

CANADA FINTECH LENDING

2022 STUDY



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CLA Canadian
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MERCHANT
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CANADA FINTECH LENDING STUDY 2022

Executive Summary

The pandemic has inspired more Canadians to move their financial habits online, with nearly **70% saying they manage more of their finances online now** than they did 12 months prior.

Canadians are doing more comparison-shopping than ever before, as the number of players in the FinTech space continues to grow.

After taking a slight dip last year, the country's approval of the FinTech industry has returned to previous highs, but remains at a modest overall score of **3.4 out of 5**.

Loan seekers are more likely to receive their funds the same day they applied than in any year previous, with **53% receiving funds within 24 hours**, suggesting that **same-day-funding is becoming a standard in the industry**.

Customers continue to demonstrate less friction and greater satisfaction with the most popular digital financial products — namely personal instalment cash loans and payday loans — but demonstrate less knowledge of and confidence in other digital financial products.

Canadians turn to different sources for information about digital financial products depending on their age and online behaviours. Canadians of different ages discover and vet products differently.

Customers based in more populous provinces, namely Ontario, Quebec and B.C., often have greater access to financial products and information. Quebec stands out for having the most tech-savvy customers, with higher than average utilization rates across a variety of FinTech products.

A background image showing a hand holding a credit card over a laptop keyboard, with a large white '70%' overlaid on the right side of the page.

70%

manage more of their finances online now

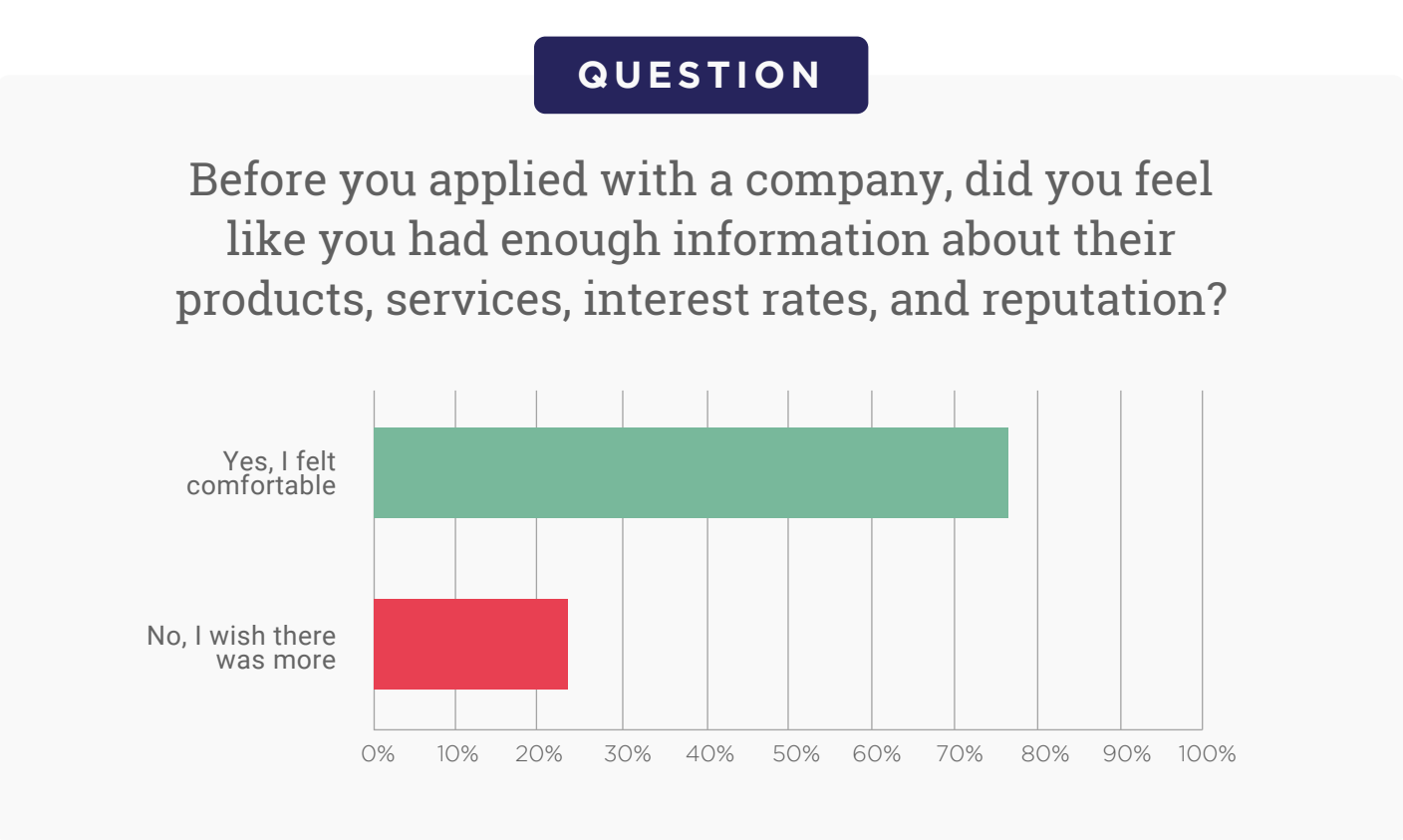
smarter.loans

Men and women use different tactics when shopping for FinTech products, and a majority of digital financial products see slightly higher utilization rates among men.

Social media is having a larger impact on Canadians' buying habits when it comes to FinTech products, with Facebook and YouTube standing out as the most popular platform across all age groups, and Instagram and TikTok emerging as key sources of information for younger customers.

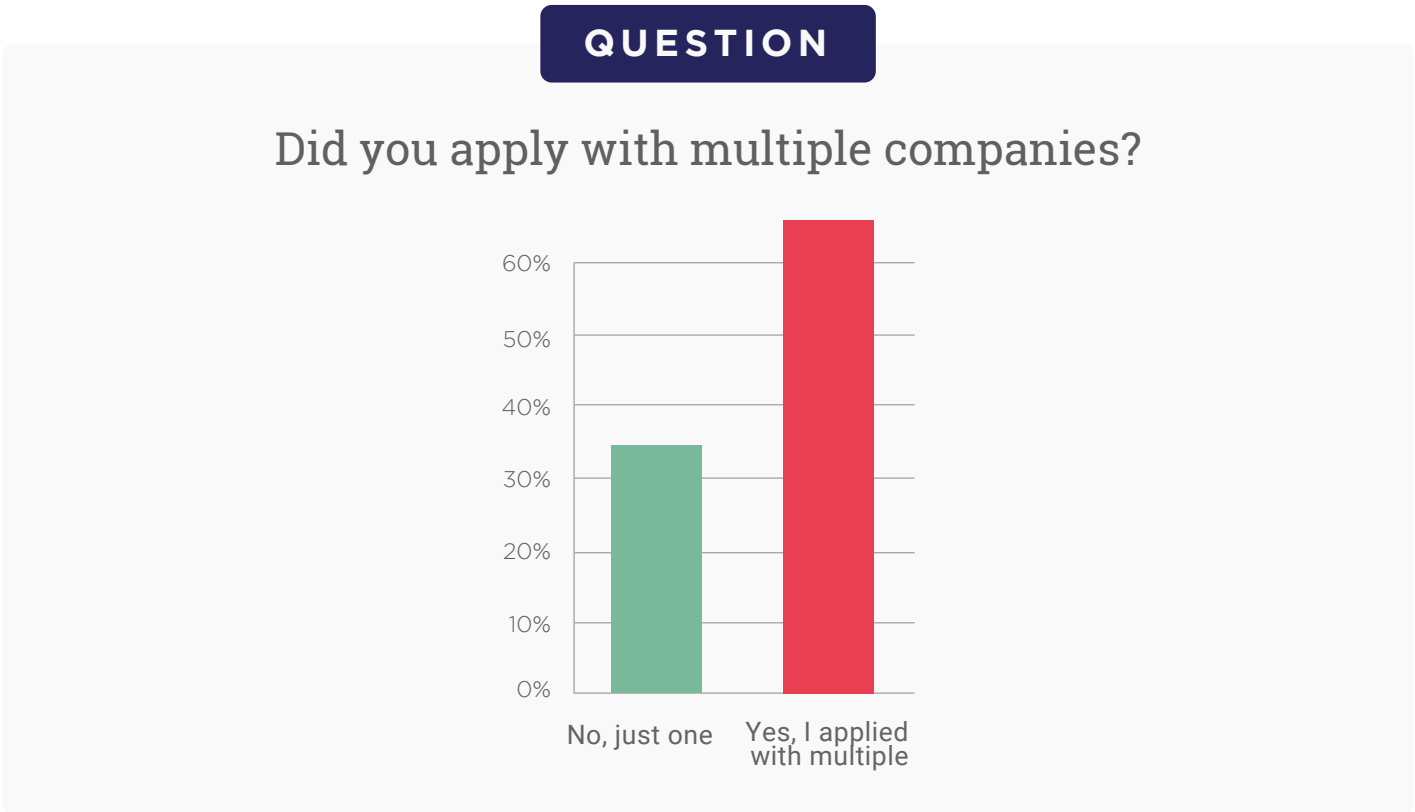
Customers are also much more likely to choose a loan provider that offers informative videos about their products, services and the company itself.

Older customers typically spend more time researching a provider before submitting their application, yet are still less confident in their selection than younger Canadians, who typically only dedicate one or two hours to research.

