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2025 TransUnion Canada Summit

Engage & Empower

Building Trust Throughout
the Consumer Journey



Understanding Consumer Behavior and Dynamics of FinTech Lending

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Head – FinTech Sales

TransUnion Canada

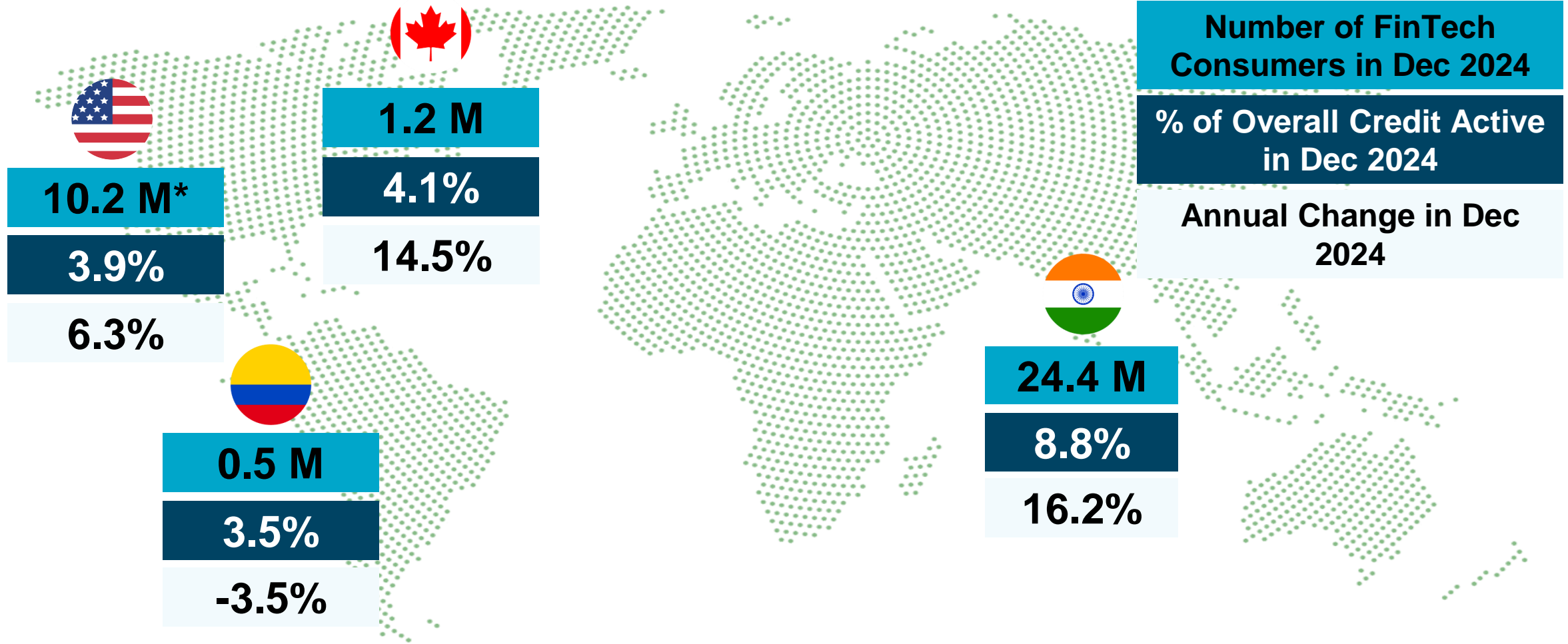


What do we mean by 'FinTech'?

