

STATE OF FINTECH LENDING IN CANADA

2020 STUDY



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Fintech adoption on the rise as more consumers shift online for financial products

The fintech lending industry in Canada continued to evolve this year in a number of significant ways. While many of these changes were initiated by the pandemic, others continue along trends that have been developing over a number of years.

According to Smarter Loans’ State of Fintech Lending in Canada 2020 Study, which gathered the feedback of 2,597 Canadian fintech lending customers, there is a fast-growing demand for digital accessibility of financial products in Canada.

As Canadians stayed home longer, **adoption of fintech products has accelerated dramatically.** 71% of respondents indicated that they now manage more of their finances online than 12 months ago.

While fintech adoption in some industries is further along than others, there is a general growing willingness in the market for digital financial products, including:

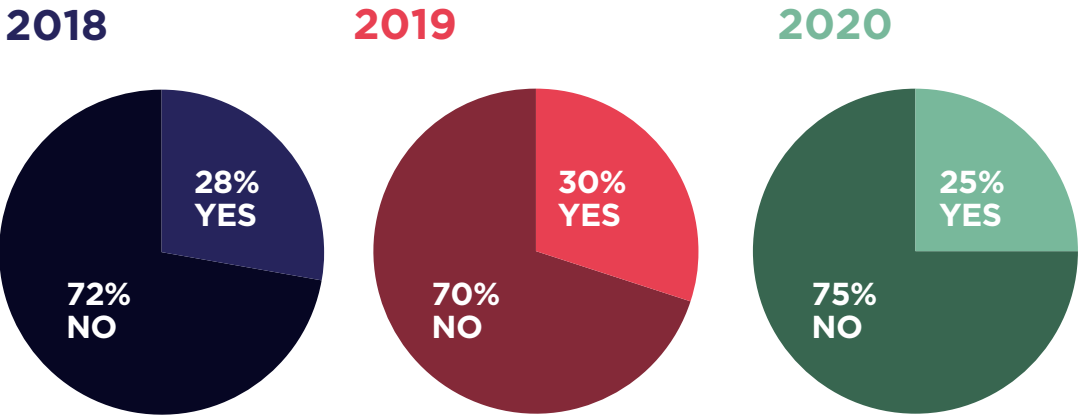
- loans and credit
- everyday banking
- insurance
- investing
- money transfers
- & more

This year, 89% of customers were satisfied or very satisfied with their providers. Customers were slightly less satisfied with the industry as a whole, giving it a 3.3 out of 5 when considering factors such as ease of getting a loan, access to information, quality of products and services, responsible lending practices and customer service—down from 3.4 the previous year.

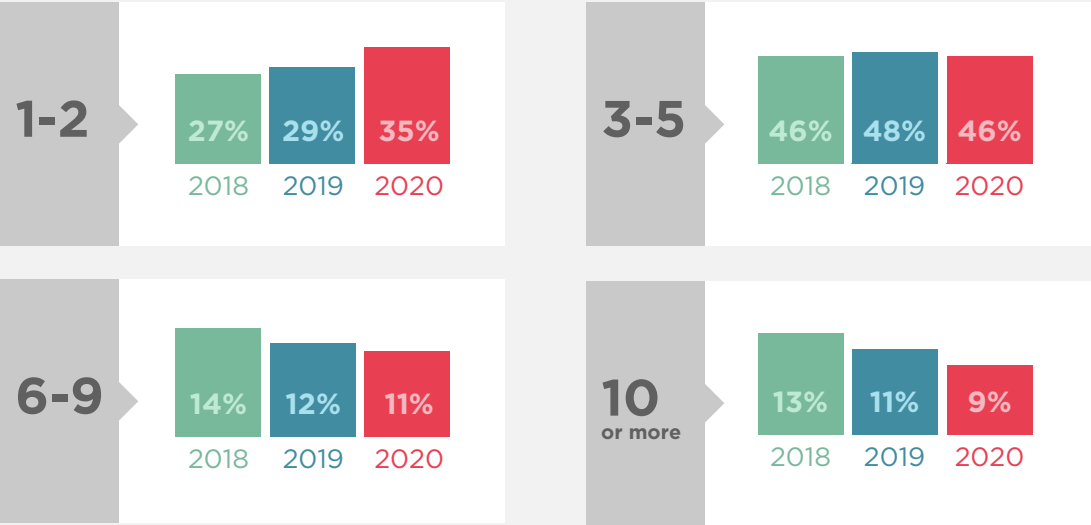


Annual comparison, at a glance

Did you seek a loan with a traditional financial institution, such as a bank?



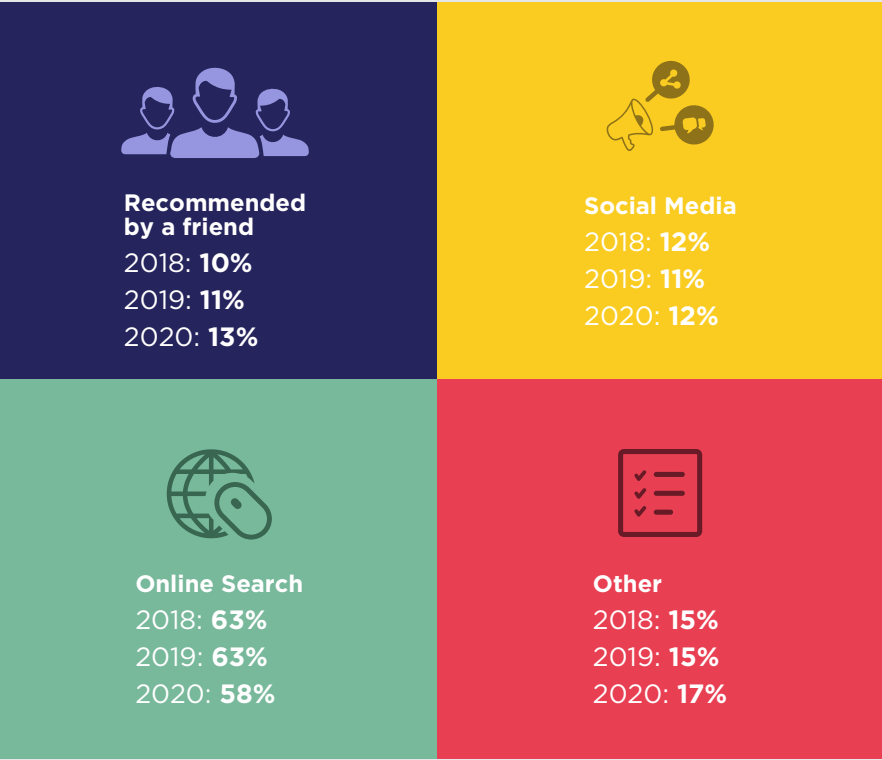
How many lenders did you research before applying for a loan?



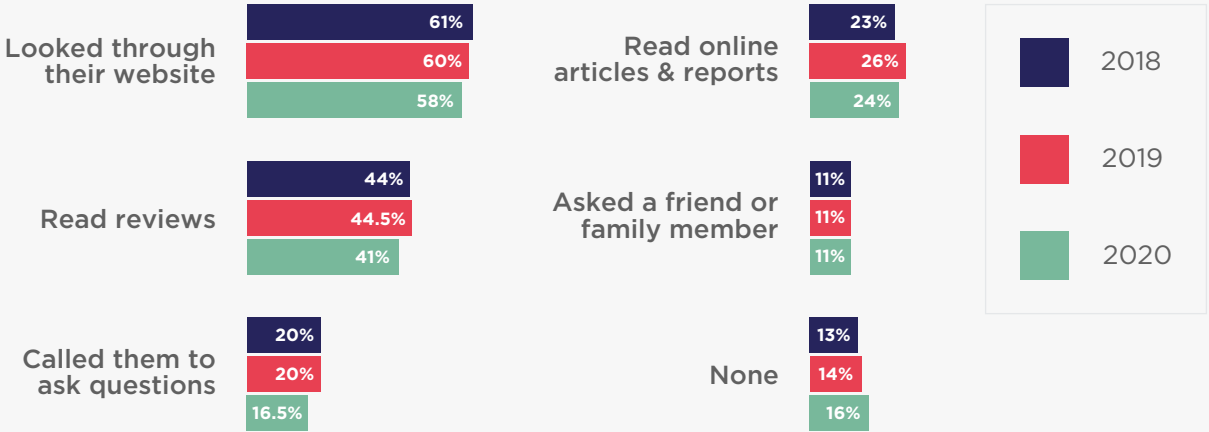
How would you rate Online Lending Industry in Canada today? (out of 5)



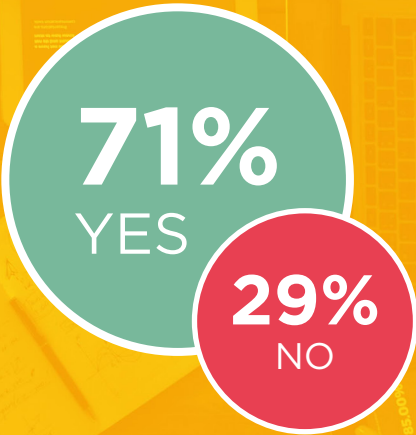
How did you discover the company or companies that you ultimately applied for a loan with? (check all that apply)



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



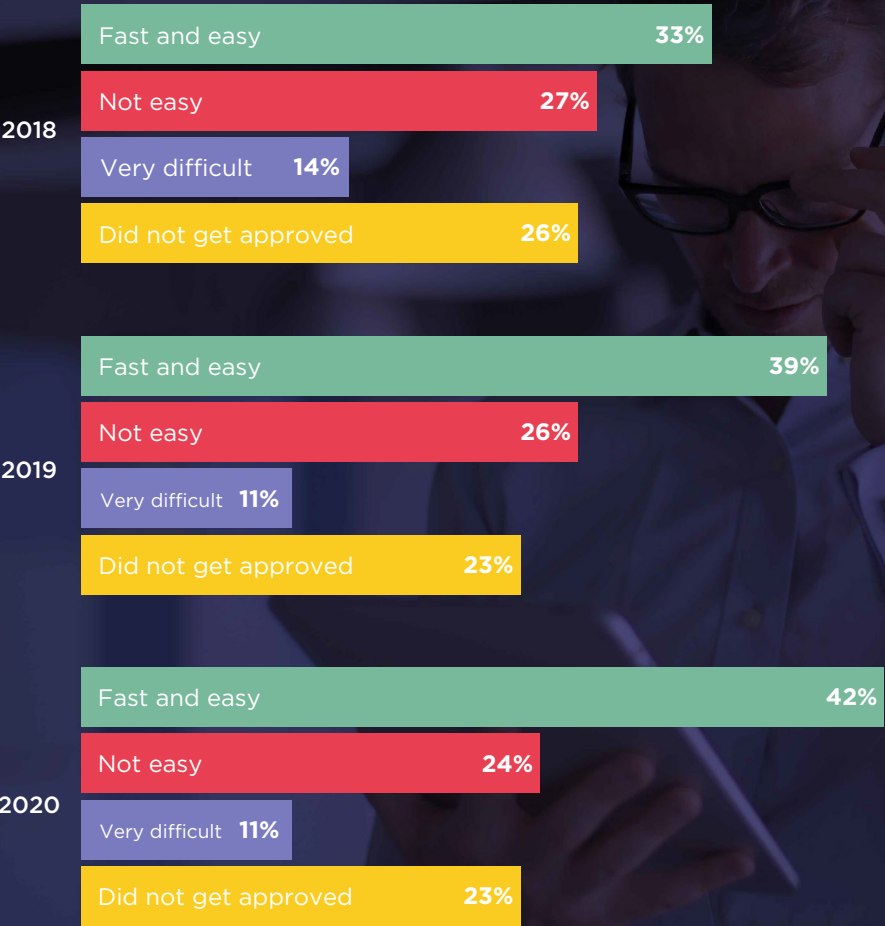
Before you applied with a company, did you feel like you had enough information about their products, services, interest rates and reputation?