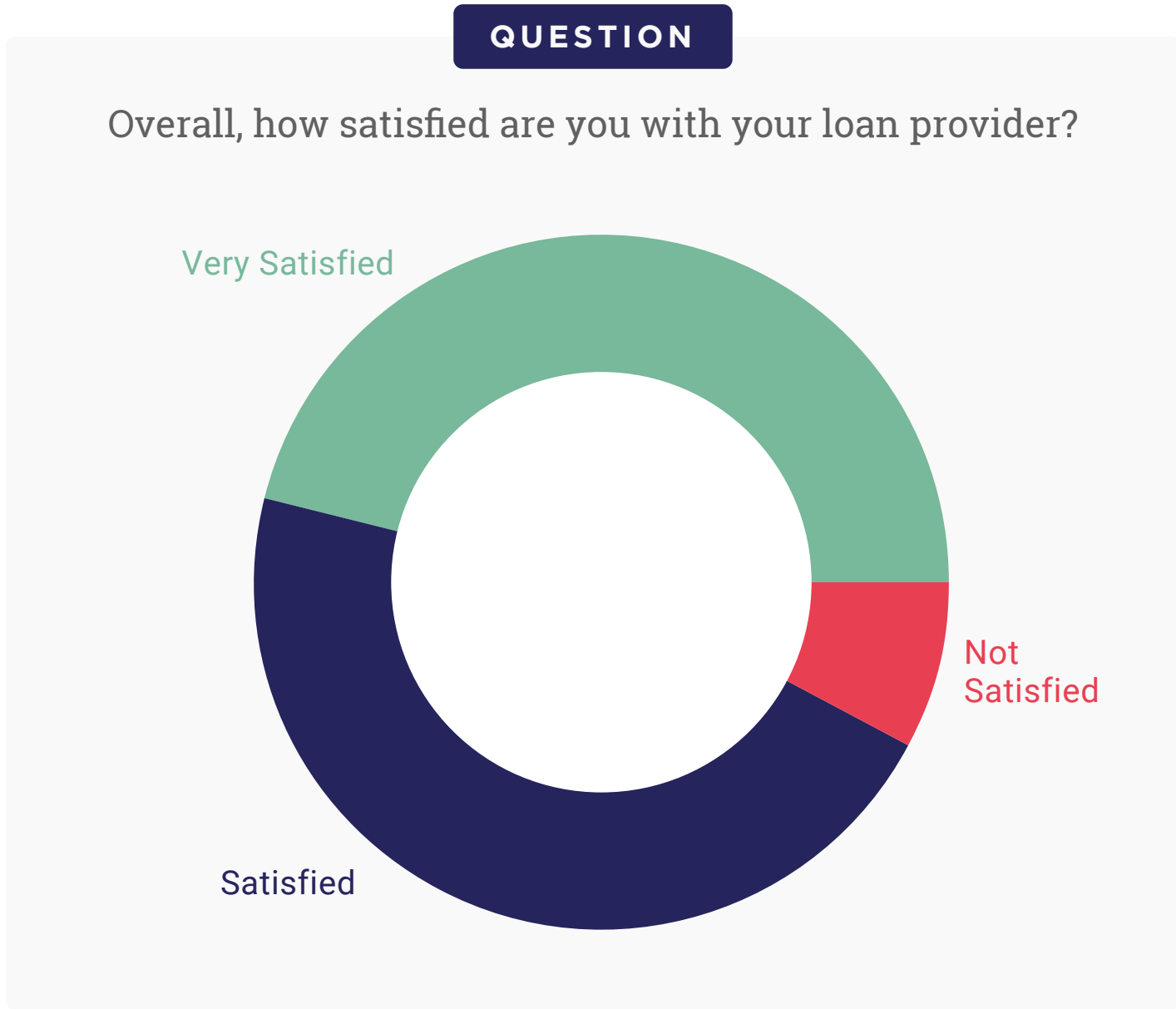


When it comes to securing a loan through an online provider, **76% felt confident that they had enough information** to make an informed decision — up 5% from data collected in the previous three years — despite dedicating less time to research than in previous years. This suggests that data about products and providers are becoming more readily available as the industry continues to grow.

Furthermore, this year’s study saw the highest proportion of borrowers that submitted an application with multiple providers. In 2020, less than half applied with multiple companies, but in 2021 two-thirds tried more than one provider. This is likely due to the growing number of options available to FinTech customers in Canada.



Despite conducting less research, **46% indicated they were “very satisfied”** with their loan provider, outpacing last year’s high of 40%, and well above 2018s respondents, only 36% of whom were satisfied with their lender. That is perhaps because Canadians now have more options at their disposal, and are more readily applying with multiple providers. Furthermore, an equal proportion, 46%, indicated that they were “satisfied,” and only 8% said they were “not satisfied” with their lender, the lowest proportion recorded in the four years of this study, suggesting the industry has been effective in addressing consumer needs.



Overall, more than half (53%) received their loan the same day they applied, representing the highest proportion of same-day financing recorded in our annual study. Furthermore, 42% said the application process itself was fast and easy, mirroring last year’s record high.

Business loan seekers were most likely to comparison shop, with 40% considering more than six options, but the majority of customers across all loan types considered less than five lenders, which is consistent with data from previous years. In fact, half of those seeking truck and trailer financing didn’t consider more than two options.

As in previous years, the majority of respondents found the providers they applied with through online searches, but the proportion was slightly lower than last year, dropping from a high of 63% in 2018 to 57% last year. Fewer respondents also discovered providers through personal recommendations, newspapers, radio and magazine ads than in any year previous.

Instead, **more are discovering providers on Smarter Loans**, and social media, than in any year previous. According to the study, Facebook remains the most popular social media platform for loan seekers of all types, with more than 70% saying they spend time on the site, followed by YouTube, which was frequented by 41% of respondents.

This year borrowers were most concerned with the provider’s interest rates and loan terms, with 40% ranking it as their top priority, up from 31% in 2020, likely in response to the low interest rates seen during the height of the pandemic. The next top priorities for borrowers are customer service and the speed of getting the loan, followed by the ease of the application process itself.

Before applying for a loan more Canadians found the information they needed about the provider by reading online articles, while less are calling to ask questions, or asking a friend or family members. However, looking through the lender’s website and reading reviews remain the most popular ways customers vet potential providers, with **nearly 60% exploring the lender’s website and 37% reading online reviews before submitting an application**. Customers are also much more likely to choose a loan provider that offers informative videos about their products, services and the company itself, with 60% indicating that it increases their confidence in the provider.

Overall, 85% of Canadians agree or strongly agree that they feel informed about the various options available to them, representing the highest proportion seen in all four years of this study. Furthermore, 79% agreed or strongly agreed that online loan providers are transparent about their fees, interest rates terms and conditions, and the same proportion agreed or strongly agreed that the application process was fast and easy. However, 21% of Canadian FinTech customers still aren’t convinced that borrowing money online is safe and scam-free, up from 19% in 2020.

Survey respondents **gave the Canadian online lending industry a 3.4 star rating** out of five; up slightly from 2020’s 3.3 star rating, and tied with the feedback given by customers in 2019.

QUESTION

How would you rate Online Lending Industry in Canada today?

Consider factors such as ease of getting a loan, access to information, quality of products and services, responsible lending practices and customer service.

3.4



country’s approval of the FinTech industry

Message from the Canadian Lenders Association

The CLA promotes transparency and fosters responsible and ethical lending practices. The association supports innovative lending nationally including the technology & business processes that are transforming the Canadian financing industry.



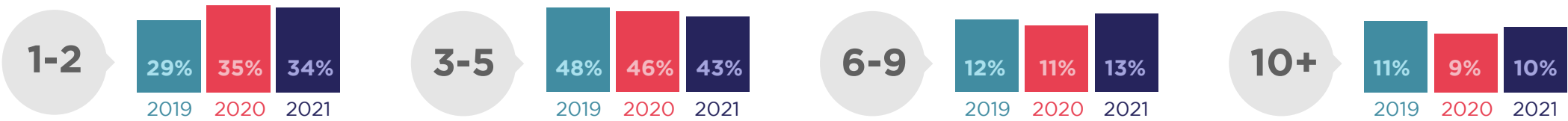
"2022 is about breaking down data and financial service walls between bank and non-bank lenders. We need to focus on Canadian borrowers, make sure that they all have open access to credit and that we work collectively to nurture them towards prime."



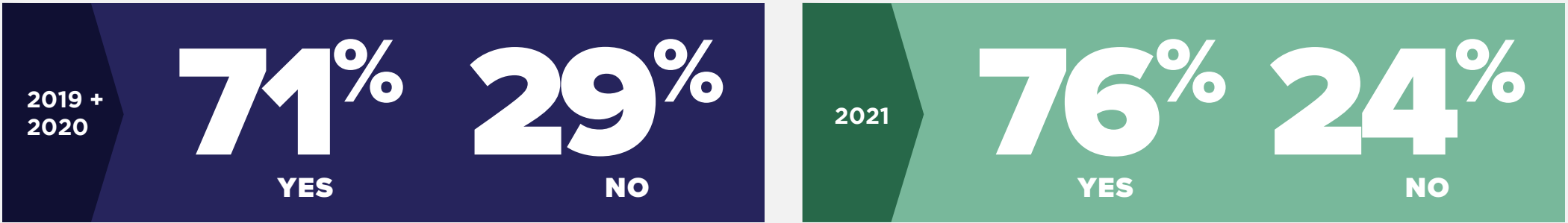
Gary Schwartz,
President,
Canadian Lenders Association

ANNUAL COMPARISON, AT A GLANCE

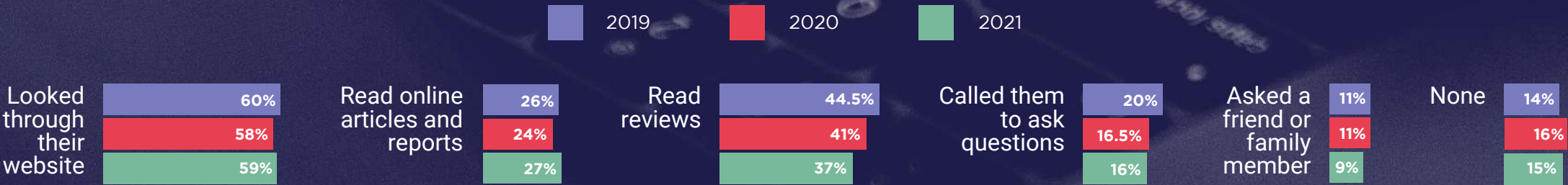
How many lenders did you research before applying for a loan?



