

## Business

# ‘Starling is now the Amazon of banking. Come get an account’

The founder of the start-up bank, Anne Boden, tells *Rebecca Burn-Callander* that it is ready to deliver a financial revolution

It's the end of 2015 and Anne Boden, founder of Starling Bank, is boarding a 92ft yacht in the Bahamas to pitch to secretive billionaire Harald McPike. She is on the fundraising trail for her new start-up, which is less than a year old, and has received an unexpected approach from the Austrian investor.

“He'd heard about what we were trying to do with Starling and wanted me to fly out,” recalls Boden. “I was hoping to raise about £3m.” McPike, who lives aboard his motor yacht *New Life*, is the founder of private investment outfit QuantRes, which owns shares in the likes of Salesforce, Goodyear Tyres and energy drinks brand Monster.

Boden arrives carrying just a small bag; she's only expecting to be there a few hours. McPike has other ideas. He keeps her on board for three days of intense questioning. They go through every aspect of her business model, future plan and her background. Between meetings, McPike dispatches his team to undertake due diligence on every fact and figure.

This is the first time Boden has spoken publicly about how she secured the finance that allowed her to build her neobank, which has gone on to become one of the four major digital banks hoping to wrest customers away from the UK's high-street incumbents. The following year, however, the outcome of that meeting hit the headlines. The three-day grilling led to an investment of a cool £48m. It is likely – although hard to prove – that this was the largest pre-seed funding round ever raised in Europe. It's not hard to see why McPike was so taken with Boden. Diminutive, with piercing blue eyes and a clipped Welsh accent, the Swansea-born entrepreneur is a veteran of the banking industry. The 58-year-old's CV reads like an encyclopedia of finance. Her first job was with Lloyds, she then moved to CHAPS Payments, then Standard Chartered. She's done stints at Natwest Capital Markets, UBS, ABN Amro, RBS and Allied Irish Banks. The first 20 minutes of the interview, which takes place at Starling's offices in Moorgate – in the old UBS dealing room on Finsbury

Square – is spent detailing each of these moves. It emerges that she has worked across almost every corner of banking. She has run IT departments, turned around a bailed-out bank and was a chief of staff.

“I've even sat behind a counter and given out cash and processed cheques,” she says.

Boden could have stayed working in big banking for her whole career but a series of drivers convinced her to launch a brand new bank aged 55. She grew frustrated with the bureaucracy of corporate life: “I wanted to fix RBS but RBS didn't want fixing,” she says.

The recession, too, irreversibly changed Boden's outlook on banking. “I was at RBS in 2008 and it was horrific,” she explains. “Businesses around the world were suffering, whole countries were suffering.” She expected that the downturn would force banks to modernise. This wasn't the case. “Everyone just tried to pretend it hadn't happened,” she claims. “They wanted to put everything back together the way it was before the crisis.”

When she became group chief operating officer of bailed-out bank Allied Irish Bank, it gave her a taste for entrepreneurship. “It had taken a £20bn bailout and needed repairing and setting on the right course,” she says. “I couldn't resist.”

Every Thursday, AIB's developers would present ideas for innovative features to Boden. She started to develop a new-look business model for banking then but was ultimately thwarted. “The troika needed its money paid back, and there were a lot of constraints,” she says diplomatically. “My job was to cut the cost base and I was successful at that.”

Meanwhile, other banks were all trying to win customer loyalty: “They were refurbishing their branches with wacky colour schemes and plush sofas, or they were moving transactions to mobile,” she says. “But no one was coming into the branches and the systems weren't built for mobile. They had no new ideas.”

“I came to the conclusion that the only way to make the change I wanted was to start from scratch, so I quit,” she continues. It is testament to Boden's pitching skills that she convinced PwC and KPMG to “lend” her resources in those early days, when she had nothing but a dream and her pension to finance the thing.

“They bought into the vision,” she says. “They saw I was going to do something audacious. I said, ‘I'm going to change banking forever, it will look like this, and I need you to help me.’”

Starling's business model is based on a list of 17 things that Boden felt was broken



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**If Anne Boden wasn't a banker, she would have been an interior designer: 'I love fabrics and wallpaper,' she says**



*I have an obligation to look after their money and that takes a different kind of personality to someone who exaggerates and then doesn't deliver'*

in banking. It is digital-only – so no branches and no paperwork. It has ditched the old-fashioned business model of allowing customers to misbehave and then fining them – unauthorised overdrafts are a major earner for the high-street banks.