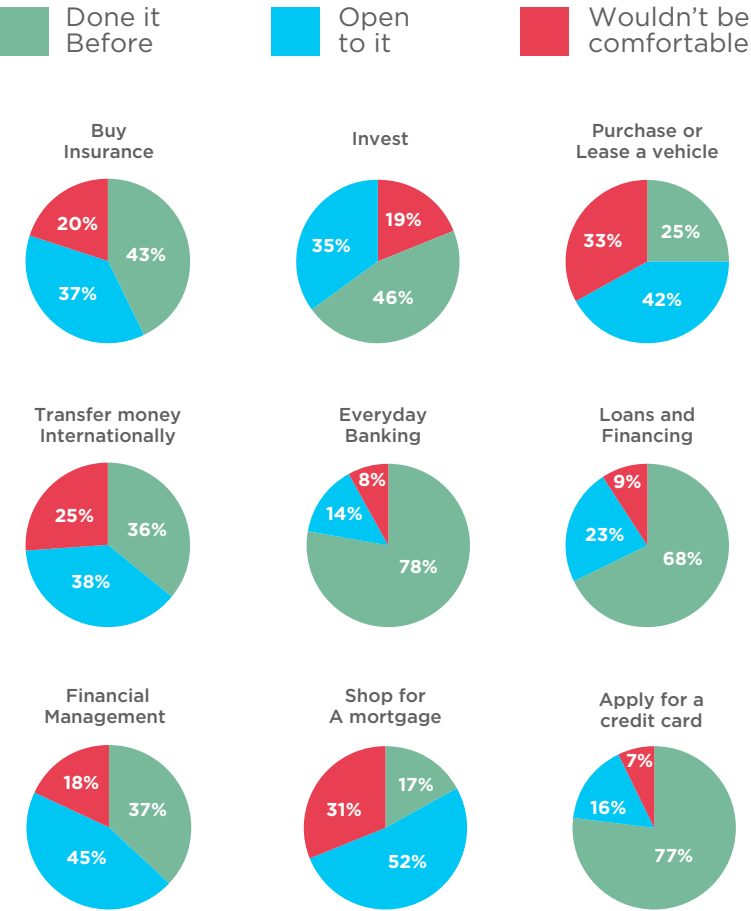
Are you managing your finances online more now that you did 12 months ago?



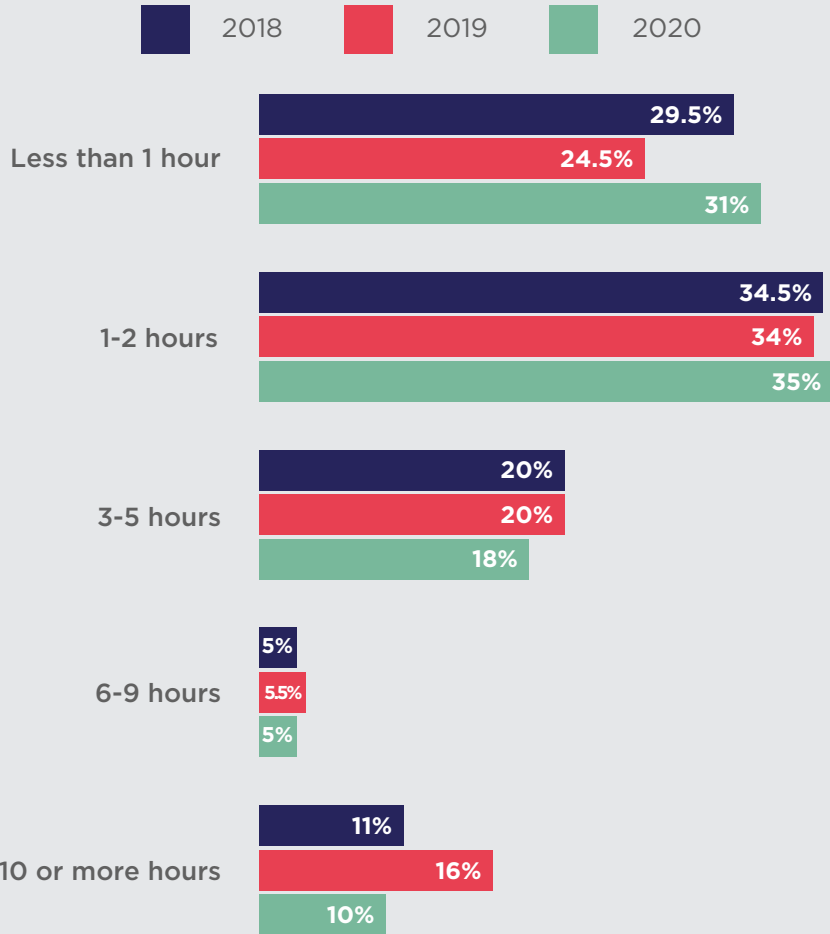
How easy was it to get approved for your loan?



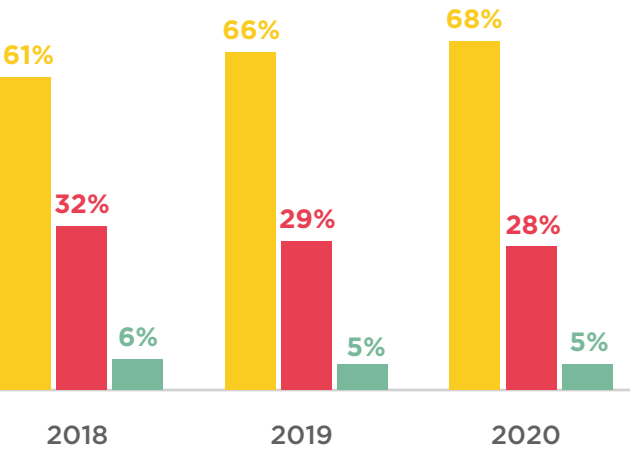
Using financial services digitally and online. Which of the following have you done online before or would be open to doing online in the future.



How long did you spend researching lenders before applying?



How satisfied were you with the loan application process?



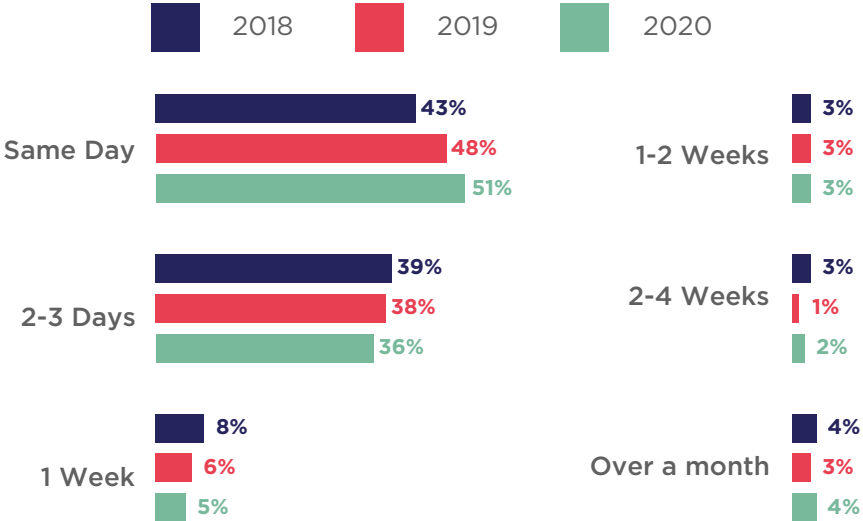
Did you apply with multiple companies?



Overall, how satisfied are you with your loan provider?



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



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.

“By providing capital to traditionally underserved people and businesses, fintech lenders have never been more important to the Canadian economy as they are now during COVID.”



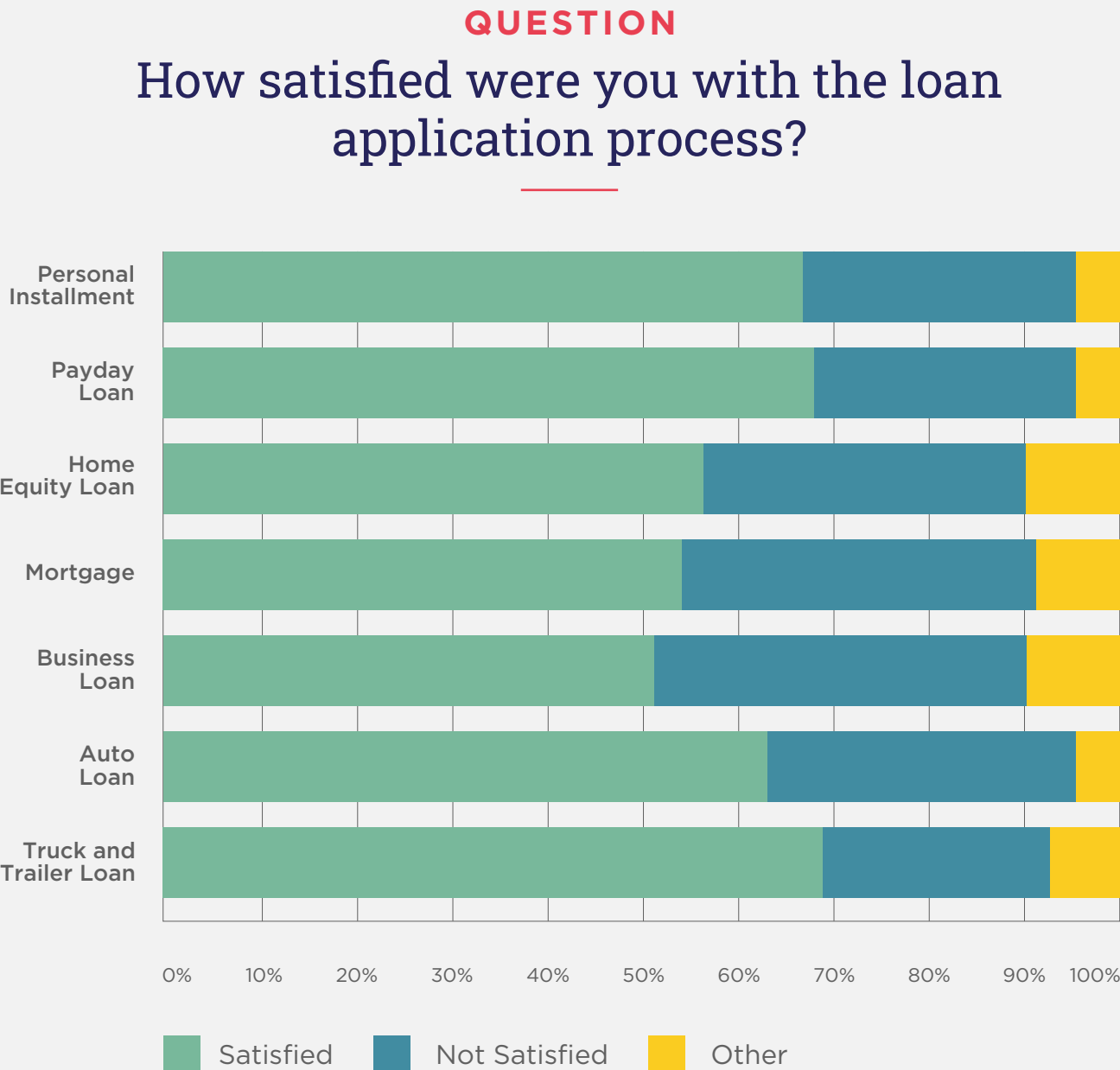
Gary Schwartz,
President, Canadian Lenders Association

2020 Study Insights

The third annual study of the fintech lending landscape in Canada reveals that amid the worldwide pandemic, the online and digital accessibility of fintech lending products softened the economic blow to the Canadian financial sector.

The **two most popular loan categories—personal installment and payday loans—continue to see increases** in customer satisfaction and approval. Their customers are least likely to first apply with a traditional financial institution, typically spend less than three hours conducting research before applying, and still most likely to feel equipped with enough information to make an informed decision.

They were also most satisfied with the application process, as well as the individual provider, most likely to get approved, and most likely to receive funds the day they submitted their application.