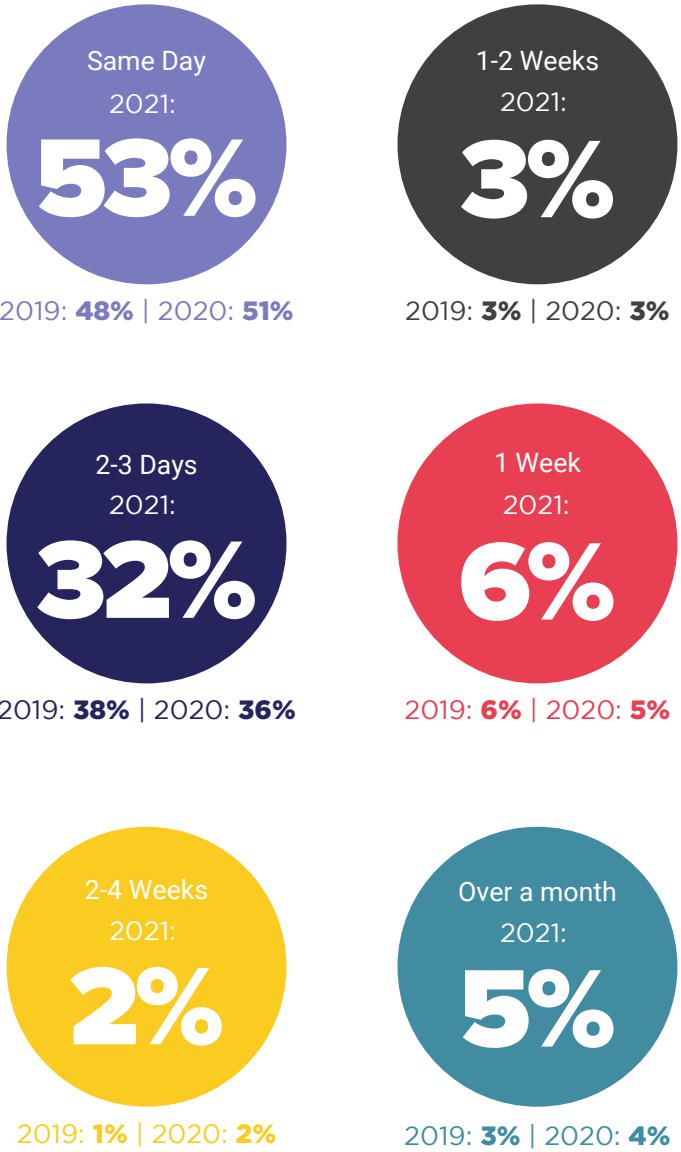
Before you applied with a company, did you feel like you had enough information about their products, services, interest rates and reputation?



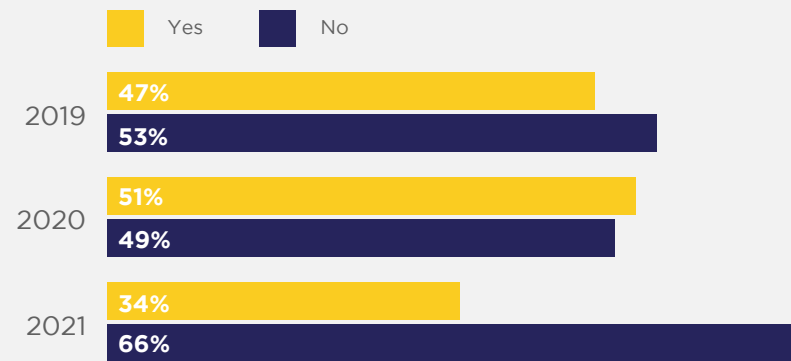
Before you applied for a loan, what additional research did you do, if any: (check all that apply)



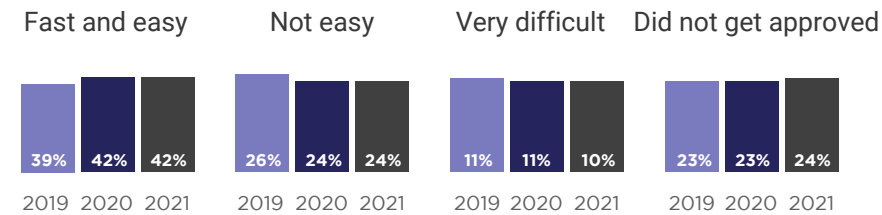
In total, how long did it take to receive your loan once you applied?



Did you apply with multiple companies?



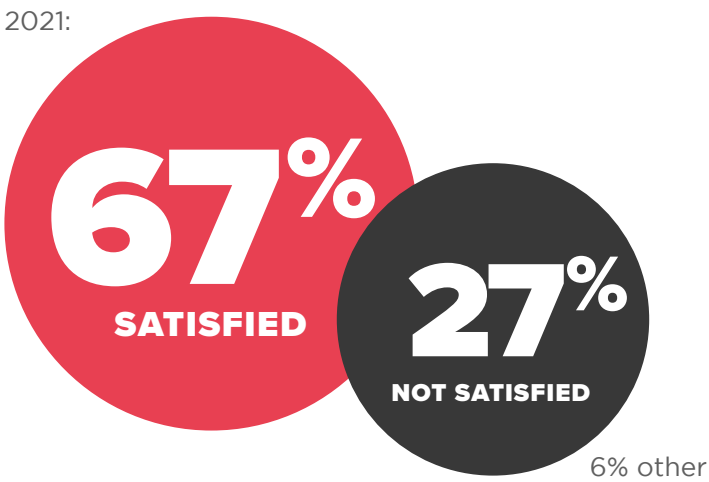
How easy was it to get approved for your loan?



Have you ever used Alexa, Siri or other voice search to find information about financial services?



How satisfied were you with the loan application process?



2019: 66% satisfied, 29% not satisfied, 5% other
2020: 68% satisfied, 28% not satisfied, 5% other

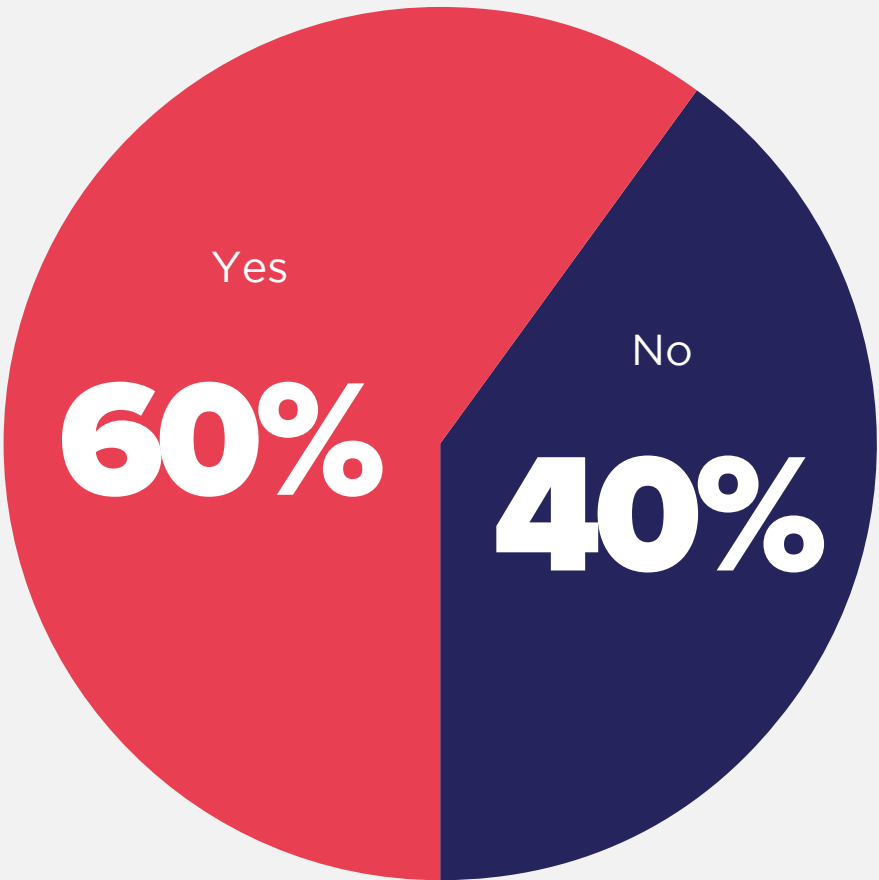
Overall, how satisfied are you with your loan provider?



How would you rate Online Lending Industry in Canada today? (out of 5)



Are you more likely to choose a loan provider that has informative videos about their products, services and company?



How did you discover the company or companies that you ultimately applied for a loan with? (check all that apply)



RECOMMENDED BY A FRIEND

2019: 11%
2020: 13%
2021: 8%

smarter.loans

FOUND THEM ON SMARTER LOANS

2019: 7%
2020: 9%
2021: 15%



ONLINE SEARCH

2019: 63%
2020: 58%
2021: 57%



TV OR RADIO

2019: 2%
2020: 2%
2021: 1%



SOCIAL MEDIA

2019: 11%
2020: 12%
2021: 13%



NEWSPAPER OR MAGAZINE

2019: 1.24%
2020: 1.59%
2021: 0.49%

Are you managing your finances online more now that you did 12 months ago?

YES 2021: 69%

2020: 71% YES

NO 2021: 30%

2020: 29% NO

How long did you spend researching lenders before applying?



