There is a reason why investors have given them PLN 100m. The secret of Poland's wealthiest fintech company.

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Hard work and discipline – this is what Krzysztof Kowalski, Creamfinance's CEO in Poland, identifies as the sources of the company's popularity with its investors. The truth is much more complicated; yet it can be said that the disciplined managers of a business that was born in a garage definitely contributed to its success.

PLN 100m – this is how much Creamfinance has so far collected from its investors. Why do they find your business so attractive?
Both vision and new ideas have been our key focus from the company's earliest days. We deliver on our promises – and we do so by being consistent in our operations, making informed decisions, and staying goal-oriented. Year after year, we have delivered the results we promised, and made sure the promised returns are realized. And this all happens when so many businesses – both in the lending sector, and in fintech – have been hitting a tough patch.

Other companies deliver too, but at the same time – if you look at the list – investors have not pumped so much money into them.
We operate in the international environment, on two continents, and this helps to diversify the risk. Because we operate in different countries we have had different experiences, and we are, at times, taken aback by some of the legal regulations – such as the highly restrictive provisions in Latvia. We are virtually a garage start-up that has copied established market solutions. What made us stand out, however, was our long-term vision, and returning to one question over and over again: what will happen next? I find this even more important as I worked in the banking sector in Poland and abroad for a dozen or so years, and I know that far-reaching vision is truly helpful – but so is having the ability to make sudden changes in direction on the spot.

This is a fairly general statement. More specifically – what are the solutions that you use?
Expertise in numbers, accompanied by hard work and the right people. Also, highly functional, centralized risk modeling: in its operations the entire group uses the same tools and engines, and usually there is one team that provides its services in a given field to the entire group. When such a centralized model works and operates well, it is much more functional than replicating independent solutions that differ from country to country.
Moreover, we know exactly what products we want to provide to our clients. Our competitive advantage is quite simple: the profile of our target clients is different from other lending companies.

Our clients are the same as those who use banks, but he or she knows that obtaining a loan is much more complicated in a bank, takes more time, involves more sacrifices, and requires more certificates. With the banks, the client is also expected to ask humbly for a loan, and the banks may be merciful enough to grant him or her a loan.

This may happen, indeed.

We earned our clients' trust over time, and for quite a while now we have been one of the leaders in a sector that is comprised of 50–60 firms. This success is not only the product of our marketing budget, but we also owe it to the fact that our mechanism truly works – from cooperation with our partners and application procedures, to the moment when our client receives the money.

Or maybe the timing is right. The prime minister of Poland focuses on consumption; every shop window and website urges us to "buy, buy, buy". This consumption frenzy must be a true blessing for your business.

This is partially true, but please note that such a situation is profitable for all kinds of businesses. Buying on installments in shops or using banking products are completely different things to our loan products. The banks had tremendous experience in granting quick loans when they operated credit points-of-sale, but for many different reasons they failed to transfer this practice online, or to include micro loans. Maybe such transactions didn't seem attractive to bankers, or maybe they proved unprofitable as far as standing costs were concerned.

We have managed to create such a solution. If the client wants to go on holiday today – we make it happen. Many clients in the market take out 30-day loans and repay them on time.

Getting a loan is really easy, but there is a dark side to this too: the debt ratio is historically high, and more people than ever are not repaying their debts.

This results from the fact that somewhere outside the well-known and highly regulated banking sector, there exists a *terra incognita* – a sector that involves everything, even the acts of notary publics who steal tenement houses from under the residents. When I read – in justification of the new regulatory act – that the procedure for taking tenement houses away from people will be put to an end, I have a feeling that we are talking about completely different sectors.

Well, a loan is a loan.

Situations like that don't take place in our business. Our clients don't perform worse when it comes to repaying debts – on the contrary, our results for the last couple of years has been excellent. Even if we do have a portfolio of problem debts, there is a whole bunch of debt-collecting companies standing in line to take care of it – because they consider such debt to be perfectly payable. This is a product of our strategy: stay away from risky areas.

Is that even possible?

Let's not be fooled – most of the people who want a loan don't get one. But there are companies who hunt for applicants who have been rejected by us and other firms. They offer to grant "a loan with no requirements" and "without a Credit Information Bureau (BIK) validation". I don't intend to make anyone's life any harder, but if the regulatory office wants to look into a particular area of our sector, that should be it.

This takes us to yet another answer to your first question: our investors are familiar with the ratios and they know that our loss ratio is low and our client retention level is satisfactory This is not a one-off – a client coming in, getting his or her money, and disappearing. We work with our clients for many months, offer term products, and organize focus groups; we get to know our clients and their needs, and we communicate with them on regular basis. We know that our clients value our brand.

The era of rampant consumerism will eventually come to an end. What happens then?

I guess that could be better assessed by economists, we are just trying not to overestimate the situation. And it's easy to do so, we have seen similar scenarios in the banking sector, too – let's take, for example, the credits in Swiss francs that got many banks' fingers burned. On the other hand, paradoxically, social benefits are impacting our business, which used to grow much more rapidly. Looking at the statistical data, we are sure that the social programs implemented in given periods resulted in a decrease in the sale of our products.

So people have more money in their pockets and don't need loans.

It's not the case that poor people come to us to get a loan. Besides, we are changing along with the market. Our goal is to offer processes and tools that are not available anywhere else; we want our products to be more and more affordable, to precisely match the client's needs, and have increasingly longer-terms. We want to be seen as an attractive company rather than the one that simply wins the poor clients over and brings them in. We want to establish long-term relations, to be different, in positive way, to the banks.

What you need is trust in your business sector as a whole. And a lawyer who considered working in the lending sector told me once that certain companies had had him draft contracts that would charge the clients interest amounting to hundreds or thousands percent in the case of late payments.

I am not sure how popular such practices are. The largest players don't operate like that, and in our mind, the companies that do are the black sheep of the market. Our company employs professionals from the banking and telecommunication sector who follow an ethical code that rules out any abuses. All in all, we offer our clients money for free for 30 days.

And if the repayment comes late?

We will give them a couple of extra days. We use a soft touch in debt collection, including early reminders before the payment is due. We are well aware that people tend to be forgetful and may not be able to make the payment when "day zero" comes along: this is why we call them and remind them to repay the loan on time.

Okay, but when a company offers a "zero interest" loan, it still needs to earn its share. What you count on is the late payers.

You cannot earn on the late payers. We earn when our clients decide to come back to us, and the most valuable client is the one who cooperates with us on permanent basis, who realizes that we work quickly and effectively and so turns to us again when he or she needs another loan – and that is when we start to earn. Our communication is clear, we always stress that we offer discounts when the loan is prolonged.

Will Creamfinance always deal with loans? Is that your plan for the years to come?
We plan to properly diversify the countries products, and services on a group level. There are countries in which we have already managed to successfully arrange our business; and there are others where we are only starting to sort things out. We can see that, generally speaking, clients are getting richer, and as they do, their needs change towards products that offer better interest rates.
This requires shifting our attention to a slightly different risk model so that we can offer a more adequate price. The better portfolio we have, the easier it will be to acquire new tranches for new portfolios – and we are trying hard to do just that. But we don't want to turn away from what we know best, but rather to move in the direction of long-term, easier access offers that can be financed more cheaply.

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