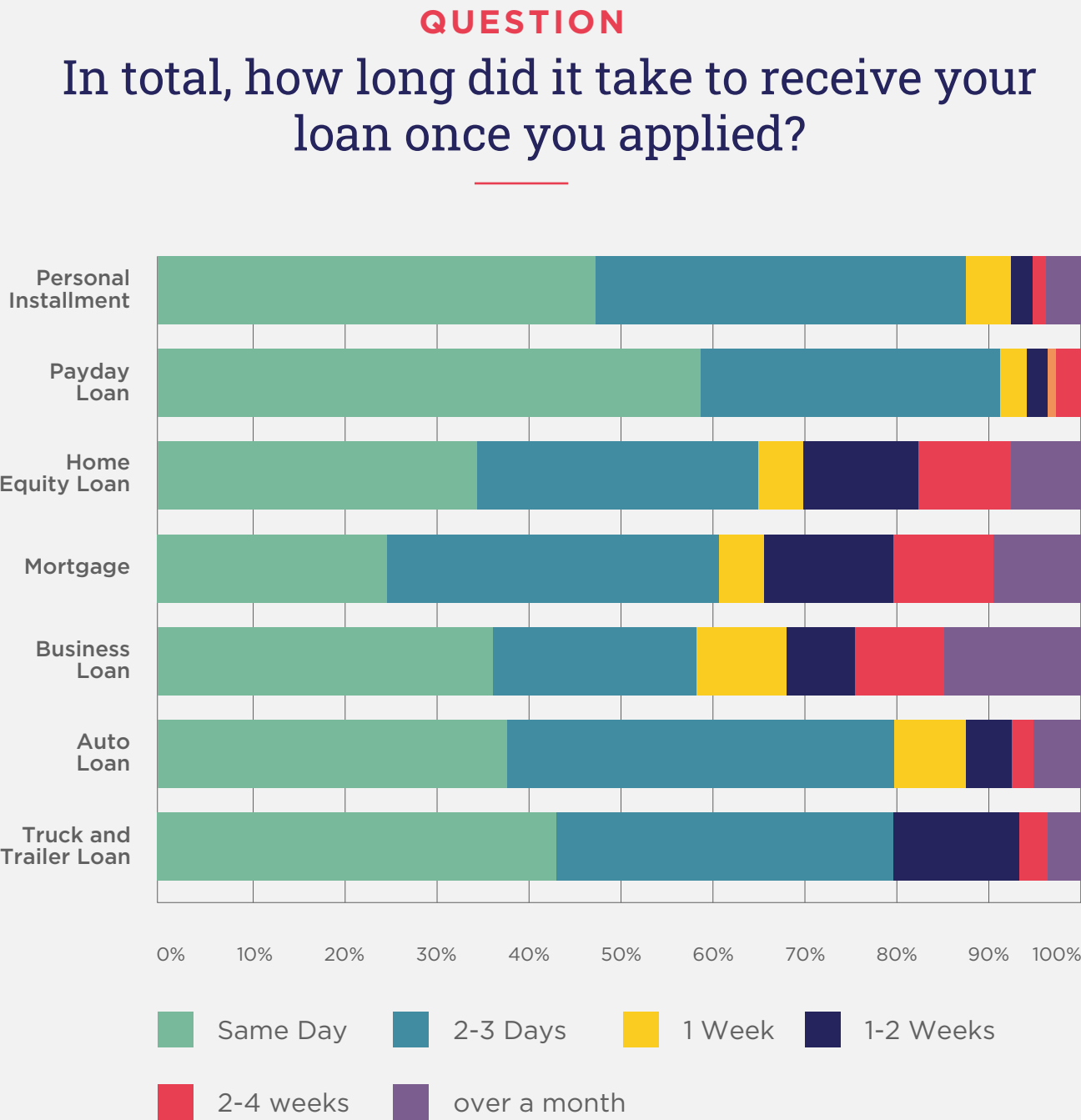
More than three quarters of applicants of both product types—**personal installment and payday loans**—expressed confidence with the safety and integrity of the industry as a whole, a higher proportion than any other product category.

These two categories also had the highest proportion of female applicants—with more than **57% identifying as female**—and tend to skew younger, with the majority of their customers under the age of 44. Overall, 90% of payday loan customers and 88% of personal installment loan customers were satisfied or very satisfied with the application process.

Mortgage customers were more likely than other customers to have sought a loan through a traditional financial institution first and spent more time conducting research. Mortgage customers also applied with more vendors, on average, than customers of other digital financial products.

Online searches remain by far the most popular avenue for finding a loan provider, although as fintech lending products become more popular we are also seeing a gradual increase in referrals from family and friends.

Overall, **Canadians spent less time conducting research this year**, but felt just as confident with their provider and just as satisfied with the application process. This was also the first year that a majority of applicants received the funds they applied for the same day that they submitted their application.



The youngest age groups saw the highest proportion of first-time applicants this year, with one third of customers aged 18-24 seeking their first loan with a fintech lender in the past 12 months.

Nearly 20% of those under 25, however, did not conduct any independent research before submitting an application, a much higher proportion than any other age group. In fact, the amount of time customers spent conducting research increases consistently with age, with older Canadians dedicating more time to due-diligence.

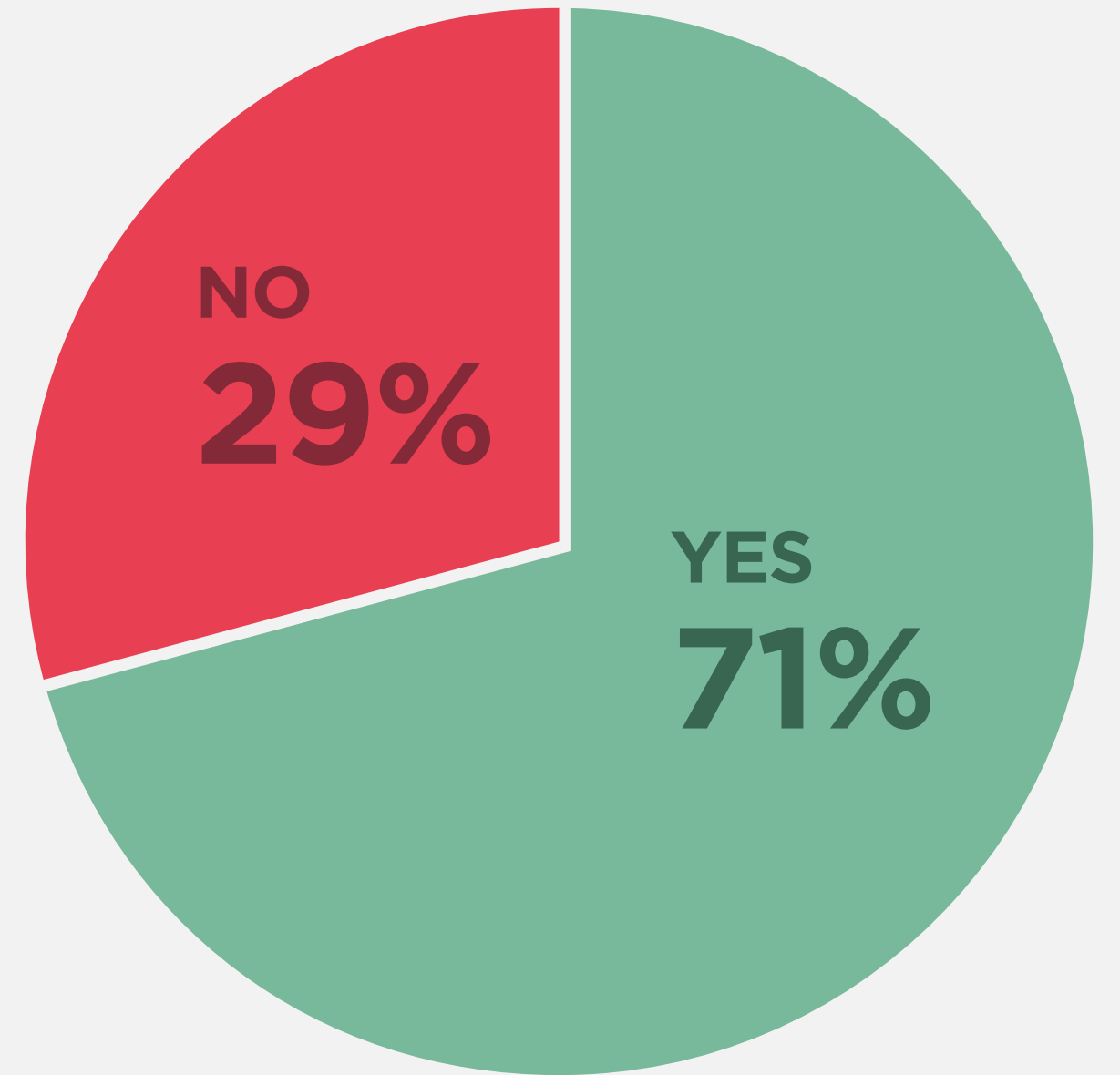
Generally speaking, **younger customers were more likely to get approved**, receive their funds in a timely manner, and express satisfaction with their loan provider. In fact, there is a strong correlation between age and satisfaction with the fintech lending industry as a whole, with satisfaction rates dropping consistently with age.

Younger Canadians also demonstrate the most comfort with and willingness to consider digital tools for managing their finances. Across nearly all financial product categories, **Canadians under the age of 44 express the most interest in adopting a digital solution**, while those aged 45 and older demonstrate the most hesitation.

Men were more likely to have experience utilizing most digital products in the past, and to have adopted new financial technology in the past year, while female customers express more reservation with trusting digital financial services.

Respondents were most willing to adopt a digital alternative when shopping for their next mortgage, with more than half of all respondents indicating they have never done so before, but would be open to it in the future. The next biggest area of interest in digital financial products was online investing, followed closely by financial management apps. Overall, **the majority (71%) of Canadians are managing more of their finances online this year** than they did 12 months ago.

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



FinTech Evolving in the USA



I've had my eye on the Canadian fintech market for a long time, despite being based in the United States.

In 2019, I even had the distinct honor of speaking to many of you at an event in Toronto. In my speech, I said that the "Canadian fintech market is on the verge of much more rapid change, much more than what has already transpired."

I could not have predicted the Covid pandemic, but it has certainly accelerated digital adoption, and in return, proven me to be quite right!

In the US, fintech has evolved in distinct iterations.

Phase 1. Disrupt banks or serve a market
that banks are not serving

Phase 2. Partner with banks

Phase 3. Become banks

Phase 4: ???

The advantage has gone to the players that were prepared to advance to the next phase at the right time. Phase 3 might look a little bit different in Canada. Or perhaps not. Things that seemed unimaginable in the beginning eventually shifted to inevitable.

It is very exciting to see Canadians adopting the digital experience in a way that will enhance and transform the economy.

Consumers and small businesses will benefit significantly in the long run from the contributions and innovations brought to the marketplace by Canadian fintech companies. You are all part of the revolution, and something special.

I look forward to sharing the stories of all your successes in the future and to see you all again in person when the world permits it. Hopefully that's soon.



Sean Murray,
President and Chief Editor, deBanked

Customers are feeling more confident and informed about fintech lending products

Personal installment cash loans and payday loans remain by far the most popular fintech lending products in Canada for the third year in a row, however this is the first year that demand for both is equivalent. Previously, installment cash loans were the more popular fintech lending product.

The rate of first-time applicants dipped for the first time since 2012, down slightly from 2019. Less than 16% of respondents applied for their first loan in 2020, and nearly 17% applied for their first loan in 2019.

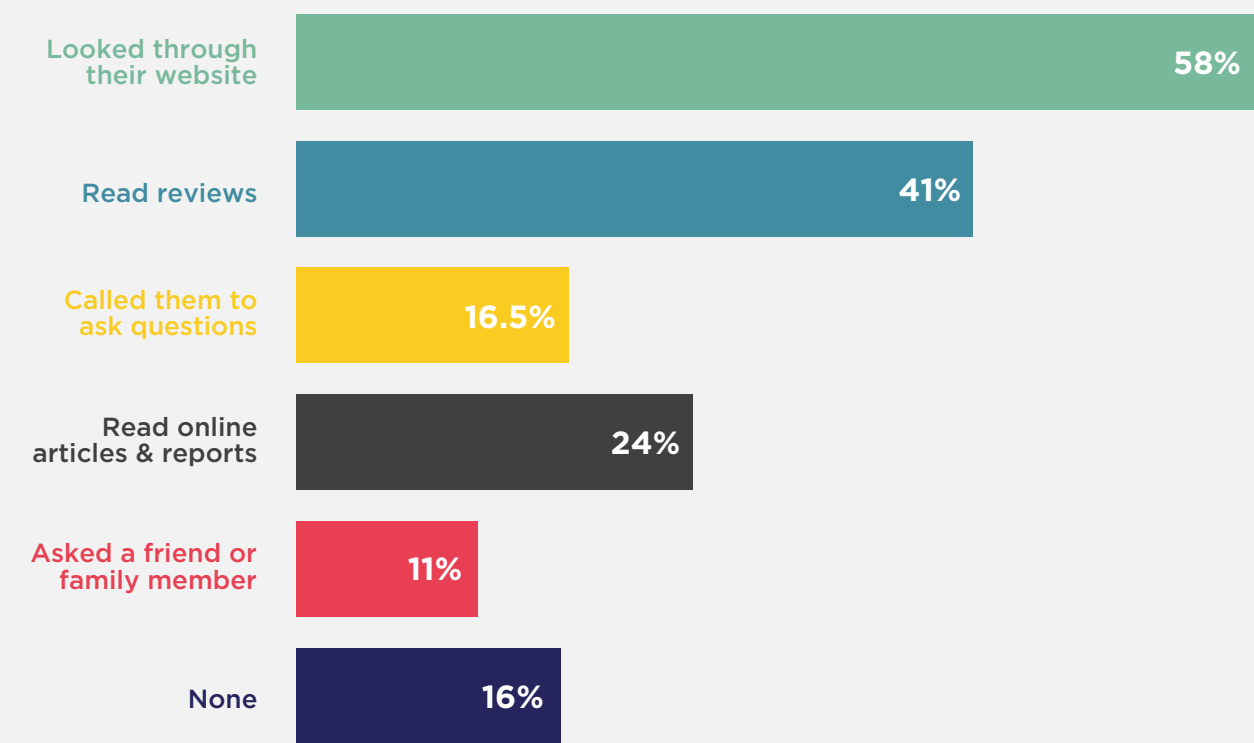
For the first time the **majority of respondents (51%) indicated that they only applied with a single provider**, compared with 47% in 2019 and 44% in 2018.