2019

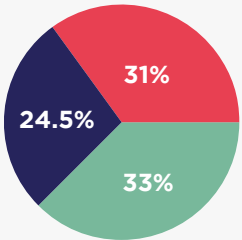


2020

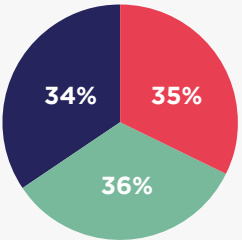


2021

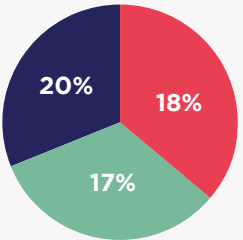
Less than 1 hour



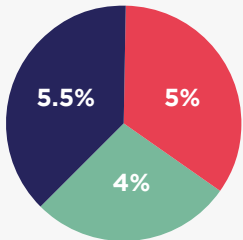
1-2 hours



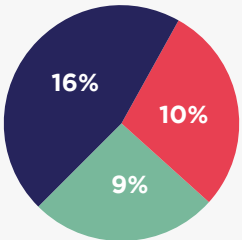
3-5 hours



6-9 hours



10 or more hours



Back to Business

OnDeck Canada has been providing working capital to small businesses since 2008 and never before have we seen this big of a shift in the SMB landscape. While the digitization trend was apparent for some time, the acceleration of it due to COVID-19 was unprecedented.

We have always had one cornerstone goal, to make access to capital more accessible, easier, and faster for SMBs - this hasn't changed. As we emerge from a pandemic world, we are here to help small businesses get back to business.



"Small business financing needs are evolving, and OnDeck Canada is evolving with them. We are committed to enhancing the customer journey that business owners have come to expect. Leveraging an embedded finance approach will reduce friction and enable us to expand our SMB centric financial ecosystem."

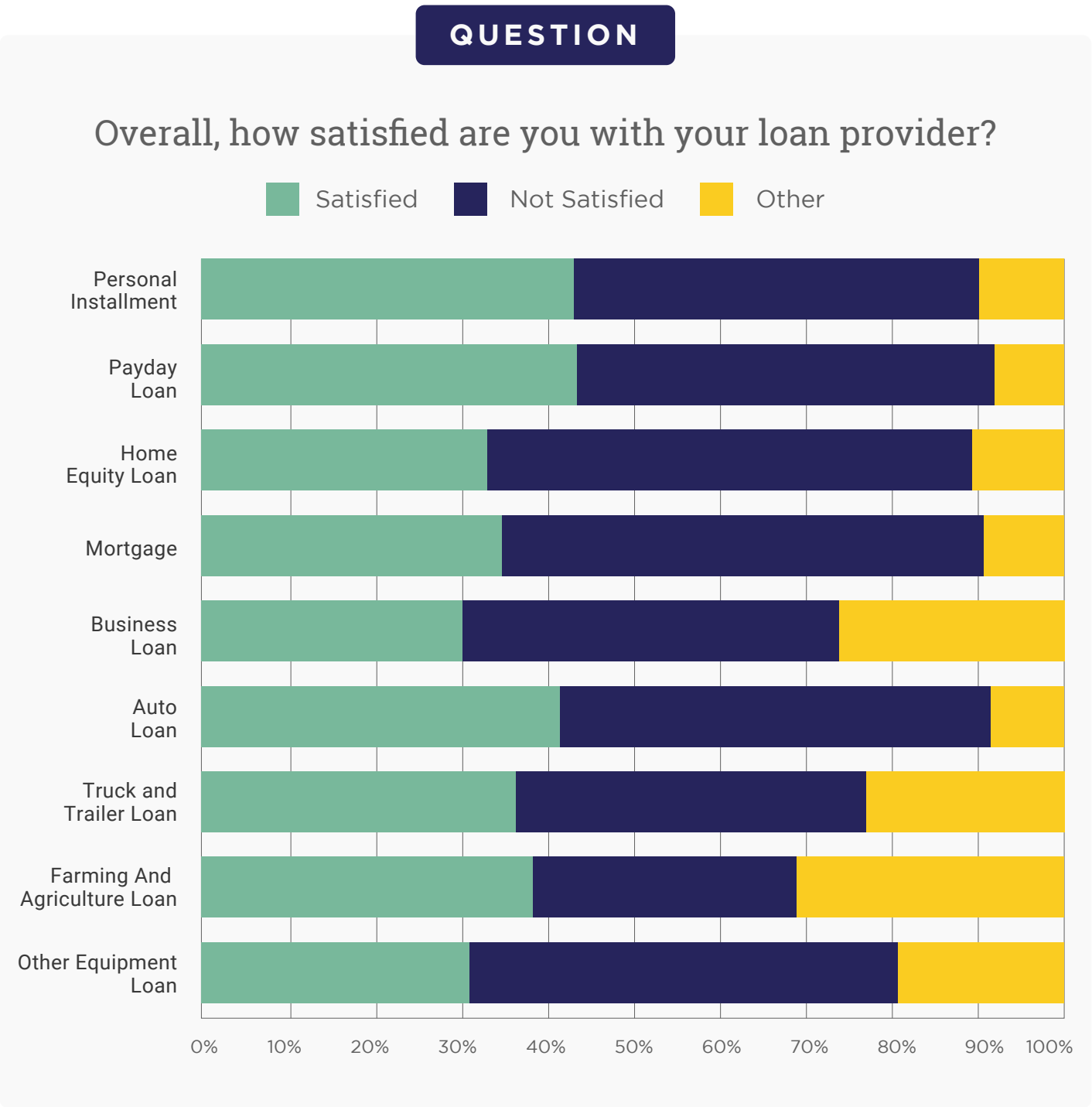


David Souaid,
Chief Revenue Officer,
OnDeck Canada

The most popular FinTech products have the highest approval ratings

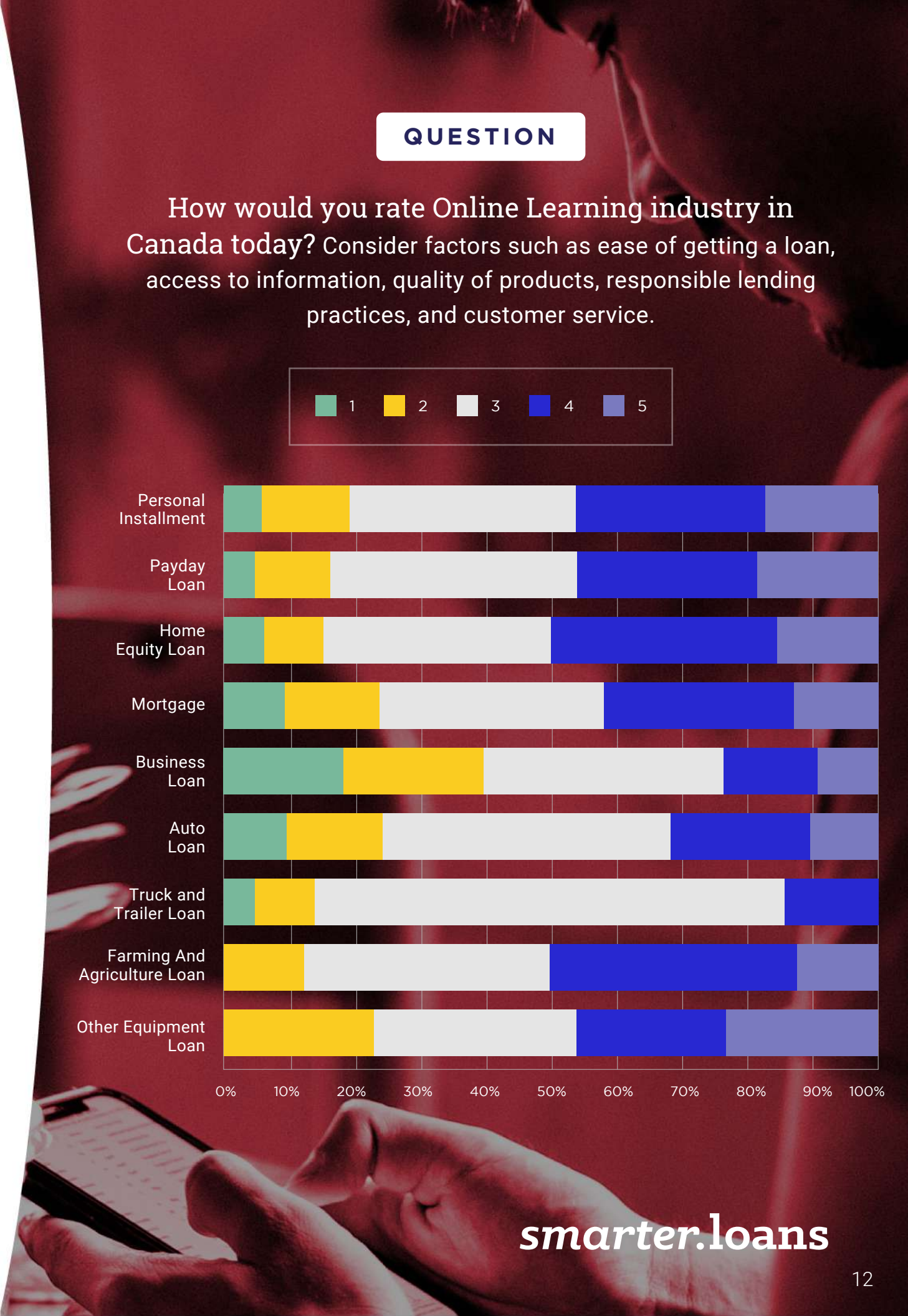
The most popular digital loan types typically offer a better customer experience. As the industry continues to evolve, those products and services with high adoption rates have been better at responding to customer needs and preferences, while others continue to lag behind.

More than **90% of those seeking a personal instalment cash loan**, payday loan, mortgage or auto loan were satisfied or very satisfied with their provider, compared to less than 75% of those who sought a business loan and 69% of those seeking farming and agriculture equipment financing. Personal instalment cash and payday loan customers were also much more likely to indicate that providers are transparent about their fees, interest rates, terms and conditions, with more than 80% feeling like they had a strong understanding of their options. By comparison, only about 60% of business loan seekers felt informed about their options.



More than half of Canadians who are approved for a personal instalment or payday loan received their funds the day they applied, and the vast majority received funds within three days. By comparison, only 40% of auto loan seekers and about 30% of home equity, mortgage, and truck and trailer financing seekers received same-day funding.

