

## New social lender on South African scene

A new social lending platform has launched under the trading name RainFin. Its secure online platform is a smarter and more efficient form of financial intermediation that links people who need to borrow money with people who have money to lend.



It plans to disrupt the financial services sector in South Africa by implementing the concept of person-to-person, providing an alternative to banks for consumers who wish to invest and borrow money at more competitive interest rates.

Its borrowers can access funds at lower interest rates and with better terms and conditions than they could through a bank, while lenders can achieve superior returns on money they loan

to others.

International experience shows that borrowers may be able to get interest rates at half of those offered by banks, while lenders may be able to achieve double the returns they receive in current accounts.

"Social lending is bringing massive disruption to the financial services sector around the world by using the Internet to remove banks, the traditional middlemen between people who have money to invest and those who need to borrow," says Sean Emery, co-founder and CEO of RainFin.

"This new model for lending and borrowing provides a viable alternative to the high costs and complexity of the banking oligopoly to South African consumers for the first time. Consumers will benefit from more competitive rates, lower and more transparent fees and charges and better terms and conditions than they could get from the banks."

### Peer-to-peer lending growing rapidly



RainFin CEO and co-founder  
Sean Emery

Peer-to-peer lending services have been booming in the US, UK, Europe and China since 2010. The two largest players in the US alone closed more than over \$50m in loans just last month. Gartner predicts that by the end of 2013, 10% of all loans will be secured on peer-to-peer platforms across the globe.

"The firm is bringing this model into South Africa because we believe it will find a receptive market here. The country has a well-established stokvel sector - essentially an offline peer-to-peer industry worth R44 billion."

Any South African resident over 18 can borrow and lend through the firm. After passing a strict credit vetting process, borrowers can apply in the marketplace for loans of between R1000 and R75 000 with a maximum repayment period of one year.

Individual lenders can invest between R100 and R500 000 across a portfolio of the firm's loans. Borrowers can specify the loan amount, the maximum interest they are willing to pay and the loan duration up to a year.

### Select risk

Investors can make informed decisions about which group of borrowers or individual borrower to lend money to, through credit risk information based on their gender, age, location and credit score.

To lenders, the firm provides anonymous information on each borrower from the credit bureaus so that lenders can make



RainFin co-founder,  
Hannes van der Merwe

sound risk decisions. It earns a low percentage-based transactional fee on every loan, making the costs of its platform completely transparent to its users.

"South Africa's banking sector is ripe for change. A recent survey found that 47% of people are unhappy with their financial service providers and would change if they could get a better rate or simply find a provider who cared more about them," says Emery.

Peer-to-peer lending is all about creating a marketplace where borrowers can turn to people just like them who want to help, but also want to make a fair, sustainable return. Banks offer interest rates below prime for money deposited to them, and then loan it out above prime, making a healthy margin in the process. On top of that, they charge high fees and charges, too.

"We believe that consumers have an opportunity to take back some of the power they have given to banks, benefitting each other rather than large institutions in the process.

"These uncollateralised loans are just the start. The company plans to add other products such as SMME financing and mortgages to its portfolio in the months to come," he concludes.

For more information, go to [www.rainfin.com](http://www.rainfin.com).

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