58% of respondents found the provider they ultimately chose through online research, down from 63% in both years prior. More found their provider through recommendation and word of mouth referrals this year than either of the previous two years. The proportion of respondents that indicated social and traditional media pointed them towards the provider they ultimately chose remained relatively consistent year over year, at roughly 12% and 1%, respectively.

Customers ranked interest rates and terms as their top priority when considering their options, followed by customer service, speed of getting a loan and the ease of the application process. Reputation and transparency ranked at the bottom of the priority list, but were each still the top consideration for more than 8% of respondents.

This year **applicants were still most likely to review a provider’s website when conducting research**, with 58% using the provider’s website to learn about their services, down from 60% in 2019 and 61% in 2018.

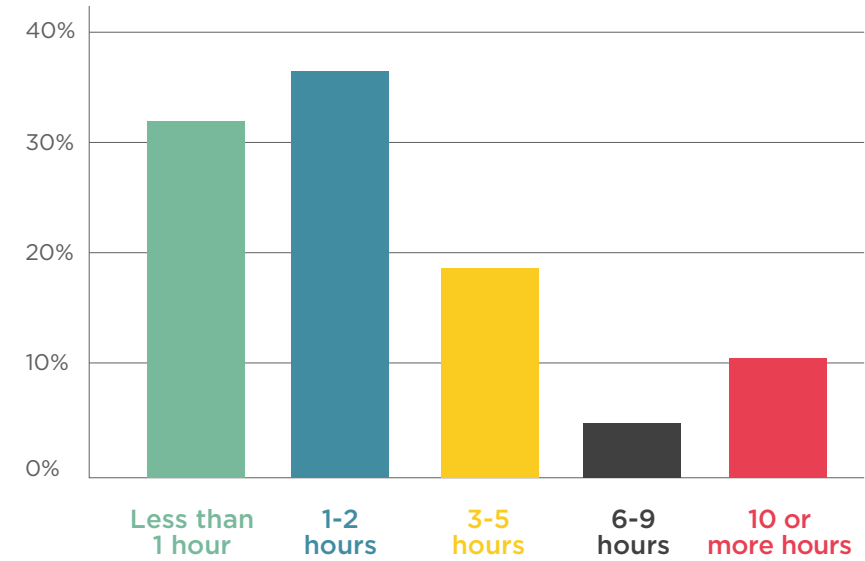
QUESTION
Before you applied for a loan, what additional research did you do, if any: (check all that apply)



Those who did their research dedicated less time than respondents in previous years, with **31% admitting to spending less than an hour** conducting research this year, compared with 24.5% in 2019 and 29.5% in 2018. This may be a sign that information about lending companies and their products has become more clear and accessible, making it easier and faster to make decisions.

QUESTION

How long did you spend researching lenders before applying?



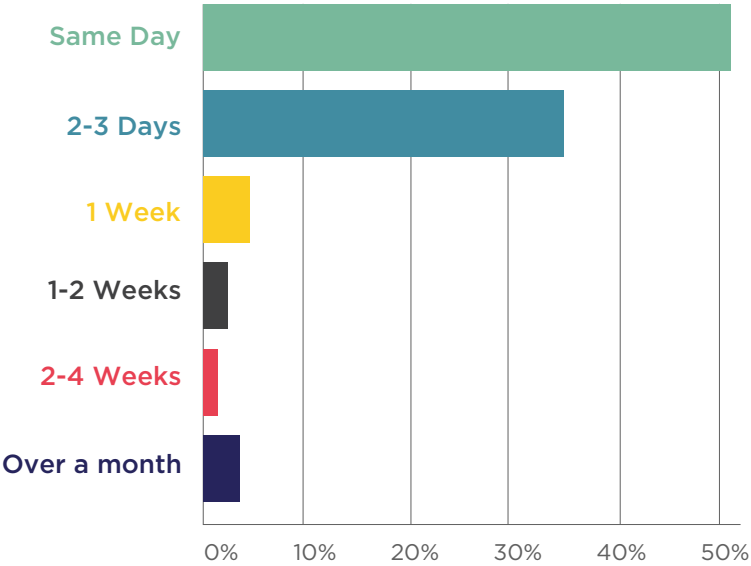
In 2020, **71% of respondents indicated they had enough information about products, services, interest rates and reputation**; the same proportion as the previous two years. This year, 68% of customers were satisfied with the application process, up from 66% in 2019 and 61% in 2018.

When it comes to getting approval, 42% indicated that it was fast and easy, compared with only 39% in 2019 and 33% in 2018. Overall, 23% of respondents had their applications rejected this year, the same proportion as in 2019.

This year **for the first time the majority (51%) of applicants received funds the same day they applied**. Last year 48% received their loan the day they applied, and only 43% in 2018. Overall, 87% of borrowers received funds within 3 days, up slightly from 86% last year, and 82% in 2018.

QUESTION

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



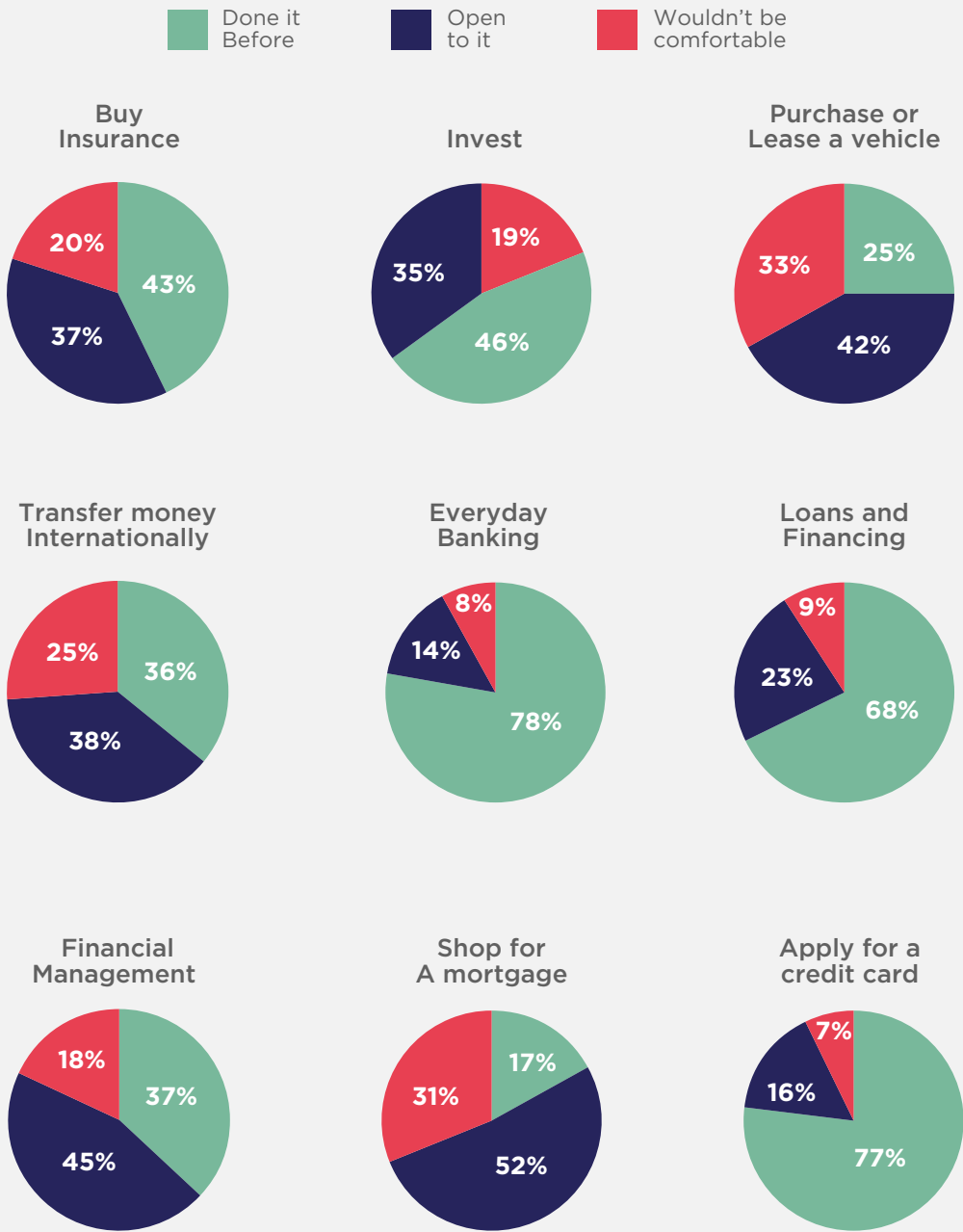
Canadians are interested in adopting more digital financial solutions

The majority of Canadians have trusted more of their financial management to digital solutions this year, with 71% indicating they are utilizing more online financial services now than they did 12 months ago. **A majority of respondents have already turned to digital tools for everyday banking (78%),** to apply for a credit card (77%), or to apply for a loan (68%), and 43% have already used online tools and services to buy insurance. Furthermore, more than a third of respondents already use digital products for financial management, and to transfer money internationally.

The majority of respondents are also open to moving even more of their financial tasks and responsibilities online in the future; 52% are considering shopping online for a mortgage, 46% are interested in trying online investing, 45% welcome the possibility of using an app for personal financial management, and 42% are open to online vehicle financing.

Canadians, however, are most hesitant about trusting their investing to an online service, with 35% saying they would not be comfortable doing so. Furthermore, 33% have reservations about purchasing a vehicle online, and 31% would not be comfortable shopping for a mortgage online. Only 7%, however, would have reservations about applying for a credit card online, less than 8% are concerned about online banking, and less than 9% would avoid online lenders.

QUESTION
Using financial services digitally and online. Which of the following have you done online before or would be open to doing online in the future?



Affiliate Marketing a Powerful Channel for Financial Brands



The financial services industry is evolving to meet people's needs and expectations at an unprecedented pace. From unbundled services to customizable experiences to recent announcements on open banking, all have one thing in common – creating the greatest value for consumers.

We believe in helping people make smart decisions about their finances, which is why we're so passionate about what we do. As a performance marketing tech company in financial services, our mission is to help leading financial brands connect with leading voices in the space, reach targeted audiences and have their stories heard.

The affiliate marketing channel plays such an important role in the customer's financial journey, in helping educate, inform, and guide decision-making. It's also a powerful tool for brands because it helps them reach customers who have an active need. In fact, for brands leveraging this channel, affiliate marketing represents on average 45%+ of their customer acquisition.

We at Fintel Connect are committed to driving the financial industry forward and are excited to collaborate with teams like Smarter Loans who are committed to building a strong financial future.