Overall, roughly **18% of personal instalment cash and payday loan customers gave the industry a perfect score**, the highest proportion out of any product category, and another 28% gave it four out of five. By comparison, only 9% of business loan seekers and 10% of auto loan seekers gave the industry a perfect score. Furthermore, none of the truck and trailer financing customers that participated in the study felt the industry deserved a perfect score.



Credit Bureau 2.0 by Trust Science

From Fairness...to Security...to Compliance...to Explainable AI, there's now a modern consumer reporting service available in North America: Credit Bureau 2.0

Credit Bureau 2.0® is a scoring service for lenders.

This modern system is better at finding borrowers who are Invisible Primes™
By and large, these people are currently hidden in the subprime half of the economy.

Finally, lending leaders can instantly deliver financial inclusion to un/under-banked consumers in a fair, ethical and legally compliant way. This empowers people to buy things & fully participate in the modern economy. Lenders can easily & safely earn the gratitude and loyalty of millions of consumers in a very competitive & very volatile financing landscape by simply being the first to see them for the great credit risks that they are. Lenders are immediately boosting their risk-adjusted Return on Capital with this turnkey system. Trust Science® has over 40 patents granted to it, protecting the enormous innovation inside of Credit Bureau 2.0® across over 12 dozen countries.

**Credit[°]
Bureau 2.0[®]**
by Trust Science[®]

"The Have's are doing just fine under the status quo. But highly-predictive, explainable, legally-compliant credit scoring should cover 100% of adult consumers. Deserving people ought to be treated better--they ought to get what they deserve."



Evan Chrapko
Founder,
Chairman & CEO

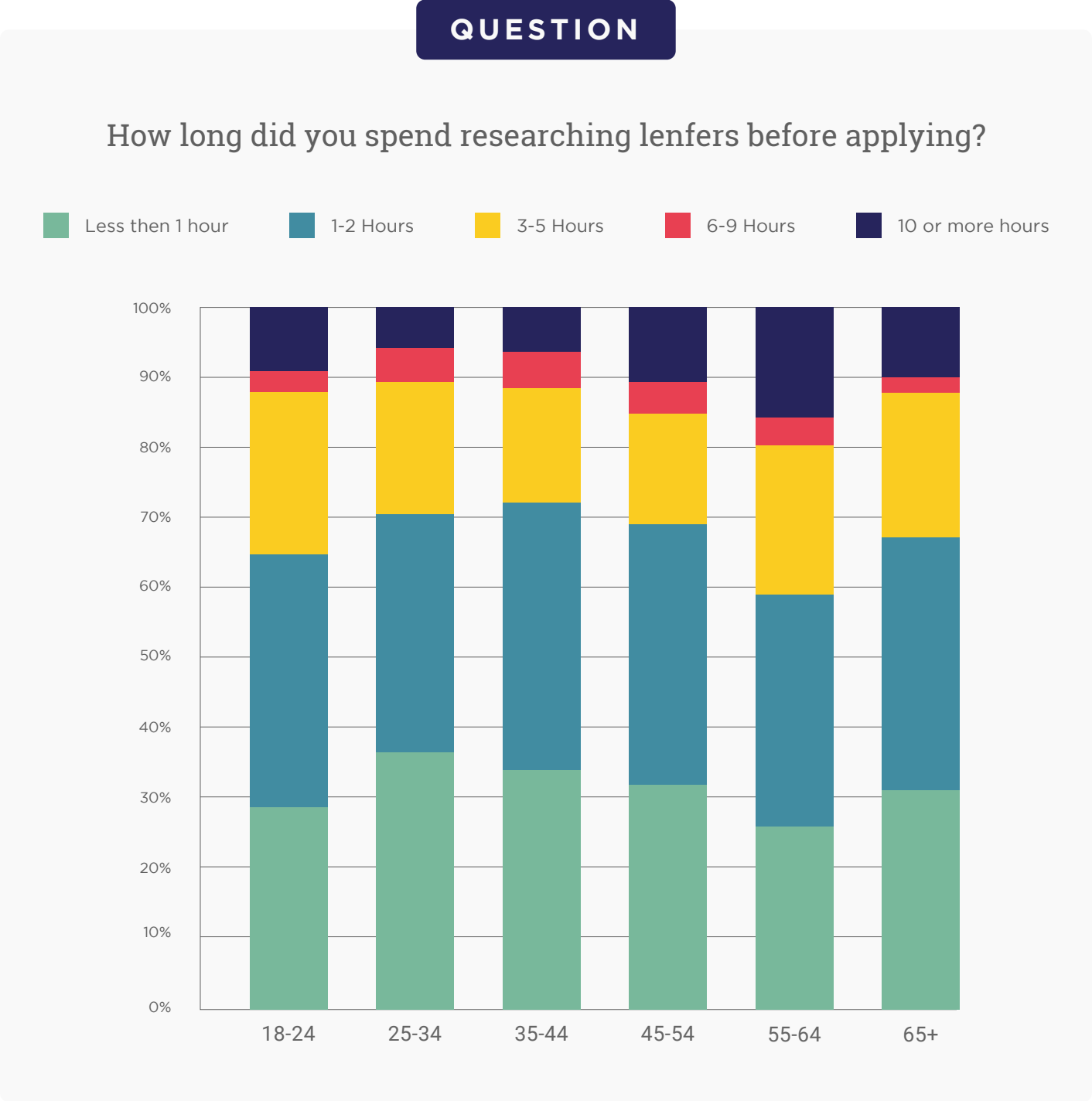
Younger Canadians are More Confident In FinTech Products and Services

The popularity of various loan products is generally consistent across all age groups, though payday loans tend to skew younger, while the popularity of personal instalment cash loans increases with age. **Mortgages and home equity loans were also most popular with Canadians over the age of 45**, likely a reflection of Canada’s increasing real estate values, which has prevented many younger Canadians from entering the housing market.

Younger customers were much more likely to have found the lenders they apply with through a personal recommendation, or on Smarter Loans, while Canadians over 65 were most likely to turn to social media, and more specifically, Facebook. Younger Canadians are also more likely to apply with multiple vendors, with more than **81% of those aged 18 to 24 applying with more than one provider**, compared to an average of about 65% across all other age groups.

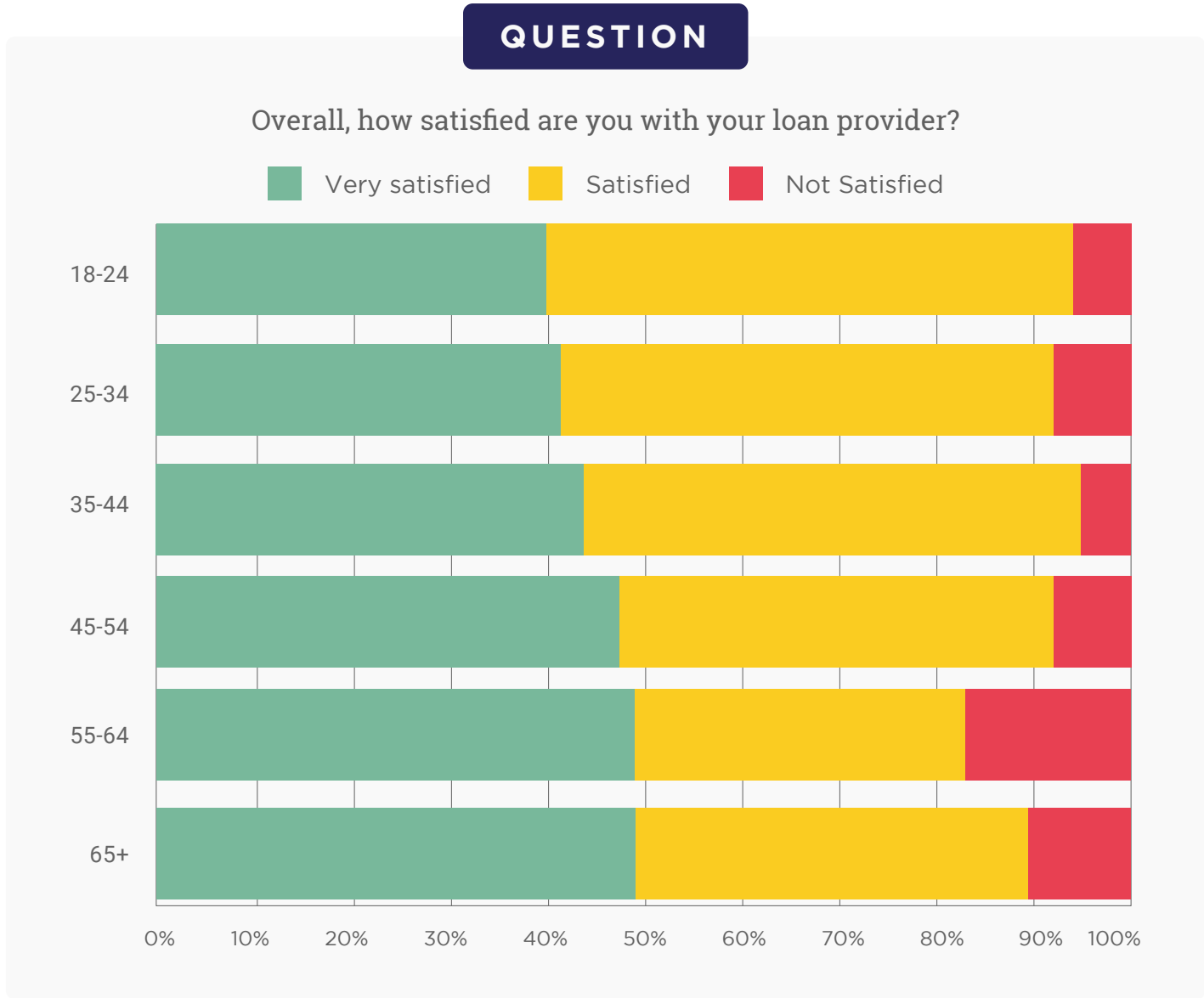
When exploring a specific provider, younger Canadians are most likely to consult their website, ask a friend or family member, and read online articles, while older loan seekers are more likely to pick up the phone and ask questions directly. Those in the youngest age bracket, 18-25, and those in the oldest age bracket, 65 and over, were by far the most likely to be persuaded by video content, with 70% of each group indicating they would be more keen on choosing a provider that features informational videos.

