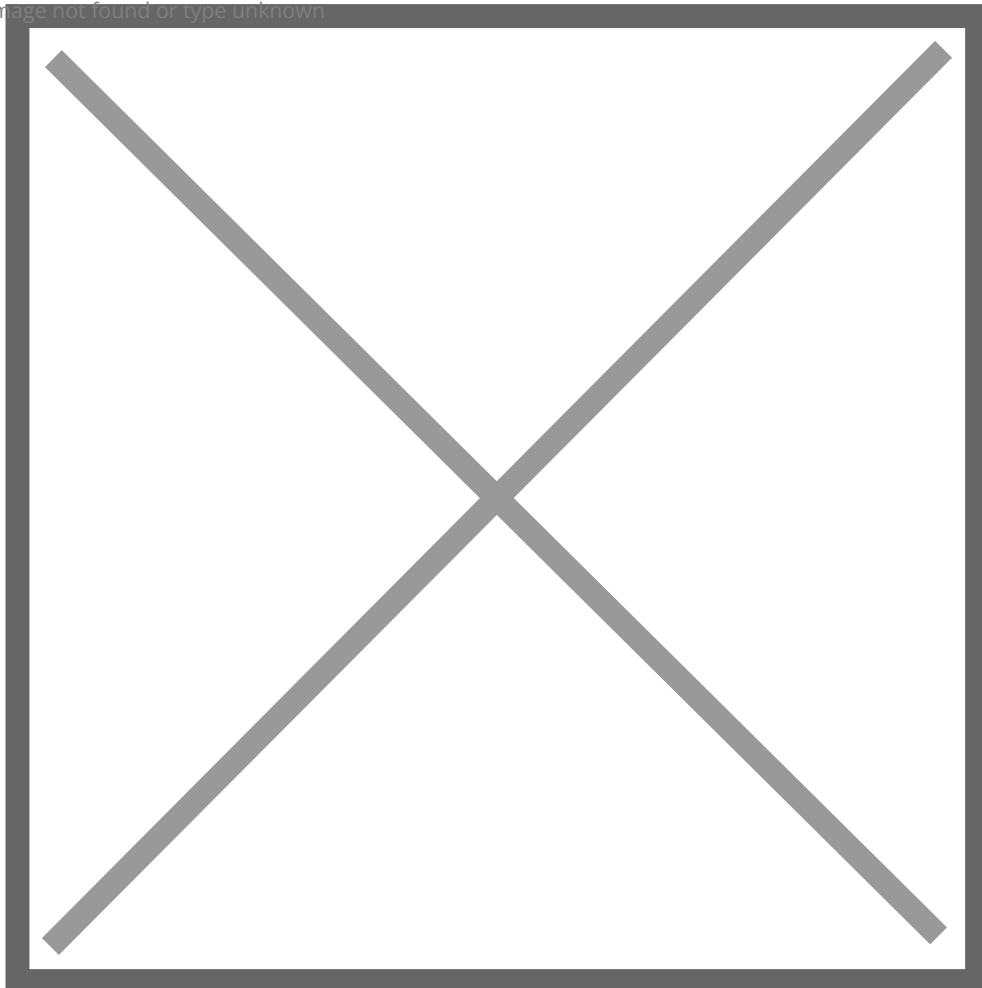


Five technology innovations that will change the face of short-term lending

Opinions

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Technology has already driven significant changes in short-term lending. Lenders have invested in online platforms to streamline processes. We no longer rely on paper applications. Communication between borrowers, lenders, surveyors, and solicitors has never been slicker. Automated Valuation Models (AVMs) were rehabilitated in the pandemic when surveyors couldn't get into properties.

It won't stop there. I believe the following five technology innovations are set to change the face of short-term lending:

1. Open banking

Open banking refers to the practice of sharing financial information electronically, securely, and under conditions that the customer approves. By leveraging this technology, lenders can assess the creditworthiness of borrowers and investors more easily, resulting in increased efficiency and faster loan approvals.

Open banking has already enhanced TAB's platform; making it easier for borrowers to view and make payments, improving transparency; improving data privacy and security; and lowering risk in regards to knowing your customer (KYC) and anti-money laundering (AML) checks. In the future, investors will be able to invest directly from the platform using open banking, and can further use the technology to enhance affordability checks and borrower payments.

2. Artificial intelligence

Artificial intelligence (AI) enables computers to absorb information from diverse and non standardised inputs to generate outputs in natural language. It is poised to revolutionise the lending process. One example is OpenAI which is already being used in various functions — from coding to content creation. In the finance sector, AI will soon provisionally assess the risk of a loan and borrower, taking information from accounts, bank statements, and legal documentation. It will create rounded risk assessments and facilitate better informed lending decisions.

AI systems will learn by understanding the parameters that affect loan approvals, such as credit history, income, and debt-to-income ratios. By analysing vast amounts of data, AI-powered tools will

automate credit scoring, fraud detection, and loan underwriting, improving the accuracy of risk assessments and streamlining the lending process.

3. Identity management

SmartSearch and Onfidio can already conduct identity verification quickly and effectively: gone are the days of sending a paper copy of your passport with a certification signed and dated by a 'professional'. Now, technology allows you to upload a picture of your ID card or passport with 'selfies' taken at that time to verify it's you. These solutions facilitate a smoother onboarding journey for borrowers and investors alike, without compromising KYC or AML obligations. By leveraging these identity management solutions, lenders can significantly improve the customer experience, streamline the lending process, and minimise the risk of fraud. They will become more prevalent.

4. Secondary markets and tokenisation

Secondary markets are emerging which allow investors to buy or sell investments from others, whether that's investments into loans or property. To support these secondary markets, there is a growing trend towards the use of tokenisation and blockchain technology. This involves the creation of digital tokens that represent assets. These will improve liquidity, transparency and confidence within the market. TAB is well positioned to take advantage of this technology with our data being stored in a centralised blockchain with its inherent features of audibility and security.

5. Big tech lenders

Big tech companies, social media platforms and other non-bank institutions are beginning to explore the possibility of entering financial services. These companies are leveraging their technology, scale, large user bases and existing customer trust to offer innovative financial solutions.

In China, WeChat and AliPay have dipped their toes into lending. In the UK, Amazon Lending is already in place. Google, Facebook and Apple have indicated they're going to have a go, too. These companies are disrupting the lending landscape by using technology to facilitate loan origination, servicing, and repayment. As these platforms continue to grow in popularity and gain traction, they

have the potential to reshape the lending industry. Some short-term lenders may white-label the technology, in order to better serve their own platforms and customers.

Overall, I expect these technological innovations will improve the efficiency, transparency, and accessibility of short-term lending, making it easier for borrowers to access credit and for lenders to manage risk. By leveraging these innovations, short-term lenders can provide a better borrower experience. This goes for TAB too, where we are committed to incorporating these innovations into our platform to better serve our customers.

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