Nicky Senyard,
CEO & Founder, Fintel Connect

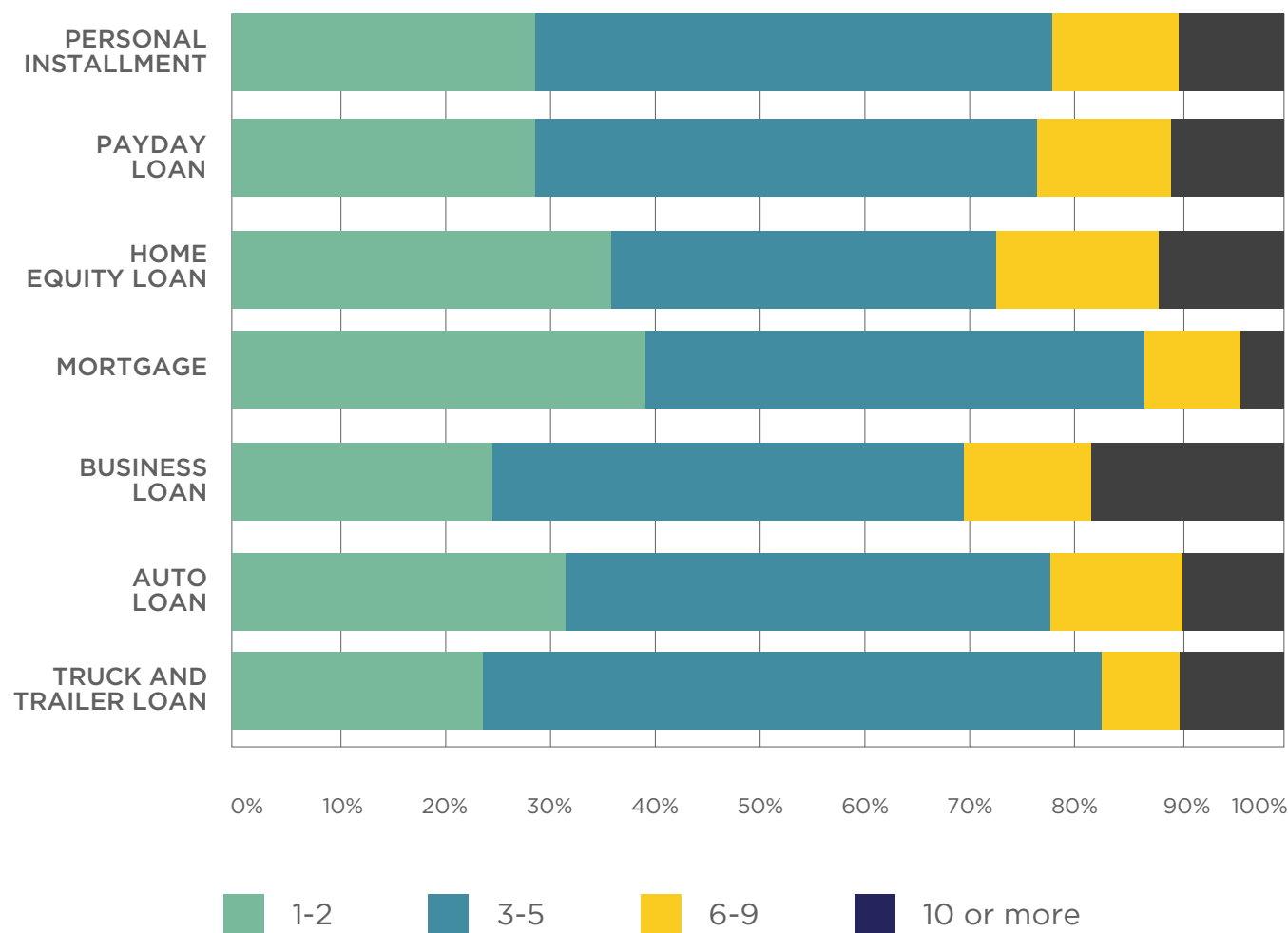
The customer experience often depends on the product type

Personal installment and payday loans remain the most popular fintech lending products in Canada, and their customers report greater satisfaction, transparency and overall experience compared with emerging product categories.

This year, less than a quarter (23%) of payday loan seekers tried a traditional financial institution before turning to an online provider, as well as 27% of personal installment cash loan seekers. **Those who received a mortgage through an online provider were most likely to have first sought a loan with a traditional financial institution**, with 59% admitting that fintech lenders were their second choice. The majority of business loan seekers (55%) and home equity loan hunters (54%) also tried their luck at a bank before turning to a fintech lender.

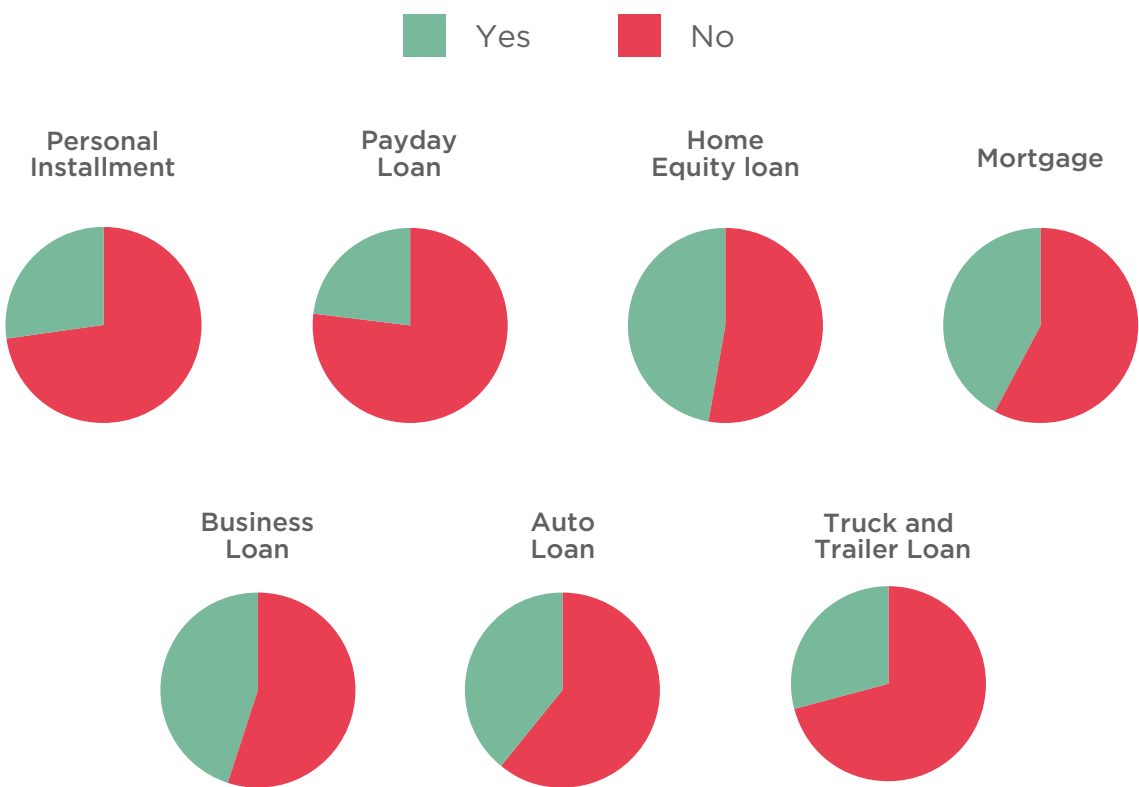
QUESTION

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



QUESTION

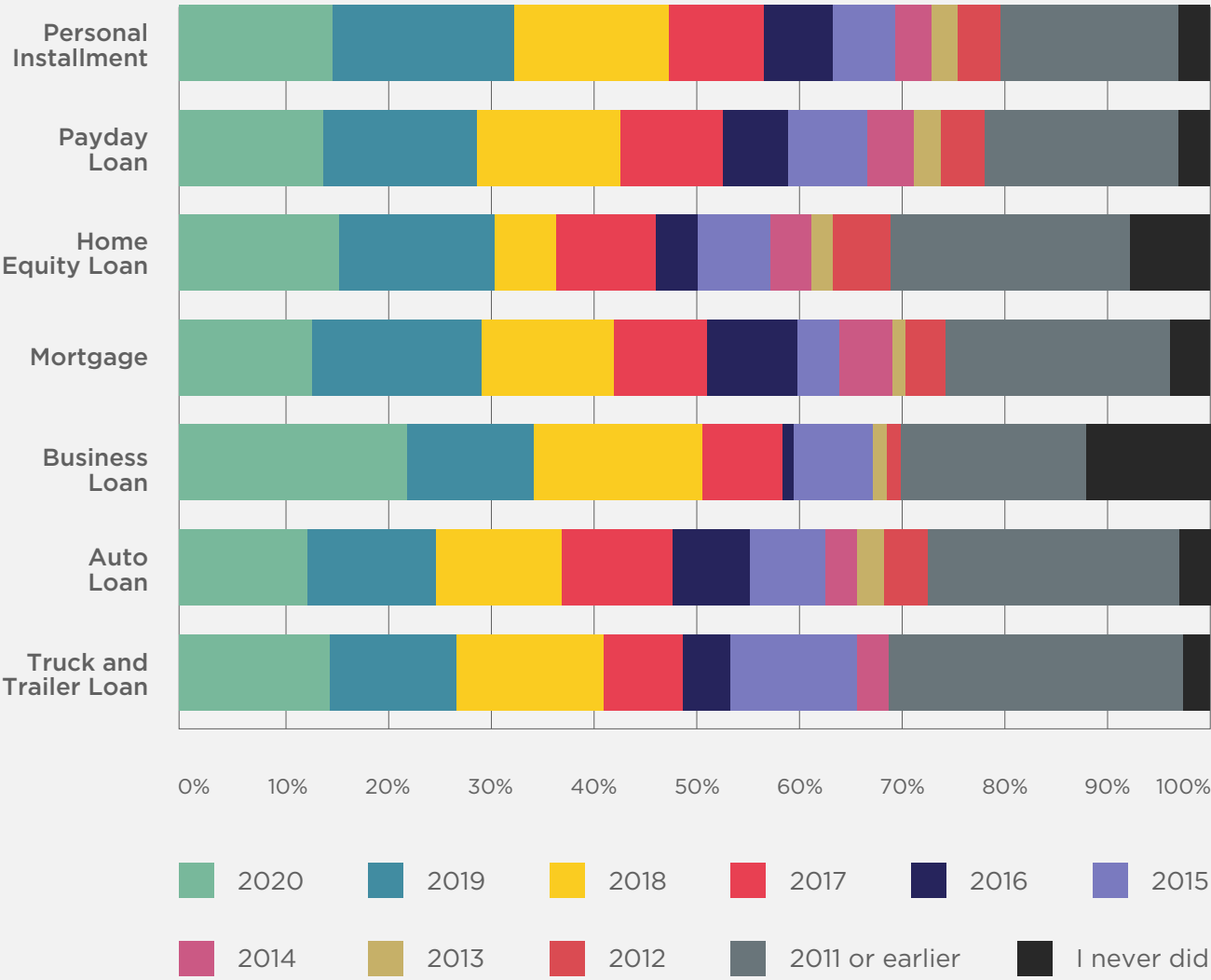
Did you seek a loan with a traditional financial institution, such as a bank?



Of all product types, **business loans saw the most first time applicants**, with 22% submitting their first application for this loan type in 2020. By comparison, roughly 15% of respondents applied for their first personal installment cash loan, payday loan, or truck and trailer financing in 2020, as well as 13% of auto loan and mortgage seekers.

QUESTION

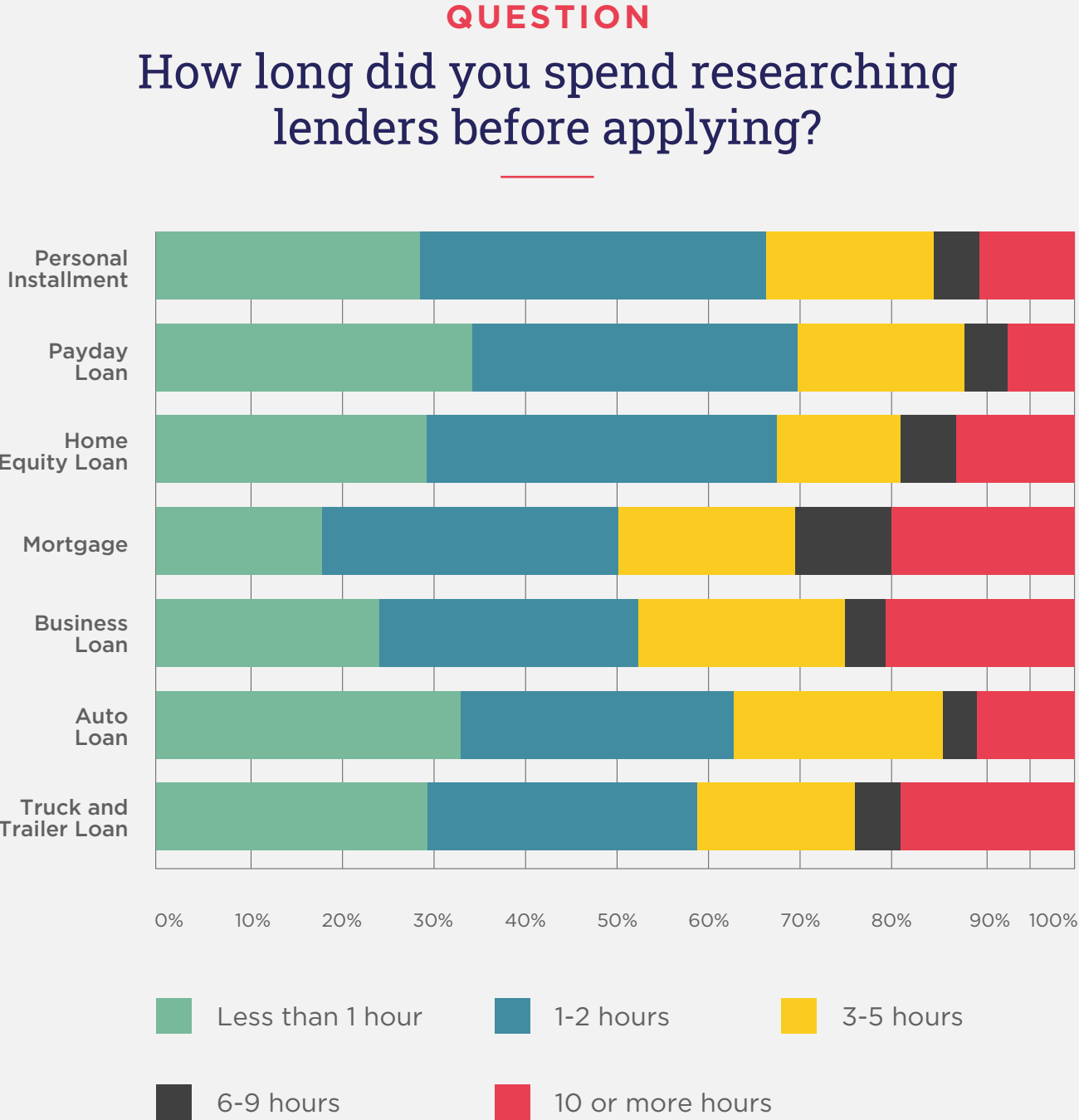
In what year did you first apply for a loan with a non-traditional or alternative lender(IE not a bank)?