When considering whether or not to submit an application, **Canadians of different ages have very different priorities**. For example, the emphasis on interest rates and loan terms increases with age, while the emphasis on customer support, the ease of the application process and speed of receiving the funds decreases among older customers.



Those in the 55 to 64-age bracket were most likely to dedicate 10 or more hours to research before applying. By comparison, those under the age of 34 are most likely to dedicate less than an hour. Despite the extra hours spent on research, those 55 and older were most likely to feel like they still didn't have enough information to make an informed decision before applying.

Younger Canadians were also more likely to have their application denied, and less likely to feel that the application process was smooth, fast and easy. However, younger Canadians were more likely to be satisfied with their provider, **with 94% of those under the age of 44 expressing that they were “satisfied” or “very satisfied”** with their loan provider. By comparison, only 83% of those between 55 and 64 were “satisfied” or “very satisfied” with their vendor.



Younger Canadians also spend more time online, especially on social media, and express the most interest in moving more of their everyday financial services online too. While Facebook and YouTube are popular platforms across all age categories, **utilization of TikTok, Instagram, video games and video streaming services like Netflix are significantly higher among younger Canadians.** In fact, 47% of those aged 18 to 24 and roughly a quarter of those aged 25 to 34 regularly use Instagram and TikTok.

When it comes to adopting digital financial services, **those 25 to 34 expressed the most interest in buying insurance, investing, banking and shopping for a mortgage online for the first time**, while 18 to 24 year olds expressed the most interest in using an online service provider for transferring money internationally, purchasing or leasing a vehicle, applying for a credit card and taking out loans in the future. Across nearly all product categories, those aged 65 and older were least comfortable trusting online providers for their financial needs.

The Bigger the Market, the Better The Customer Experience

Customer experiences were also very much tied to location, with those in larger and more populous provinces often conducting less research, receiving higher application approval rates, and giving the industry top marks.

Residents of larger provinces, however, are generally less approving of their individual providers, except in Quebec, which stands out for having the most satisfied customers in the country across a variety of metrics, and the most digitally savvy residents.

Real-time Risk Management Scoring Profits for Lenders

Fast and efficient lending decisions involve minimizing margins of error in underwriting. In this arena, lenders with the most efficient approach have an opportunity to secure a significant advantage, and leap their business forward. Beneath credit boxes and document collection, there is proactive fraud prevention using real-time data, innovative risk management tactics, and data sources that go beyond what's readily available on the surface of a borrower application, through a network of partners all across Canada.

CreditBook helps lenders elevate their businesses by protecting them against potential losses and frauds. Widely used by alternative lenders across Canada, CreditBook's database is comprised of real-time records of non-registered loans, and allows lenders, both affiliated or not, to:

- make people's credit blindspots available to lenders
- lower loan default rate with data-driven insights
- detect, highlight and prevent fraud patterns
- ease collection process at real-time speeds

CreditBook is committed to continuing serving the lending community and helping them make more intelligent and profitable lending decisions through the use of real-time, actionable data.



"Creditbook is levelling the playing field for small lenders with the tools required to overcome today's challenges while gearing up for tomorrow's reality."



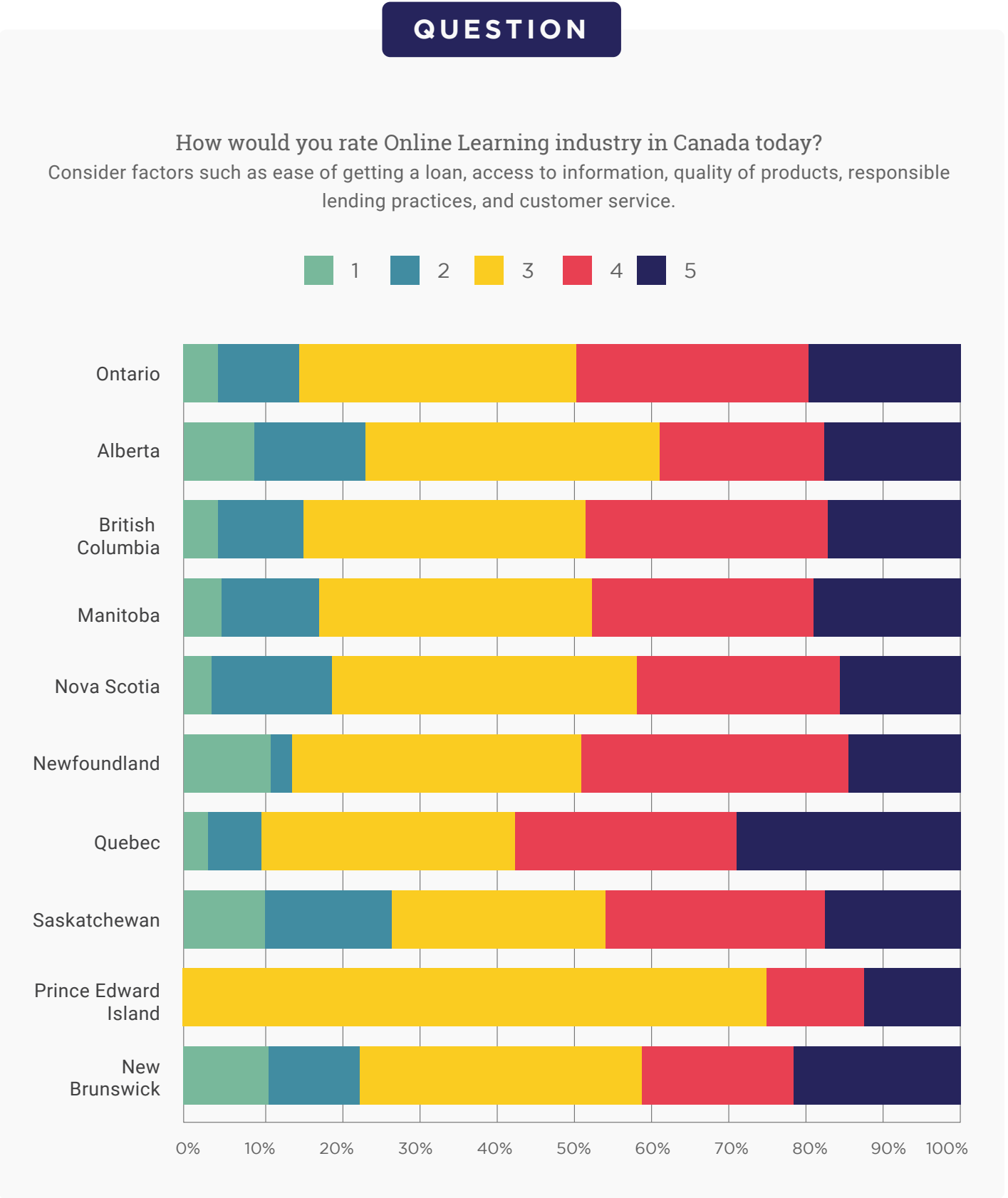
Denis Houle,
President of Creditbook.ca

In fact, **29% of Quebecers gave the industry a perfect 5 out of 5**, compared to only 13% of PEI residents, 14% of Newfoundlanders, and 16% of Nova Scotians. **A majority of Quebec and Ontario residents, and nearly half of BC residents (48%), also gave the industry at least four stars out of five**, compared to just a quarter of PEI residents.

Quebecers were also the most likely to feel informed about their options, to find the application fast and easy, to feel that the industry is safe, and to feel that providers are upfront about fees, interest rates, terms and conditions; often by a significant margin. Over the last 12 months more residents of Quebec (75%) and New Brunswick (77%) moved more of their finances online than Canadians in any other province.

More than half of FinTech loan customers in every province looked through the providers’ website prior to applying, but residents of Quebec, Ontario and Alberta were most likely to also pick up the phone to ask questions directly. The majority of residents in every province, other than PEI and New Brunswick, also indicated they were more likely to choose a loan provider that offered informational videos about their products, services and company.

