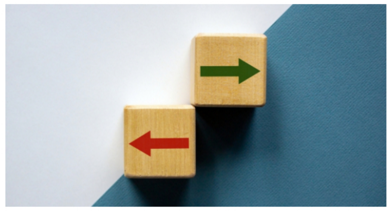
What are the pros and cons of fintech vs high street lenders? - brokers react

Brokers were split on the potential strengths of fintech mortgage lenders.

RELATED TOPICS: MORTGAGES | ROZI JONES | EDITOR, BARCADIA MEDIA LIMITED | 25TH APRIL 2023



PR platform Newspage asked mortgage brokers and financial services tech experts how fintech lenders compare to traditional high street lenders, e.g. what their strengths and potential weaknesses are, if they are stronger in any particular areas, and how much business they place with fintech lenders versus the high street.

"Even traditional high street banks have a fintech agenda with the ultimate outcome of automating processes and reducing duplication"

Some were very sceptical, saying “fintech is the biggest con going” and that the term is used to “establish eye-watering valuations”, while others said fintech lenders “bring a lot to the table” and that “most standard mortgages can go through fintech lenders quite well”.

The views of brokers from around the UK can be seen below.

Justin Moy, managing director at EHF Mortgages: "Fintech lenders are at their best when dealing with specific niches in the market, but for the majority of mortgage lending the high street lenders will continue to dominate the market for some time yet. Only a small amount of our lending over the years has been taken by fintech providers, as sometimes the feedback from clients hasn't been as positive as the brands are not well-established. Meanwhile, estate agents often see them as a sub-prime lender and shy away from accepting an offer, often turning their noses up, too. That’s a stigma that will disappear with education from brokers and targeted marketing within the industry as well as to the general public. By focusing on niche markets such as portfolio landlord, guarantor and self-employed mortgages, fintech lenders can make a difference for both clients and brokers, and grow their brands accordingly."

Ying Tan, tech entrepreneur: "We are living in Disneyland if we think that technology within financial services is not here to stay and advance further. Even traditional high street banks have a fintech agenda with the ultimate outcome of automating processes and reducing duplication to ensure a quicker and better customer outcome. However, the forward-thinking fintech lenders appreciate the need to combine innovative tech with human intelligence. Ultimately, mass adoption of fintech lenders will be driven by access to funding and the ability to price in alignment with high street lenders."

Lewis Shaw, owner and mortgage broker at Riverside Mortgages: "Fintech is the biggest con going. I recently had a case where a fintech lender took two weeks to make a decision. If I'd put the same case with a high street lender, the application would have been signed off within 30 minutes of submission, and the case agreed, subject to survey. But unfortunately, too many people forget the central tenets of mortgage lending: can we identify the person applying for the mortgage, do they present an acceptable credit risk, and can they evidence sustainable taxable income to afford the loan? At its base, that's as complicated as it needs to be. Fintech lenders are the best example of The Emperor's New Clothes you can imagine. Despite all their claims that they have clever tech to read payslips and bank statements, they can't do it as well as, you guessed it, an experienced human. It's self-evident that they're trying to build solutions to problems that have never existed. What problems are they actually solving? As yet, no one's been able to tell me."

Ian Hepworth, director at Funding Solutions UK: "Fintech lenders in the B2B space have been desperate to hang on to their tech status to establish eye-watering valuations. Sadly, in the main, their accumulated losses are the eye-watering aspect along with falling valuations. Investors have lost a lot of money and continue to do so. Their determination to standardise processes in an attempt to scale creates a rigid process that can't deal with the nuances of many businesses. As a business owner, I would rather deal with a human I can speak with rather than an organisation where 'the computer says no'."

Riz Malik, director at R3 Mortgages: "I recently attended a presentation by a lender who astonished me with their cutting-edge technologies. When I mentioned them to a client, they were discarded as quickly as a Bitcoin crash—all because the client had never heard of them, despite fitting every requirement. The UK can lead the world in fintech, but in order to fully soar, we must first close the knowledge gap in data security and financial safety. Our fintech objectives will remain stranded like Tom Hanks in Cast Away unless clients catch up with these innovations."

Scott Taylor-Barr, financial adviser at Carl Summers Financial Services: "Traditional lenders aren't the dinosaurs that certain start-ups would have us believe. Many are innovative and have some cutting-edge tech behind those hundred years of history. You don't survive as long as they have by standing still. Halifax's underwriting system is one of the most automated and sophisticated in the market, capable of delivering a mortgage offer in a few hours for the right clients. Other lenders have been quick to adopt automated valuation modelling (AVMs) and many can now link directly to HMRC to validate income and HM Land Registry for property and title information. They may have been founded in 19th century, have boring names and a branch network, but don't for a second think that they are not modern, slick and innovative businesses that can and do leverage new tech to deliver better service when and where appropriate.