The vast majority of respondents found the providers they ultimately applied with through online searches, no matter the product type, however a larger than average proportion of business loan applicants found their provider on social media or Smarter Loans.

The majority of respondents spent less than two hours conducting research, however those in the market for a mortgage or business loan were just as likely to spend more than 3, and were the most likely to dedicate more than 10. They were also the most likely to apply with multiple providers.

Truck and trailer financing, personal installment loan, and payday loan seekers expressed the most satisfaction with the application process. In fact, 90% of payday loan customers and nearly as many personal installment loan customers (88%) were satisfied with the application process.

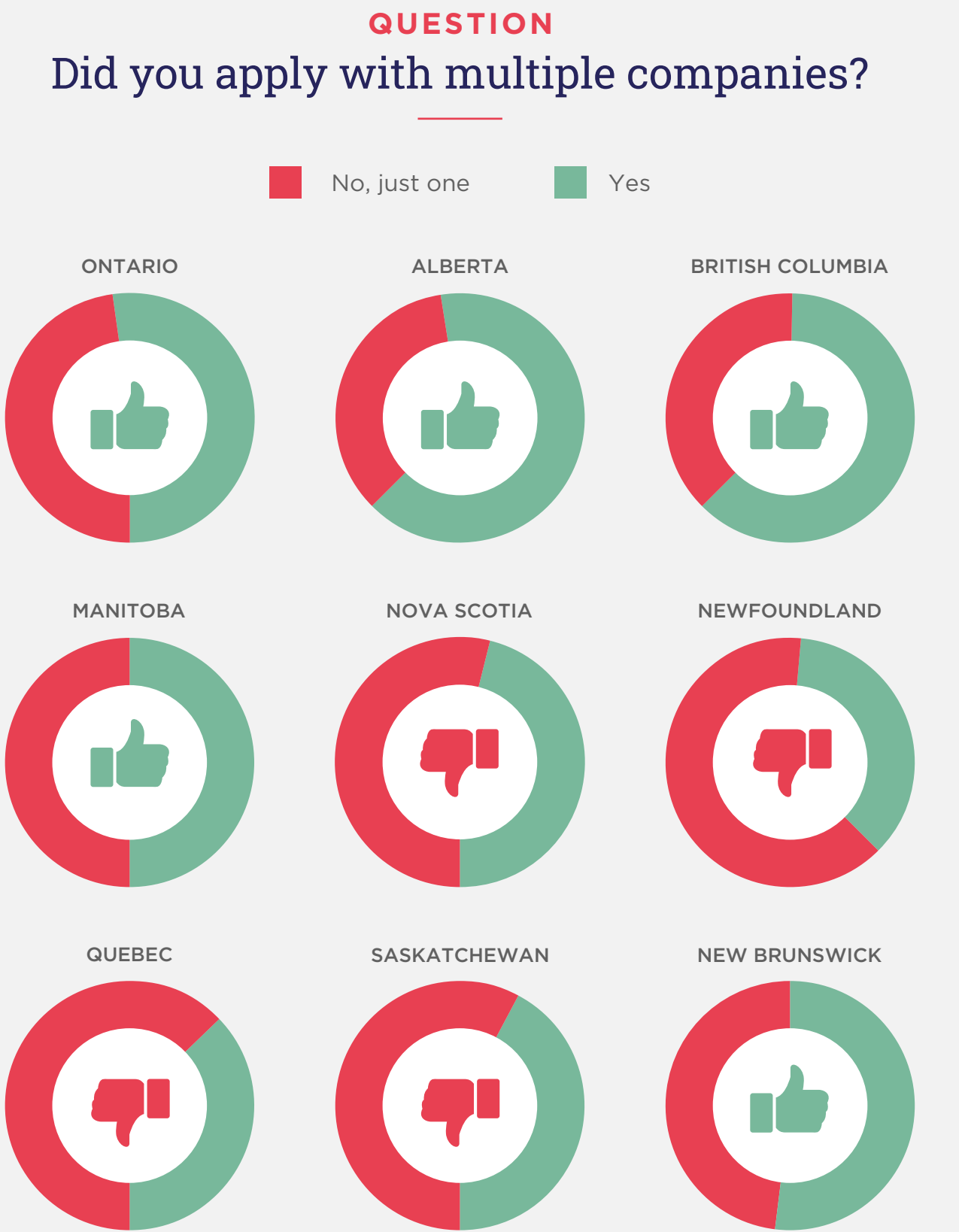


Customer preferences, expectations and experiences depend on where they live

British Columbia was one of the only provinces that saw a higher rate of first-time borrowers in 2020 than in the year previous, with 17% of residents entering the market for fintech loan products this year, compared to 15% in 2019. **Those based in British Columbia were also most likely to seek a loan with a traditional financial institution before applying with a fintech lender.** There were also slight increases in first-time borrowers in Newfoundland and New Brunswick.

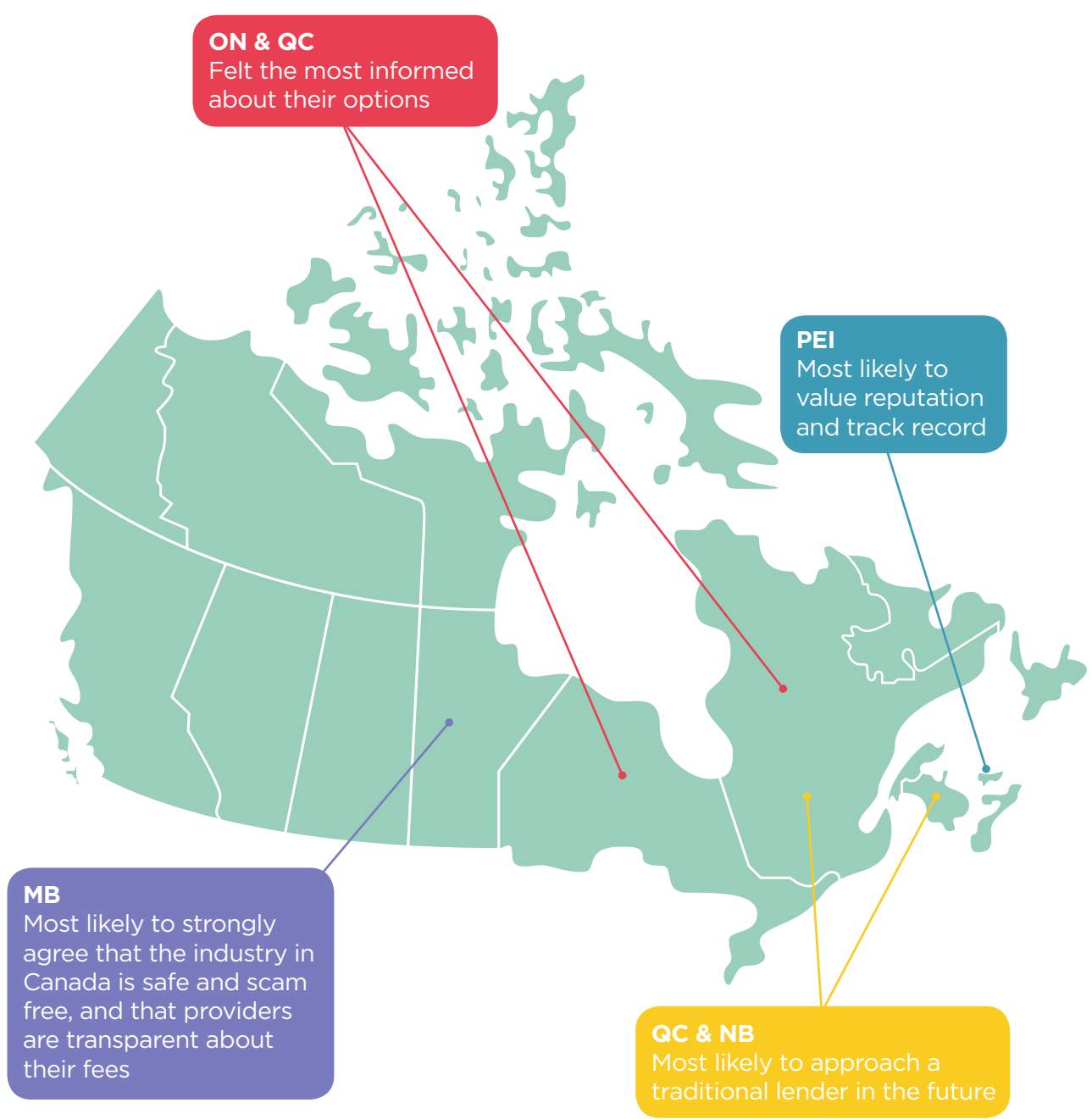
British Columbians, however, spent the least time conducting research before applying for a loan, with 69% dedicating less than two hours to research.

Albertans and British Columbians were most likely to apply with multiple vendors. **In Ontario, Manitoba, Nova Scotia and New Brunswick there was a nearly even split between those who applied with multiple vendors and those who only applied with one.** Meanwhile, residents of Quebec, Newfoundland, and Saskatchewan were most likely to only apply for a loan with a single vendor.

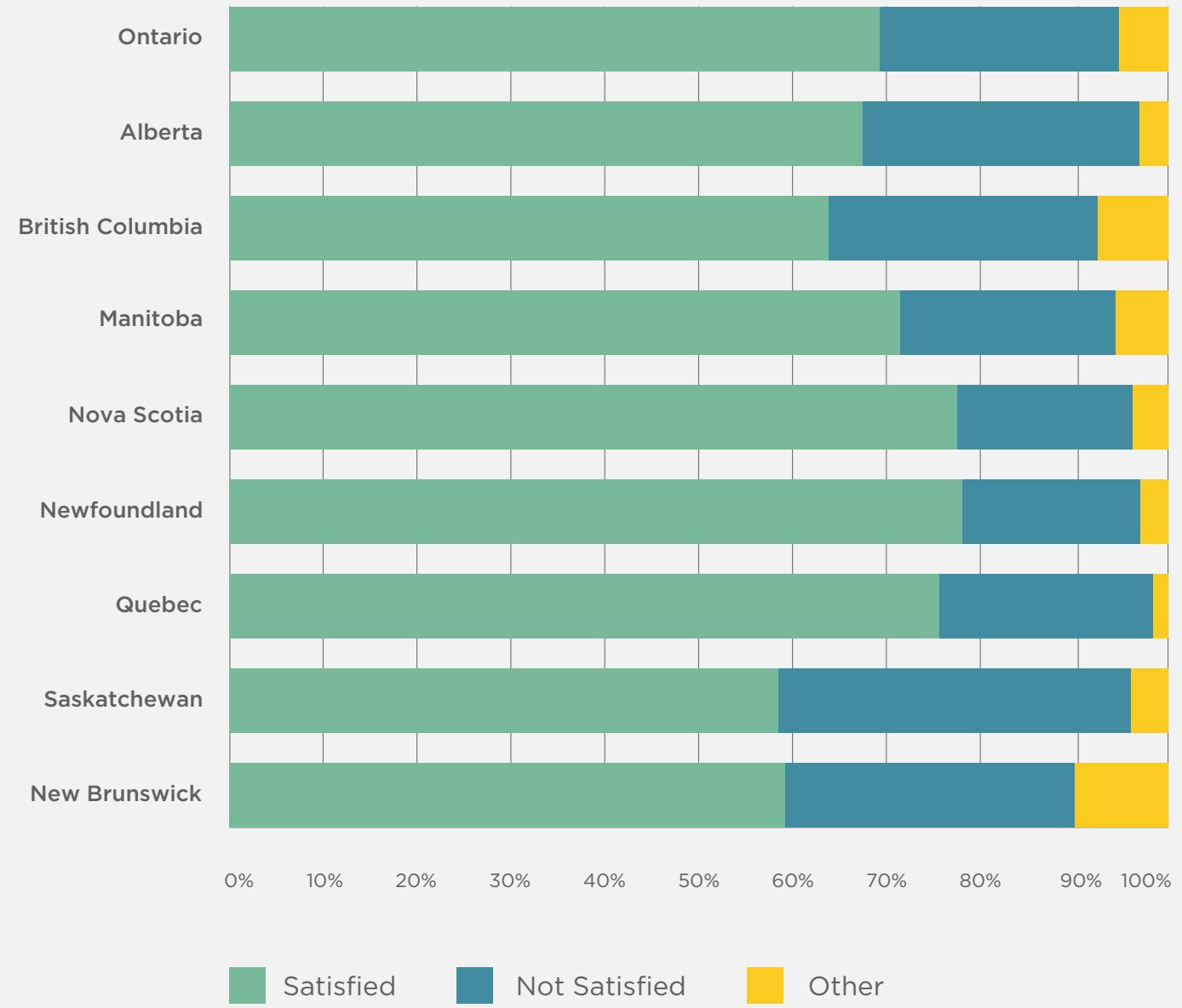


Customers based in **Nova Scotia and Newfoundland expressed the most satisfaction with the loan application process**, while those in Saskatchewan and New Brunswick were least satisfied.

