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BUSINESS

Starling boss: our tech will let us fly

The big banks have been beating a path to the door of the mobile-only start-up's founder to see how things are done

INTERVIEW
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AND EMMA DUNKLEY

The windows of Starling Bank's headquarters on the edge of the City have been frosted. You might think this is an attempt to deter burglars – but it is no coincidence that Monzo, the challenger bank's shinier, younger rival, recently moved in next door. Anne Boden laughs. "We take customer data here very, very seriously," says the founder in her soft Welsh accent.

Starling is not just competing against the high street's big four banks. It is in a fintech arms race with other challengers. Asked how she differentiates it from others in the crowded space, Boden is adamant it is superior to the likes of Monzo. "We've got higher average balances, we have a lot of engagement and we have people tending to use us for the weekly shop, not just the Costa coffee," she says.

Over a full year, Starling's average customer balance is £1,450 – comparable to some high street lenders – and a third of users pay at least £1,000 a month into their accounts. Starling's £600m of deposits compares favourably with Monzo's £468m, especially as Monzo has 2.7m users to Starling's 775,000.

Boden has previous with Monzo. Tom Blomfield, its founder, worked at Starling before leading a revolt of 13 senior staff in 2015 to set up his rival bank. She says she doesn't bear a grudge and the pair occasionally have breakfast. "Things happen in start-ups," Boden, 59, says. "You need to move on." Blomfield, 34 today, declines to comment.

Boden, a former Royal Bank of Scotland and Allied Irish Banks (AIB) executive, founded Starling in 2014. It has doubled its number of current account customers in eight months, though in the year ending last November, losses also more than doubled to £26.9m on income of £750,000. Boden says the bank should be profitable by the end of next year.

However, there is a sense that Starling is lagging behind rivals with global ambitions that are piling on users: Revolut has

6m. "In terms of the retail banking fight, Revolut and Monzo are acquiring more customers, but Starling has more of a range," says David Brear, founder of fintech consultancy 11:FS. "I think they are presenting a good case for an acquisition [by one of the big banks]."

Boden, who owns 13% of Starling, says: "I hope we have an independent future for as long as possible. I don't think at the moment it would serve the industry well by being too associated with the big banks." She thinks a float in two or three years is the most likely outcome.

The digital upstarts have a chasm to bridge. Starling and Monzo combined have an estimated current account market share of less than 5% compared with about 75% controlled by HSBC, Barclays, Lloyds and RBS. "Thus far, it is almost impossible to see any material impact on the incumbents from the likes of Starling," says Investec analyst Ian Gordon.

Boden fidgets constantly, one moment waving her arms like an orchestra conductor, then playing with reading glasses. She occasionally pauses to sip a glass of Diet Coke. Her trademark black dress is lived in up by a vibrant patterned scarf.

Boden grew up in Swansea. Her father was a steel worker and her mother worked in a department store. However, she was not allowed to learn Welsh because her parents wanted her to have "broader horizons" than Wales.

She studied chemistry and computer science at Swansea University, where she became enthusiastic about coding. She looked for jobs in intelligence and the defence industry, but at her mother's insistence, applied for a graduate position at Lloyds because working at a bank was seen as "secure and respectable".

Boden moved to London in 1981 and spent six months on secondment at a branch in Hampstead. She enjoyed cashing cheques for famous customers. Who were they? "I can't say really, because that's banking secrecy," Boden says. She eventually relents and blurts out "Sting and the Police!" with a giggle.

After four years at Lloyds, Boden joined emerging markets-focused Standard Chartered. She grew envious of colleagues. "I was spending all my time getting these systems to work and coding all night," Boden recalls. "And all the investment bankers and corporate bankers



Riding a wave: Anne Boden, chief executive of Starling Bank, outside the lender's new office in Southampton

THE LIFE OF ANNE BODEN

VITAL STATISTICS

Born: January 1, 1960
Status: single
School: Cefn Hengoed Community School, Swansea
University: computer science and chemistry at Swansea; MBA at Middlesex
First job: programme manager at Lloyds Bank
Pay: £362,000
Homes: Regent's Park, central London, and Marlow, Buckinghamshire
Car: grey Audi TT
Favourite book: The Hard Thing About Hard Things, by Ben Horowitz
Film: "Don't have one – I'm into books"
Gadget: iPhone
Music: "Not into music"
Charity: ovarian cancer charities
Last holiday: St Lucia

WORKING DAY

The chief executive of Starling Bank gets up at 5.30am and leaves her Regent's Park home at 6.45am. She goes to a coffee shop to work because "there's no one in the office at 7.30am" and "I love being with people".



Favourite author: tech titan Ben Horowitz

Anne Boden, a prolific tweeter, opines on social media, reads newspapers and sends emails before arriving at the Starling office on the edge of the City. Each morning at 10am, her team gathers to discuss the previous day and how to improve customer service. With the bank spread across three floors, Boden "walks around all day" before leaving at about 8pm.

DOWNTIME

Boden, 59, spends what little free time she has shopping for fabrics. She likes to "hang out" at Jill Lawrie Interiors, a design shop near her Marlow home, where she talks about new books she has read and "how one of these days I'll get a new pair of curtains".

were having a great time." She took an MBA at Middlesex University and left. The next stop was Price Waterhouse, where she did strategy work with big banks, then Zurich with UBS. Stints at insurer Aon and ABN Amro followed.

In 2012, Boden became chief operating officer of AIB, the nationalised lender, where she worked under David Duffy, now boss of Virgin Money owner CYBG.

While at AIB, she took holidays to America and Australia to see how other banks were trying to repair their balance sheets and customers' trust after the financial crisis. She decided the only way to improve things was to start from scratch. "Fixing the old banking system was terribly difficult to do," she says. "Not because people didn't have enough intellectual horsepower, or they didn't want to do it, but the problem was difficult."

Boden, who was called crazy more



I was coding all night while all the investment and corporate bankers were having a great time

than once after launching Starling, met reclusive hedge fund tycoon Harold McPike and flew to the Bahamas, where he keeps his yacht, to pitch her idea. He committed £48m in three tranches, and has now invested £83m in total.

Unlike Monzo and Revolut, Starling does not have a blue-chip roster of venture capital backers: its only investors are McPike and Merian, the fund manager that was previously part of Old Mutual.

Boden takes pride in Starling's technology platform, which has allowed it to offer current accounts and run them profitably because it can acquire deposits cheaply and does not have a costly branch network. It also offers accounts to sole traders and small businesses, and won a £100m grant to develop business products this year.

Starling, with 600 staff split between London and Southampton, has launched a marketplace where other providers can offer investments, savings products and mortgages, with the bank taking commission. The upside is that Starling has no capital tied up in these services; the downside is it is purely the middleman.

Four executives, including finance director Tony Ellingham, have left this year, raising questions about Boden's leadership. "It's not a red flag, but it is an amber warning," says one industry insider. Boden says people "occasionally have fantastic offers from competitors, and I wish them all the best".

Last year, Starling agreed to help RBS develop its Bó digital brand. Some analysts question whether Starling will morph into a tech consultant and give up on its vision of breaking into the mass market. The bosses of big banks have been beating a path to Boden's door to see how things can be done. One chief executive recently turned up with his entire board. That culminated in Boden being asked if she would "do a deal" and consider selling out. She declined.

"We're very attractive and doing interesting things," she says, "but unless I spend more time worrying about this business and less time talking to other people, it's not going to get done."