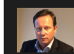
Imogen Sporle, managing director at Finanze Property at Finanze Group: "Fintech lenders do have an easy application process, and use open banking and ID verification apps during the application process minimising the amount of documents and information they need to request from borrowers. However, ‘fintech’ I think is overused to allow companies to add another feather to their hat. However, when used properly it is handy to be able to then shortlist the faster lenders. I have never had a client ask to go to a fintech lender, usually they just want the lender with the best rate or occasionally they will ask to see the rates for a bank they trust, which is usually their current account provider. I place far less business with fintech lenders on the basis that their rates are higher than high street lenders, and even on speed some high street lenders still beat them. Halifax, for example, can get an offer issued the same day as application."

Gary Bush, financial adviser at MortgageShop.com: "Fintech lenders bring a lot to the table and, as a result of their emergence, high street lenders are all now looking at their ageing legacy IT systems and pushing the envelope further. Our clients don't ask us for a fintech lender, they ask us for a reliable one that can process their cases faster. As far as the overall offering from the new fintech kids on the block, they need to understand that they not only have to be slick in their processes but also need to offer competitive rates and competitive follow-on rates, namely standard variable rates. To be high tech but not seriously compete with the old skool lenders on rate is often the fintech lenders' Achilles heel."

Jonathan Burridge, founding adviser at We Are Money: "I will make a comparison to the car industry. Tesla was developed and tested under tightly controlled, limited distribution until it worked and then it was rolled out as a premium product, with all the trimmings that a premium car buyer would expect in terms of customer service and added value. Even though it was ground-breaking, its offer was well-developed and rounded. Now that it's proven, every car manufacturer is riding the EV train. It's the same with lending. Challenger banks that offer tech solutions have to fight for space in the hugely competitive market and need to hang in long enough to gain some traction, meanwhile the 'Old Skool' fill their boots and watch and learn from the early adopters. However, it's the long game that matters to the borrower and speed or ease of process is secondary to securing the funding they need, so, in the end, it comes down to pricing and policy, not tech. Technology is not the solution, it is the enabler."

Mark Stallard, director and adviser at House and Holiday Home Mortgages: "Fintech was going to magically simplify lenders' responses. This hasn't happened. Instead, it's become another hurdle for customers to jump over on the way to speaking to a human. Clients are

Related articles



"We're now in a ‘new normal’ when it comes to...
19TH JANUARY 2024

Leeds BS reduces low credit score 'Reach Mortgage' rates
19TH JANUARY 2024

Clydesdale reduces mortgage rates by up to 0.72%
19TH JANUARY 2024

looking for simplicity, speed, and accuracy. As it stands, fintech contributes more towards holding the process up than anything else. That's not to say some hi-tech lenders can't get offers out fast. Some can. Tech can 'read' bank statements and pay slips. But they can't deal with someone self-employed. And fintech can't give advice. It can't sit down with a cup of tea, listen carefully, ask relevant questions, and help people to make the right decision. It won't explain the difference between a tracker and a five-year fixed rate to an overwhelmed first-time buyer, or to someone in tied accommodation that there are a couple of lenders who'll offer residential, not buy-to-let options. Perhaps I'm wrong, but I think the real potential and possibilities of fintech are still at least five years away."

Mike Staton, director at Staton Mortgages: "Overall, I have not been impressed with the majority of fintech lenders. Many of their systems appear buggy and one, in particular, is still using archaic background procedures such as ONS data instead of technology to see borrowers' actual spending. Unlike Skynet in the 90s, fintech isn't going to take over the world, however, dealing with them on occasion can feel like Judgment Day."

Comments

ADD A NEW COMMENT

More like this

19TH JANUARY 2024

"We're now in a 'new normal' when it comes to mortgage...

We spoke to Chris Little, chief revenue officer at finova, about the current challenges facing brokers, what 2024 has in store for mortgage rates, and how advisers can meet the auditing requirements of Consumer Duty.

19TH JANUARY 2024

Leeds BS reduces low credit score 'Reach Mortgage' rates

Rates have reduced by up to 0.43%.

Clydesdale reduces mortgage rates by up to 0.72%
19TH JANUARY 2024

TML reduces residential and buy-to-let rates by up to 0.88%
19TH JANUARY 2024

Speeding up homebuying: New legislation paves way for open town...
19TH JANUARY 2024

Coventry for intermediaries reduces all standard two, three and...
19TH JANUARY 2024

Latest from Property Reporter

19 JANUARY 2024

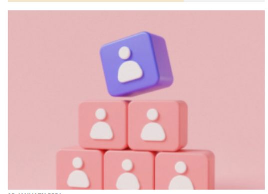
Balance returning to London lettings market

Rising stock levels and a month-on-month decrease in new renters have helped London's turbulent lettings market return to a more balanced setting,...

Owners of long-term empty homes forced to pay double council tax under new council plans
19 JANUARY 2024

Housebuilding failing to keep up with expanding population
19 JANUARY 2024

Latest from Protection Reporter

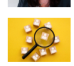


19 JANUARY 2024

Lovethorn appoint Richard Purcell as Non-Executive Director

Lovethorn, which launched eight months ago, has today announced the appointment of Richard Purcell as its first Non-Executive Director after the...

LV= appoints Katherine Carnegie as CCO
18 JANUARY 2024



National Friendly promotes Gifford Clay to Head of Intermediary Sales
18 JANUARY 2024