Customers based in **Ontario, Quebec and Manitoba had the easiest time getting approved**, while those based in the Maritimes (Nova Scotia, Newfoundland and New Brunswick) were most likely to have their application rejected.



QUESTION
How satisfied were you with the loan application process?



Intelligent Lending in Digital Age

REPAY[®]

Realtime Electronic Payments

Headquartered in Atlanta, Georgia, REPAY (NASDAQ:RPAY) is an innovator in the financial technology and payment processing industries. REPAY supports and invests in the consumer finance industry by developing full-service payment technology specifically built for lenders and their borrowers.

Through advanced digital payment technology and integrated communication and messaging platforms, financial companies and lenders can improve operations, increase cash flow, and better serve their customers in a completely virtual environment.

REPAY's proprietary payment platform is integrated with the top national loan management systems and enables lenders to accept payments and fund loans 24/7/365. Lenders can securely accept debit cards, credit cards, and EFT/ACH payments anytime, anywhere via an online web portal, SMS/text pay, IVR/phone pay, the REPAYit™ mobile app, and in-store payment kiosks. With REPAY Instant Funding, lenders can immediately push funds directly to eligible debit and prepaid cards, giving borrowers access to funds within minutes while also significantly reducing the need to have cash in store, which lowers cost for businesses and risk for borrowers.

In today's world, it's all about immediate gratification, real-time results, virtual accessibility, and providing exceptional customer experiences. Because REPAY has been around for more than a decade, we understand how important it is to adapt to consumers' changing payment preferences. With REPAY, lenders can instantly add intelligent payment technology to their businesses and give customers the highest level of convenience and peace of mind. REPAY is available in Canada and the US, and its technology is used by over 10,000 merchant locations across North America.

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Susan Perlmutter,
Chief Revenue Officer, REPAY

Buying habits differ significantly by age group

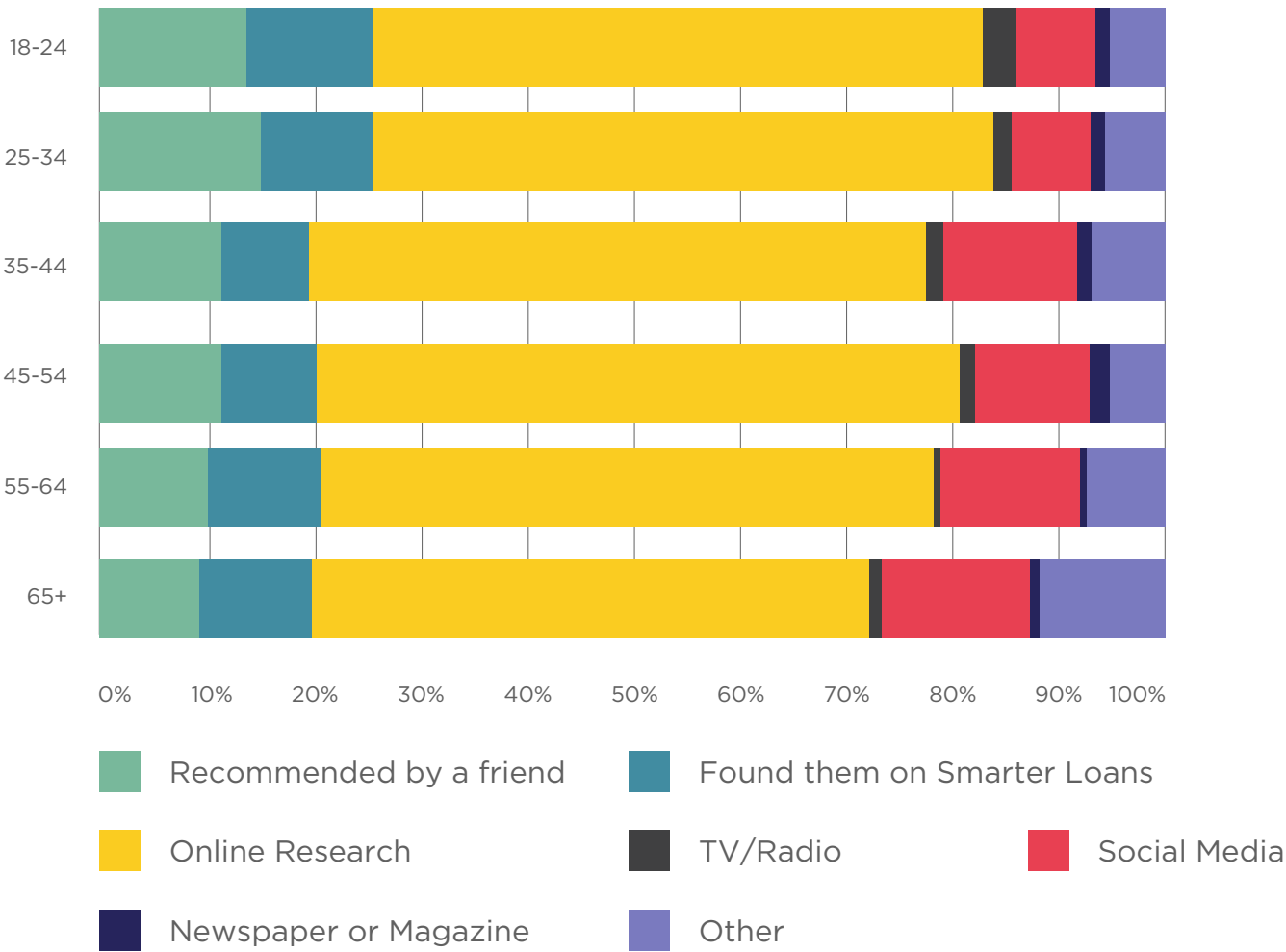
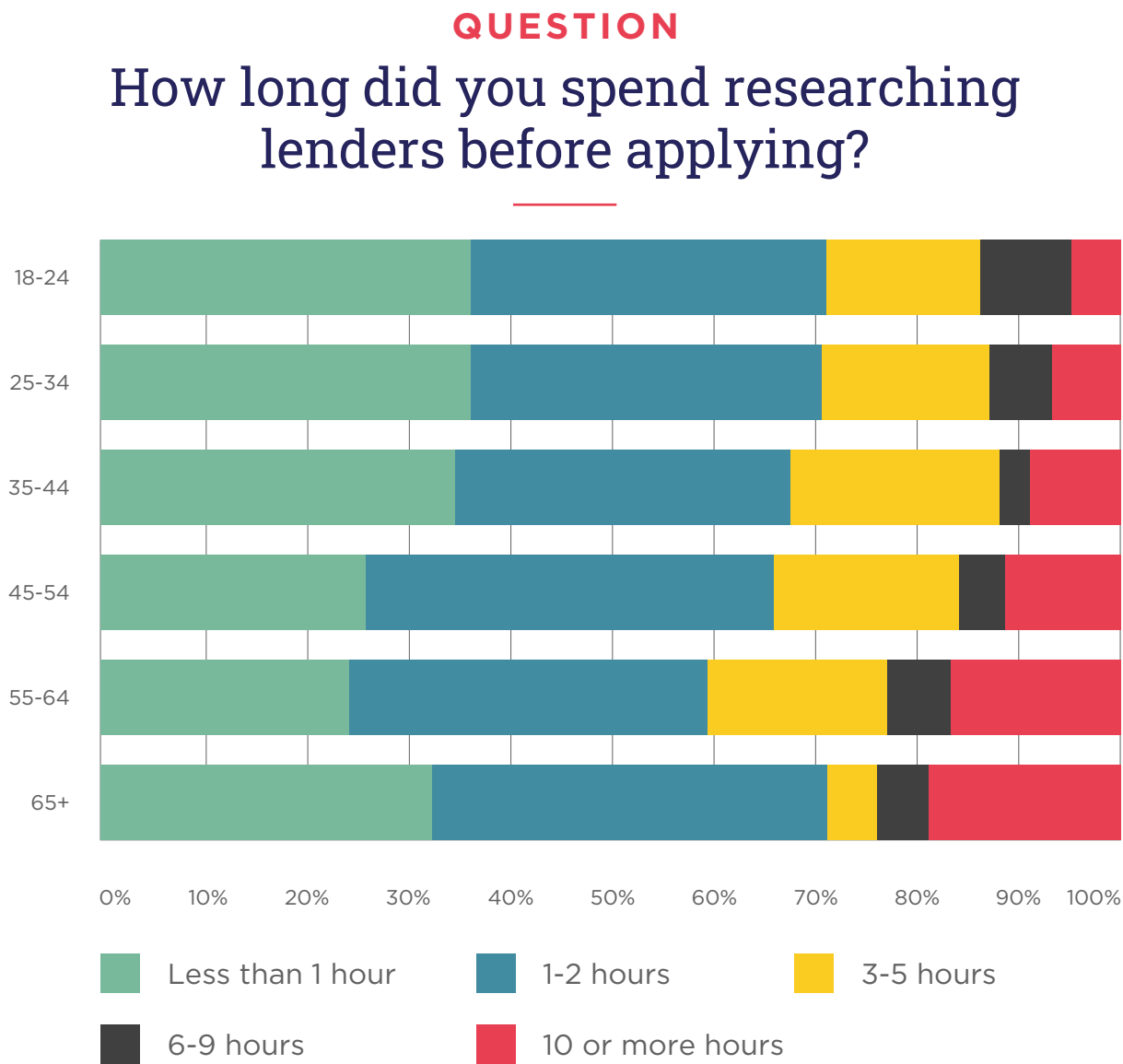
One-third of 18-24 year olds applied for their first loan with a fintech provider this year, representing more first-time customers than any other age group. There was also an increase in first time applications this year amongst 25-34 year olds. All other age groups saw a decrease in first-time applicants in the previous 12 months.

Canadians between 55 and 64 were most likely to dedicate upwards of three hours. Generally speaking, the amount of time one dedicated to conducting research increased with age, but dips after the age of 65.

Younger customers were also more reliant on personal friend recommendations, and least reliant on social media as a means of finding a provider.

QUESTION

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



One third of customers aged **18-24 read online articles and reviews before applying for a loan**, a much higher proportion than any other age group. They were also much more likely to ask a friend or family member for advice. Those in the youngest age group, however, were also most likely not to do as much due diligence before applying. Nearly 20% conducted no independent research, a far greater proportion than any other age range.

Older borrowers, meanwhile, were less reliant on company websites and reviews, and those aged **55-64 were most inclined to pick up the phone and ask questions directly.**

Overall, **personal installment and payday loan customers tend to skew younger, with the majority of their customers under the age of 44.** The majority of customers in all other product categories are aged 45 and older. Overall, mortgages, home equity loans and business loan products have the oldest customer base.