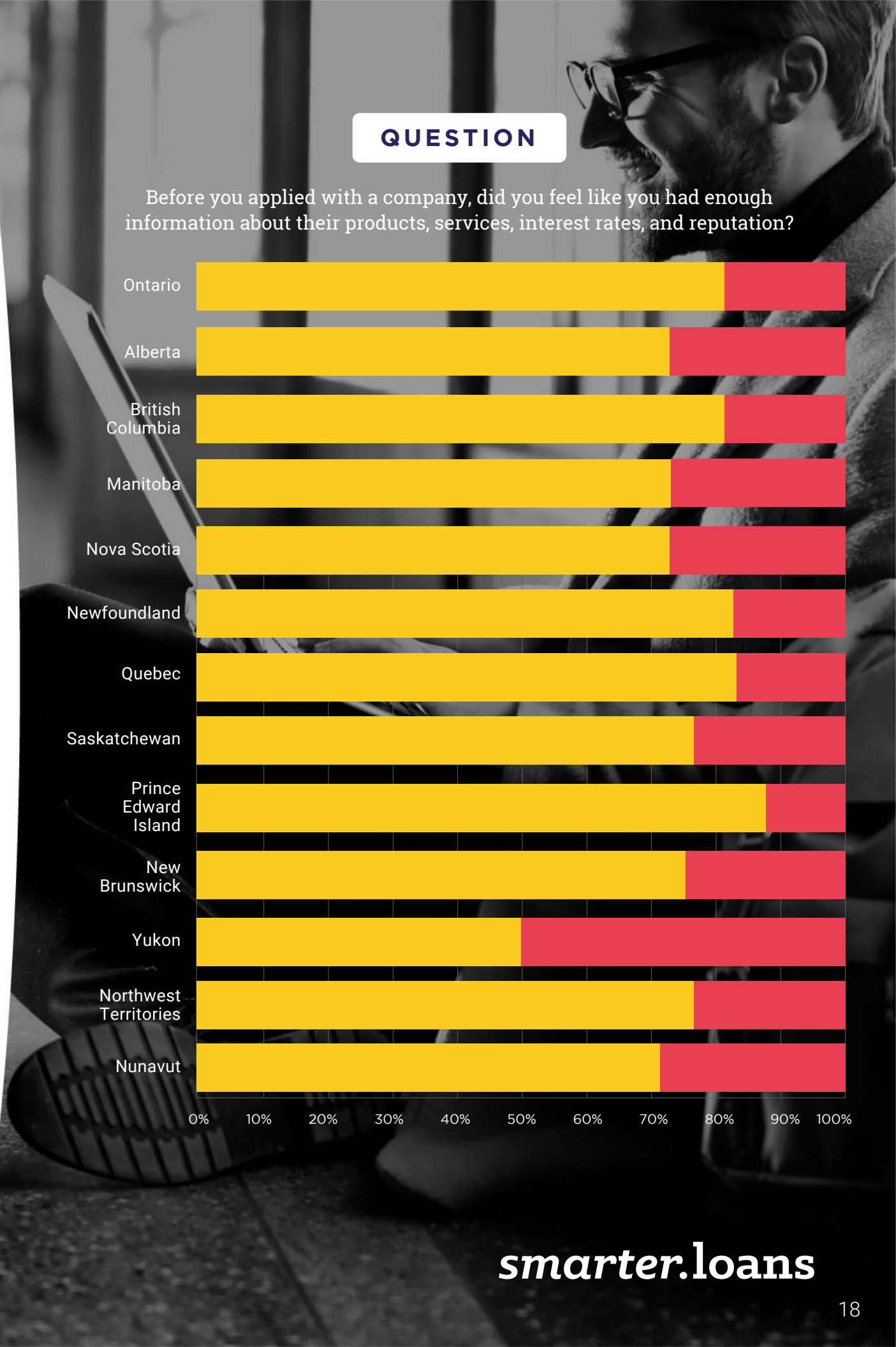
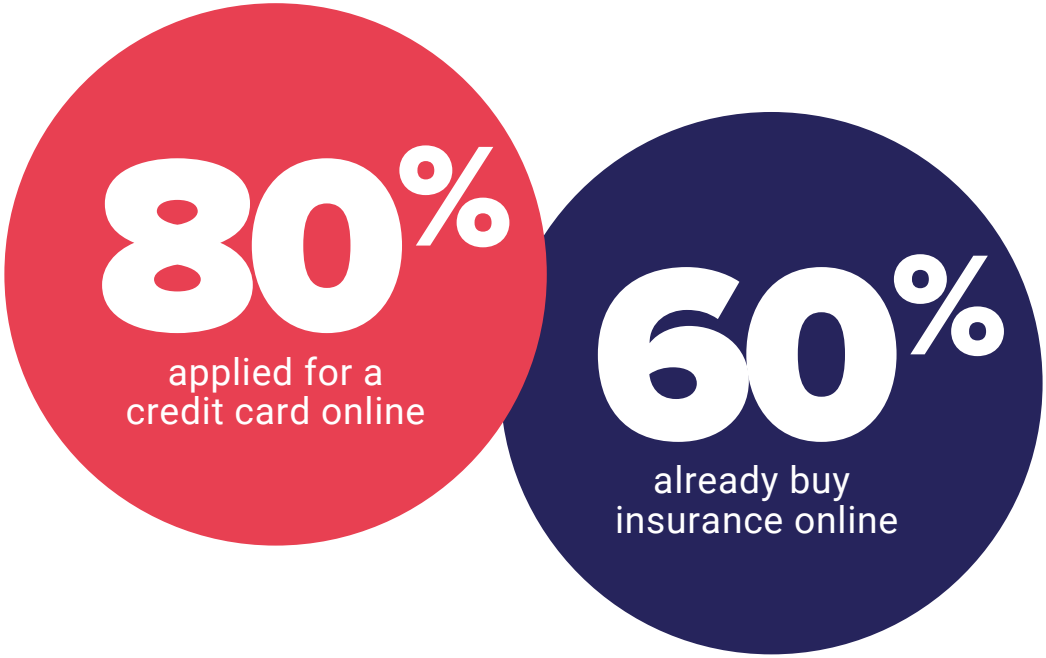
Nearly 30% of customers in Newfoundland dedicated 10 or more hours to that research, as did nearly 20% of customers in Nova Scotia, compared to single-digit percentages of those based in Ontario, Alberta, British Columbia, Manitoba and Saskatchewan. Despite dedicating less time, residents of PEI, Quebec, Newfoundland, BC and Ontario were most confident that they had enough information about the provider before submitting their applications.



When it comes to their top priorities, nearly half of all Quebec-based customers ranked interest rates and terms as their top priority, while those based in PEI, Newfoundland, Ontario and Alberta were more likely to prioritize customer service and support. **The speed of getting a loan is more prized by customers based in the Maritimes**, who were often more likely to have to wait longer to receive funds, especially those based in PEI. In fact, 14% of those based in PEI had to wait over a month to receive funds, compared to less than 5% of residents in other provinces.

Quebecers are also more accustomed to turning to online tools for everyday financial needs than residents of other provinces, and are generally more open to utilizing more digital financial services in the future. **Nearly 60% already buy insurance online**, 30% invest online, 42% transfer money internationally using online tools, and 43% manage their finances using an app; a higher proportion than any other province in each category. Furthermore, **80% have already applied for a credit card online**, and **34% have purchased or leased a vehicle using digital tools**.

On the opposite end of the spectrum, Maritimes residents generally have the lowest utilization rates for online financial services, and the lowest interest in adopting them in the future. Saskatchewan residents are also much less likely to utilize online services, and express an interest in adopting digital financial tools, than other Western provinces.



Stepping Up for Canadian Businesses

2M7 Financial has a clear-cut mission: to fund every Canadian business needing financing – regardless of size and experience in the lending space. With the accumulated understanding that all businesspeople invest time, capital and most importantly, themselves into their business; 2M7 Financial is able, willing, and eager to be a part of this journey alongside them.

While various economic factors have led to a gradual freeze in the available capital for small businesses, 2M7 Financial has adapted to fill that void. Tried and tested by COVID-19 as many businesses were, 2M7 Financial has seen substantial growth in the past 2 years, all while assisting in the growth of its clients' businesses. A true win-win scenario.



"When we onboard a new client, we commit ourselves to their growth just as any good partner should. We love to see our clients succeed and do our best to maintain some of the highest approval rates in the industry. We are directly supporting the economic reactivation and are working tirelessly to help Canadian companies prosper during these times."



Avi Bernstein
CEO,
2M7 Financial Solutions

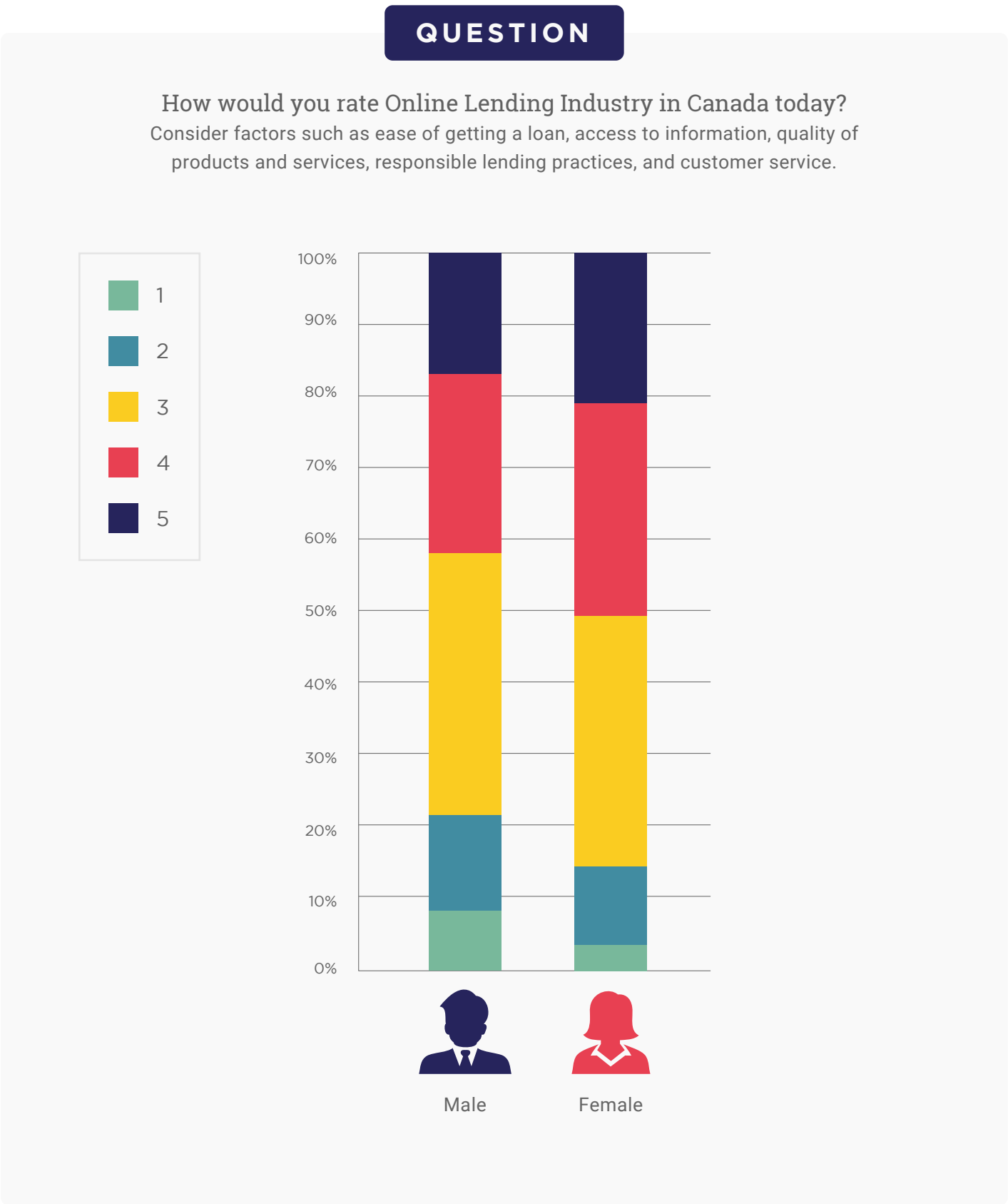
When Shopping for Digital Products, Men Ask Friends, While Women Turn to Social Media

Canadian men and women typically shop for the same digital financial products and express similar levels of satisfaction with their providers and the industry at large. **The only significant distinctions in buying habits between men and women is where they spend their time researching those products and services**, what features they prioritize from their lenders, and whether they are open to adopting more digital financial solutions in the future.