“Using state-of-the-art systems, our cost base is lower, so we don't have to make huge sums of money off our customers in ways that are not fair,” she claims. The model behind its current account is simple but effective: Starling pays 0.5pc to depositors and lends deposits out at 15pc.

The banking industry has seen many new entrants but Boden is at pains to stress that few of the new fintech outfits are actually banks, with all the relevant licences. “The original digital four were Atom, Tandem, Starling and Monzo,” she says. “Neither Atom nor Tandem have current accounts. N26 has become a bank but is not in London. Revolut is not a bank and neither is Tide.” She smiles often when talking about rivals but there is an edge to her voice when Monzo is mentioned.

Starling's first chief technical officer was Tom Blomfield, whom she met when he was building fintech pioneer GoCardless and she was its adviser. “I hired him in September [2014] and he left in February,” she says of that fateful appointment, which has been omitted from his personal LinkedIn page. Blomfield left to launch prepaid card business Mondo – rebranded as digital bank Monzo – which is now Starling's

major competitor. “I'm not going to talk about that,” Boden says firmly. “These things happen.”

She prefers to talk about the distinctions that set Starling apart from rivals. “We are the Amazon of banking,” she claims. Starling's digital marketplace brings in other fintech players, such as investment app Wealthify, Pensionbee, mortgage provider Habito and travel insurance provider Kasko. Customers can opt in to allow Starling to crunch their data to recommend these products, and Starling gets a kind of “finder's fee”.

The infrastructure arm of the business is particularly notable, however. That £48m from McPike, which was paid out over three tranches when Boden met her growth goals, enabled her to build Starling's technology from scratch. This means it has none of the legacy issues experienced by the high-street players and plugs directly into the payments networks, delivering extraordinary speed. The data screens covering the office walls show that it takes 1/14 of a second to approve every transaction on the Starling network.

Some major customers use Starling's back end for process payments, including the UK's Department for Work and Pensions, and MasterCard Send. Winning the contract with Government was “an incredible validation”, says Boden. Last month, Starling launched its white-label banking arm. Savings provider Raisin UK is its first official customer but there are 12 others in the pipeline, according to Boden. The bank's current accounts are

- ◆ Age: 58
- ◆ Lives in St John's Wood, London
- ◆ No children
- ◆ Born in Swansea
- ◆ Boden went to the local Swansea comprehensive and has a degree in computer science and chemistry from Swansea University. She holds an MBA from Middlesex
- ◆ Ended up in banking because ... “My mum asked me to apply for just one job in a bank, so I did, and that's how I ended up as a computer scientist at Lloyds”
- ◆ If I wasn't in banking ... “I would be an interior designer. I love fabrics and wallpaper”
- ◆ Favourite book: *The Hard Thing About Hard Things* by Ben Horowitz
- ◆ Greatest regret: “I should have been entrepreneurial earlier”

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**Due credit Motherly advice pays off**

also selling like hot cakes, with 210,000 users in the UK, 10,000 business customers, and a recently launched account for 16-17-year-olds.

According to Boden, this is only the beginning for Starling. The bank raised a further £10m of growth funding a couple of years ago and she is now on the hunt for another “significant” sum. The company has also applied for the RBS Remedies Fund, and is going after the £120m pool A. The fund was created after RBS was forced to sell off parts of its business by the Government as punishment for taking a bailout.

New funding, in whichever guise, will help Starling reach its next target: European expansion. Boden's plans will not be halted by Brexit, she says. Over the last four years, she has been conservative about her goals for Starling. “I don't make grandiose claims,” she says pointedly.

“I have an obligation to my customers to look after their money and that takes a different kind of personality to someone who exaggerates and then doesn't deliver.” But now that the bank is sitting pretty on £100m worth of deposits, this ultra-cautious banker is finally ready to boast. “We have built the best banking infrastructure I've ever come across,” she says. “I didn't want to put my foot on the accelerator until we had all our features in place. We're now in a position where we can offer customers absolutely everything and we are ready to say our doors are open. Come get your account!”