to businesses, rather than consumers whilst also proving easy access to investors’ money at any time. It provides low cost finance for small, UK firms frustrated by the loan terms offered by the high street banks.

The monthly repayment loans available are for one, three or five years and for between £5,000 and £250,000. Each loan is comprised of small amounts of borrowing from many different people who compete to lend to the business in question, enabling it to borrow at a better rate. With no bank in the middle, both investors and borrowers achieve a better deal. Funding Circle investors receive 8.4% interest on average.

Funding Circle was co-founded in August 2010 by Samir Desai (formerly of Olivant & the Boston Consulting Group), James Meekings (formerly of OC&C Strategy Consultants) and Andrew Mullinger (formerly of Citigroup, Ernst & Young and Nomura).

Read more about the team [here](#).