Those aged 18-24 were most likely to investigate six or more providers, while **those over 65 were most likely to limit their research to just one or two options.**

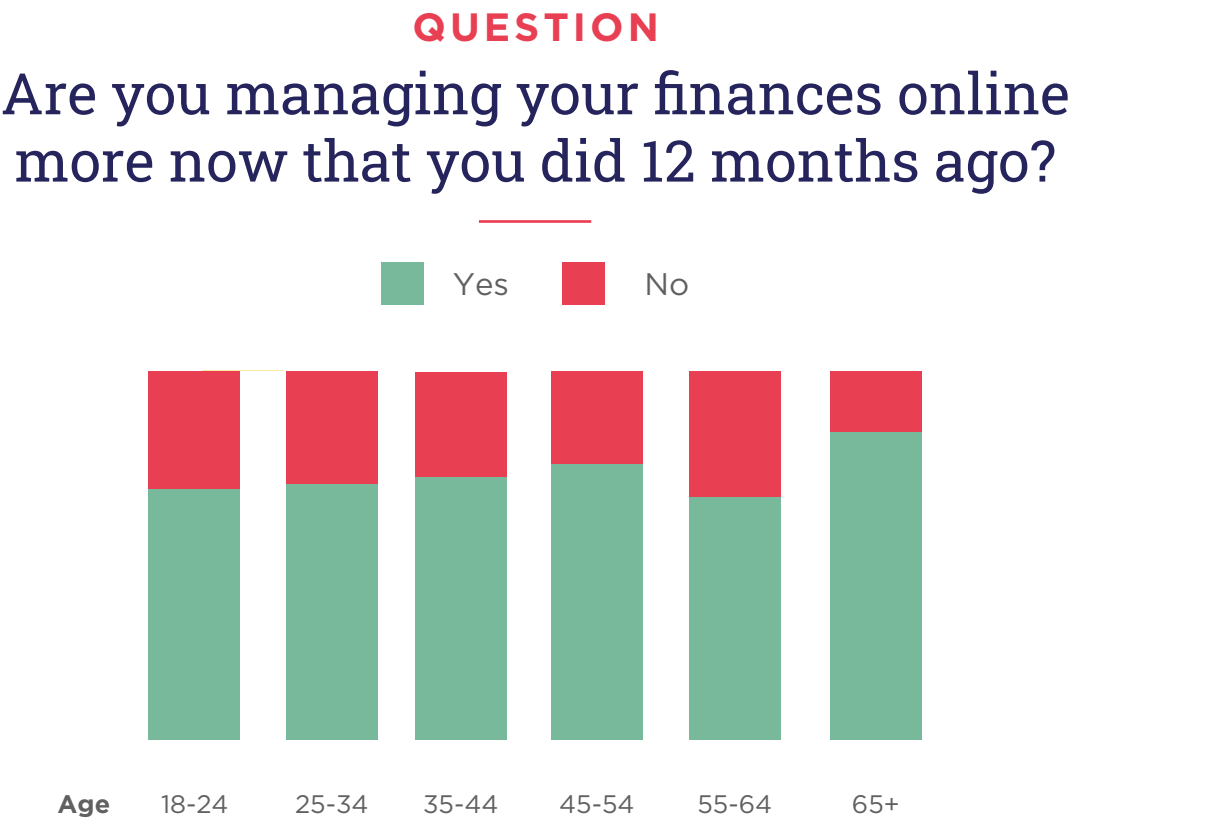
Satisfaction with the loan application process tends to increase with age but drops off after the age of 55. **Only 60% of Canadians aged 18-24 were satisfied with the application process**, compared with **68% of 25-44 year olds**, and **74% of 45-54 year olds**. Only about **63% of those above the age of 55**, however, express satisfaction with the application process. This may point to the higher expectations that younger people have with digital and mobile experiences.

Younger Canadians tend to receive funds quicker than their older counterparts; roughly 56% of those under 44 received funds the day they applied and nearly 90% of those aged 25-44 received funds within three days. By contract, less than half of customers over the age of 45 received funds the day they applied. In fact, nearly a quarter (23%) of customers aged 65 and older waited longer than one-week to receive funds.

The majority of respondents in every age category indicated that they are using more online products and services this year than before, however nearly a third of those aged 55-64 did not increase their use of digital products in 2020. They also express the most interest in utilizing digital financial management applications in the future.

Across nearly all product categories, Canadians under the age of 44 expressed the most interest in adopting new digital tools in the future, while those aged 45 and older demonstrate the most hesitation and concern.

Overall, **the adoption rate of digital products for managing finances within the past 12 months increases with age**, with older Canadians adopting such tools at higher rates, with the exception of those aged 55-64, who were least likely to be managing more of their finances online in 2020.



Women are more diligent customers of digital financial products

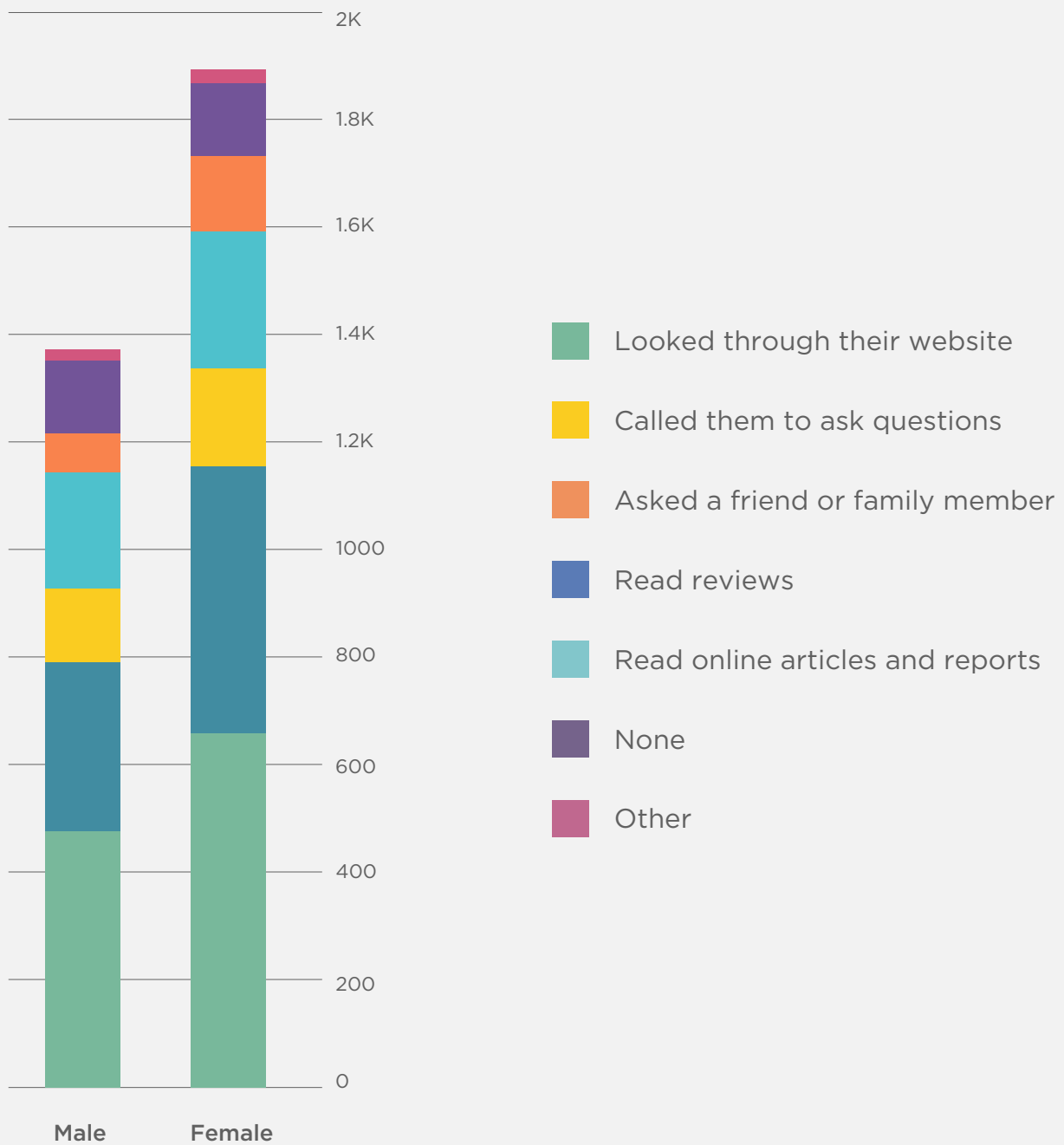
Business loans and truck and trailer financing remain heavily male dominated product categories, and to a lesser extent home equity loans too. The majority of personal installment, payday and mortgage seekers, meanwhile, identify as female.

Men were more likely to seek a loan from a traditional financial institution prior to turning to fintech loans, with 31% first applying at a bank, compared with only 22% of women. They were also more likely to research five or fewer vendors, with 82% considering less than a handful of options, compared with 77% of women.

Both genders were most reliant on online searches to discover a provider, however female customers were more likely to find a provider through a friend, while men were more likely to trust social media. **Female applicants were also more likely to investigate the provider's website**, read reviews, ask friends and family for advice and call the provider directly before applying. Men, meanwhile, were more likely to rely on reviews, and were more likely not to conduct research at all.

Among the men who did conduct research, they tended to dedicate less time to the process, with 67% dedicating less than two hours, compared with 65% of women. Both gender groups, however, felt almost equally as confident that they had enough information to make an informed decision.

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

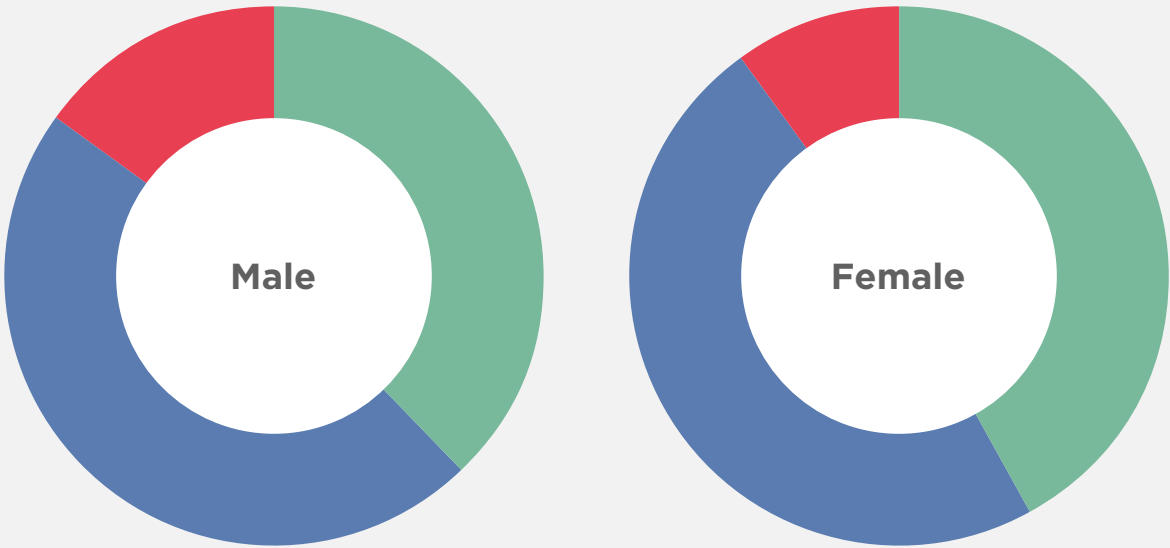


Women were generally happier with the application process, with the individual provider, and with the industry as a whole. Satisfaction with the ease and rate of approval, however, was generally consistent between both groups.

Men were more likely to have previous experience utilizing most digital products, and to have adopted new financial technology in the past year, while female customers express more reservation with trusting digital financial services in the future.

QUESTION
Overall, how satisfied are you with your loan provider?

Very satisfied Satisfied Not Satisfied



Research Methodology

In October of 2020 Smarter Loans conducted a survey of 2,597 of its users based across Canada regarding their experience with fintech lending 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 provided their contact information were automatically entered into a draw to win a \$100 prepaid credit card.

RESPONDENTS’ PROVINCE OF RESIDENCE:

Ontario: 40%
Alberta: 19%
British Columbia: 13%
Saskatchewan: 6%
Manitoba: 5%
Quebec: 4%
Nova Scotia: 4%
New Brunswick: 4.0%
Newfoundland: 2%
Nunavut: 1%
Prince Edward Island: 0.5%
Northwest Territories 0.5%
Yukon: <0.5%

RESPONDENTS’ AGE:

18-24: 4%
25-34: 23%
35-44: 29%
45-54: 25%
55-64: 16%
65+: 4%

RESPONDENTS’ GENDER:

Male: 43%
Female: 56.5%
Other: 0.5%

A special thank you to