Men were more likely to seek a business loan, auto loan, and truck and trailer financing than women, and were slightly more likely to get approved for their loan product, as only 22.5% had their applications rejected, compared to 25% of women.

Men were also more likely to discover their provider through personal recommendations and TV ads, while **women were more likely to find them on Smarter Loans, online search, and social media**. In fact, women spend significantly more time on social media in general, according to the study, especially Facebook, Instagram, and TikTok.

When conducting their research, men were more likely to prioritize transparency, interest rates and terms, while women were more concerned with customer service, speed and the ease of the application process



Intelligent Borrowing Meets Efficient Lending

Many Canadians are tired of the constant stress and anxiety that comes with worrying about their financial future. They want to take control, but don't know where to start or how to get started.

MyMarble is an innovative and effective way for Canadians to take control over their financial future. With the power of machine learning, at its core, we can provide valuable insights into how people make decisions around money, credit, and debt, which allows us to offer better solutions that can help them achieve their goals faster than ever before.

We're excited about what we have in store for the future of lending, as well. We want both lenders and their customers to feel confident making intelligent decisions when providing innovative lending products. This is why we developed our Marble Connect API, a grey-labelled platform that provides valuable data insights to lenders and its customers to retain and convert while making better decisions about whom to lend to or what kind of products will be most important suitable.



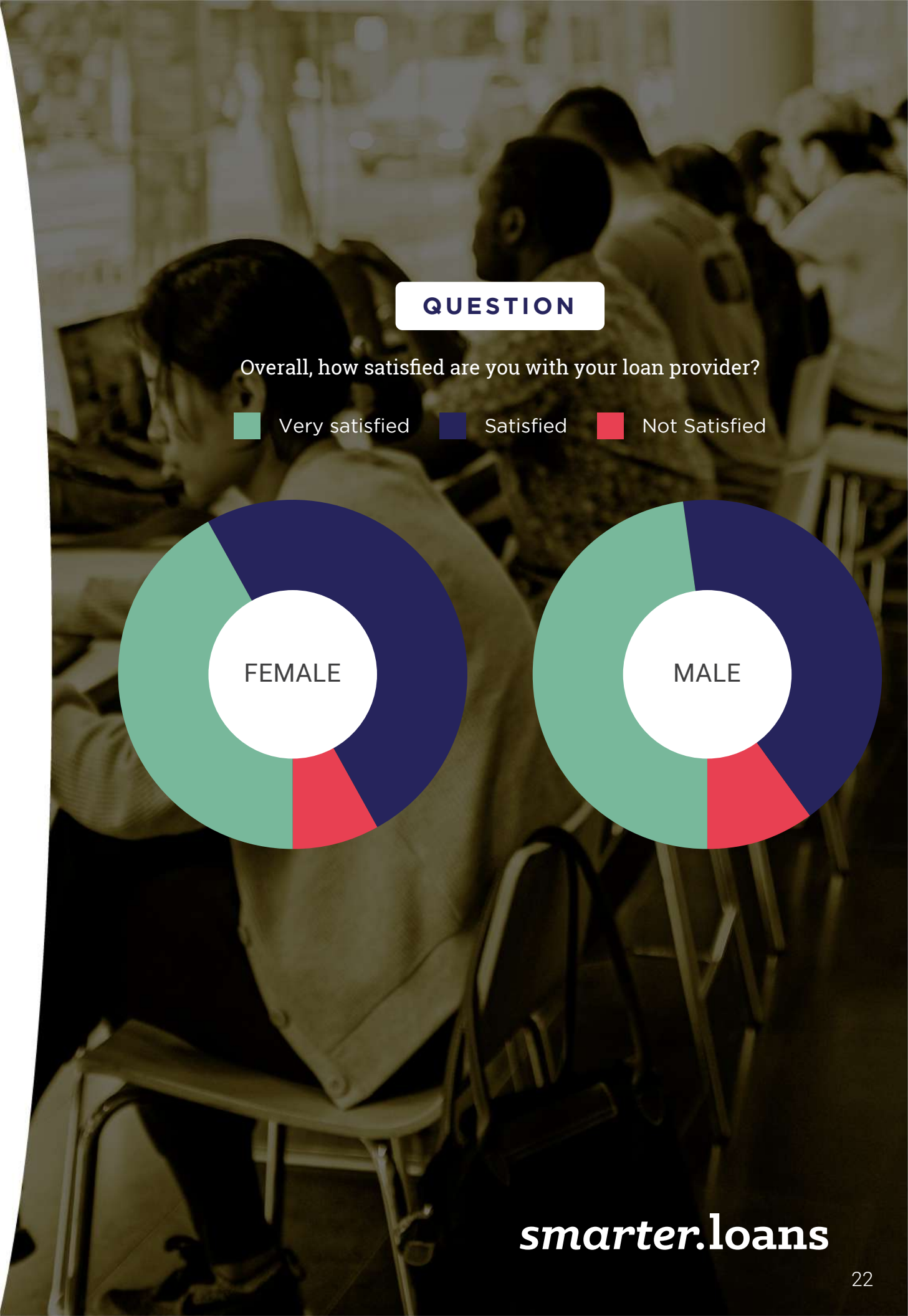
"The Canadian lending industry offers a big opportunity for Marble to partner with great businesses that also have the consumers financial well-being and success top of mind. Our advanced technology coupled with unique lending products will result in a robust and comprehensive solution that will be beneficial for both business and consumer applicants, resulting in significant value creation and loyalty for their customer base."



Doug Tanner,
VP of Business and
Corporate Development

While men were more likely to be “very satisfied” with their individual provider, 20% of women gave the industry a perfect score, compared to only 16.5% of men. Furthermore, more than half of female customers gave the industry at least 4 out of five stars, compared to just 40% of men.

Men are also more likely to already utilize digital services for their financial needs, and are more likely to be open to adopting more in the future, while women remain more hesitant of moving their financial services online. More men already invest, purchase vehicles, transfer money internationally, manage their finances, and shop for insurance, loans and mortgages online, while women utilize digital everyday banking tools at slightly higher rates.



Leaping Forward with Access to Real Time Financial Data

Accessing businesses' real-time financial data is key to serving business customers. Today it's gathered manually making it costly and time-consuming. In the past, businesses tolerated this. To be competitive, **fintechs, private lenders and financial institutions must offer immediate service to business customers, tailored to meet their goals.**

Providing lenders with award winning data and platform

You are experts on your offerings. **The struggle is with access to data and efficiency in a world where speed is paramount.** Boss Insights provides access to financial data: financial statements and cash flow from accounting, sales information from commerce, payroll, tax and more (eg. Quickbooks, Xero, Stripe, Shopify, etc.) and an easy to use platform connecting lenders with businesses. Lenders are positioned to have the latest in technology delighting business customers.

Best in breed results

Collaborating with lenders we've shown 36% faster decisions, 5x faster monitoring and 60% cost savings. Here is what your peers say as we move the industry forward together:

- **"Cutting edge tech"** empowered us to offer a seamless experience for business owners"
First Savings Bank automated business loan underwriting and loan approvals
- **"A seamless solution to gather real-time information"** Sound Credit Union automated business member lending
- **"Allows Carver to provide customers with the highest quality of service."** Carver Bank supported diverse business owners' with a business lending platform enabling financial data collection
- **"Responsive, solution oriented and grew the platform as our requirements expanded"**
Seek Business Capital aggregated small business data and insights saving application and getting businesses faster access to funds



"As the industry moves forward, discovering best in breed solutions to ensure your business customer is well served is key. It's a combination of what FinTech offers and how well it integrates with other solutions."



Keren Moynihan,
CEO,
Boss Insights

Research Methodology

In October of 2021 Smarter Loans conducted a survey of 2,462 of its users based across Canada regarding their experience with FinTech products and providers over the previous 12 months. Participants were asked a total of 24 questions using the SurveyMonkey online polling platform, including multiple choice, ranking, and select all that apply questions. Participants that provide their contact information were automatically entered into a draw to win a \$100 prepaid credit card.

RESPONDENTS' PROVINCE OF RESIDENCE:

Ontario: 40%

Alberta: 20%

British Columbia: 13%

Manitoba: 6%

Nova Scotia: 4%

Newfoundland: 2%

Quebec: 4%

Saskatchewan: 6%

Prince Edward Island: 0.5%

New Brunswick: 3%

Yukon: 0.1%

Northwest Territories 1%

Nunavut: 0.4%

RESPONDENTS' AGE:

18-24: 4%

25-34: 19%

35-44: 29%

45-54: 28%

55-64: 15%

65+: 6%

RESPONDENTS' GENDER:

Male: 42%

Female: 57.5%

Other: 0.5%

A SPECIAL THANK YOU TO

