

## Demand for Digital Finance Set to Grow in 2015

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- A new breed of digitally savvy consumer is emerging in the lending industry
- Concerns about data security diminishing, especially among recent borrowers
- 90 per cent of adults now own a smartphone
- Existing borrowers twice as likely to be a loan customer in the future
- Interest rate still the most important factor when applying for a loan
- Big rise in awareness of peer-to-peer lending

New research from automated loan software provider, **Nostrum Group**, has revealed a big shift in the adoption of online lending channels among consumers that could ultimately lead to purely online self-managed processes for people borrowing money.

In a report titled '**The Emergence of the Digital Borrower**', Nostrum identifies five borrower profiles that are present in the current market: Digital Natives, Traditionalists, Future Natives, Capable Masses, and Desirable Regulars. Each group is engaging with the digital evolution of finance in a different way.

The research also discovered an increasing trust in purely online finance providers among the population. 70 per cent of people are somewhat worried or very worried about data security, **down 7 per cent from 2013**. Recent borrowers are even less concerned about data security – just 65 per cent, suggesting their customer experience has been positive.

While interest rate remains the primary consideration for would-be borrowers when considering a loan, speed is increasingly important, with **71 per cent of the population believing cash should be in a borrower's account within 24 hours of approval**.

There is also evidence of new types of loan gaining prominence, with **peer to peer lending awareness up by 87 per cent** from 2013's report, while amongst those that had taken a loan in the last 12 months awareness was more than 30% greater than the general population.

Recent borrowers are more likely to want to manage their own account online in return for a reduced interest rate (68 per cent in favour, versus 59 per cent of general population) while **71 per cent of recent borrowers would use a mobile app to manage repayments**, compared to 56 per cent of the general population.

Men are also more likely to be leading the virtual borrowing revolution. Awareness of niche lending products like peer to peer lending and logbook loans is higher among men, while 75 per cent of men have taken a loan, compared to just 45 per cent of women.

The report concludes that consumer communication preferences, particularly smartphone adoption, and a desire to 'own the relationship' are creating the right conditions for borrowers to manage the entire transaction from application to the final repayment online without any human interaction.

**Richard Carter, Chief Executive of Nostrum** commented: "These findings confirm what Nostrum has suspected for some time; the move to online borrowing is not just inevitable, it is already taking place.

"Lenders have adapted and are now pre-empting consumers by providing the technology to manage the entire process in a way that meets their preferences. As a society, we crave immediacy and convenience and the lending industry is no different. I believe we're at the cusp of a period of intense innovation in the way we borrow money, while the types of product we're used to, like the loan and credit card, will come under increasing threat from point of sale finance and peer to peer lending as awareness reaches ever higher levels.

"Smartphone adoption is nearing saturation and lenders are revising their loan underwriting activity to include social data. A person's Facebook activity can probably tell you much more about loan affordability than bank statements from six months ago for example and I believe we will see much more of this in the future."

Carter concludes: "The challenge for banks and finance providers is to shape their propositions to meet the evolving needs of the increasingly technology-savvy customer. If they do not, there is a new breed of finance provider waiting for the opportunity to pounce."

The full report can be downloaded from the Nostrum Group website at [www.nostrumgroup.com](http://www.nostrumgroup.com)

**Notes to Editors:**

2002 people were surveyed in September 2014. Full details are in the attached report.

**About Nostrum Group**

Nostrum Group is a provider of automated loan management software to the finance industry.

Based in Harrogate, Nostrum provides technology and services that support the whole lifecycle of lenders' operations from front-end lead generation and application processing through to customer servicing and delinquency management, across a number of different consumer and commercial financial products.

Nostrum enables finance companies to transform their businesses, maximizing efficiencies and performance whilst reducing time, risk and cost, consistently delivering best in class customer service.

Nostrum is one of the fastest growing technology businesses in the UK FS industry. In September 2014 it was named in the Sunday Times Tech Track 100 for the first time. In 2013 it was named in the Deloitte Fast 50 and the Deloitte European Fast 500.

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