Lending	<ul style="list-style-type: none">• Primary business is lending to consumers and businesses e.g. personal loans, mortgages, etc. but excludes BNPL, POS solutions
Embedded Finance	<ul style="list-style-type: none">• Primary business is providing BNPL solutions like interest free pay-in-4 like solutions, point-of-sale interest bearing lending across platforms
Payments	<ul style="list-style-type: none">• Primary business is providing payments solutions e.g. payment gateways, acquirer, processor, B2B/B2C/P2P payment apps and so on
Challenger Neo Banks	<ul style="list-style-type: none">• Primary business is providing frontend banking solutions like savings/check-in/current accounts, credit cards, etc. either by applying for own banking license or via partnerships with existing banks

Focus of this conversation will be on the lending segment of FinTechs reporting to TU

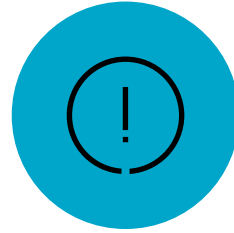
While FinTech borrowers compose a low ratio of the credit economies, the annual growth rates are worth considering



*Unsecured personal loan FinTech consumers



In this session, we will:



Provide an overview of the FinTech lending landscape



Study/Examine myths about FinTech borrowers



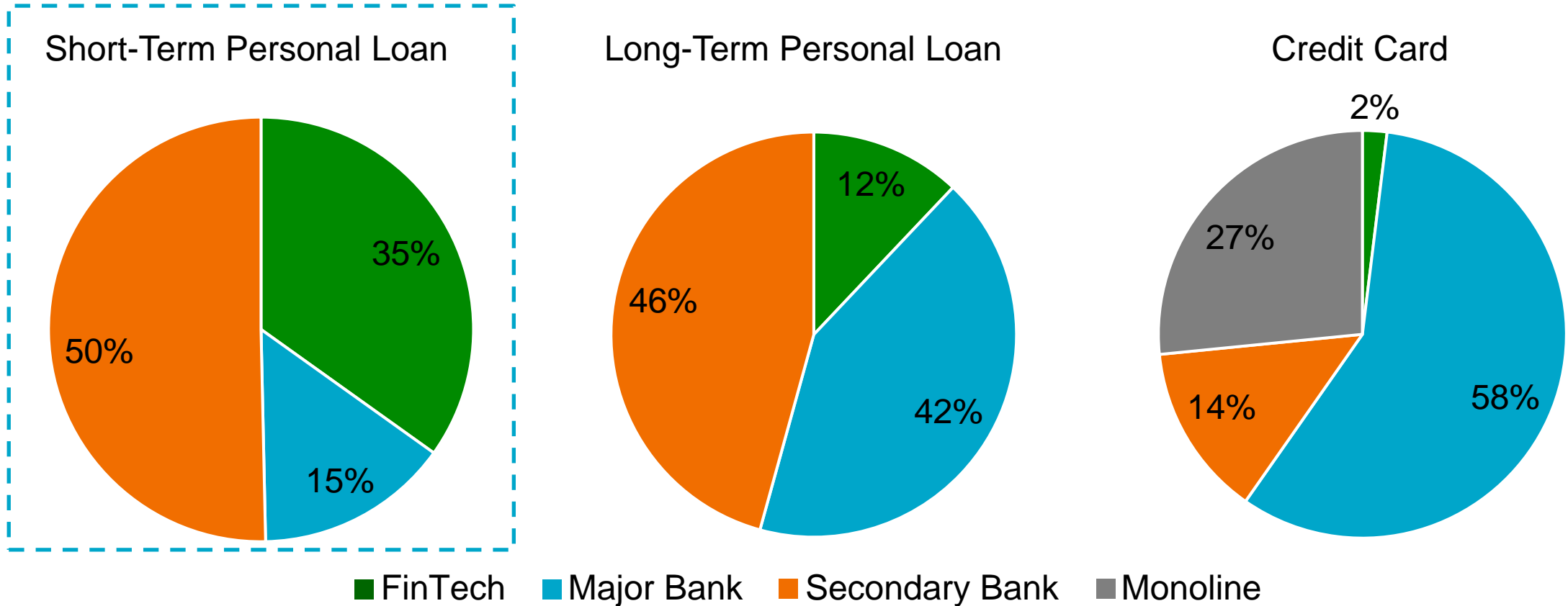
Share implications for traditional lenders

Canada's FinTech Landscape

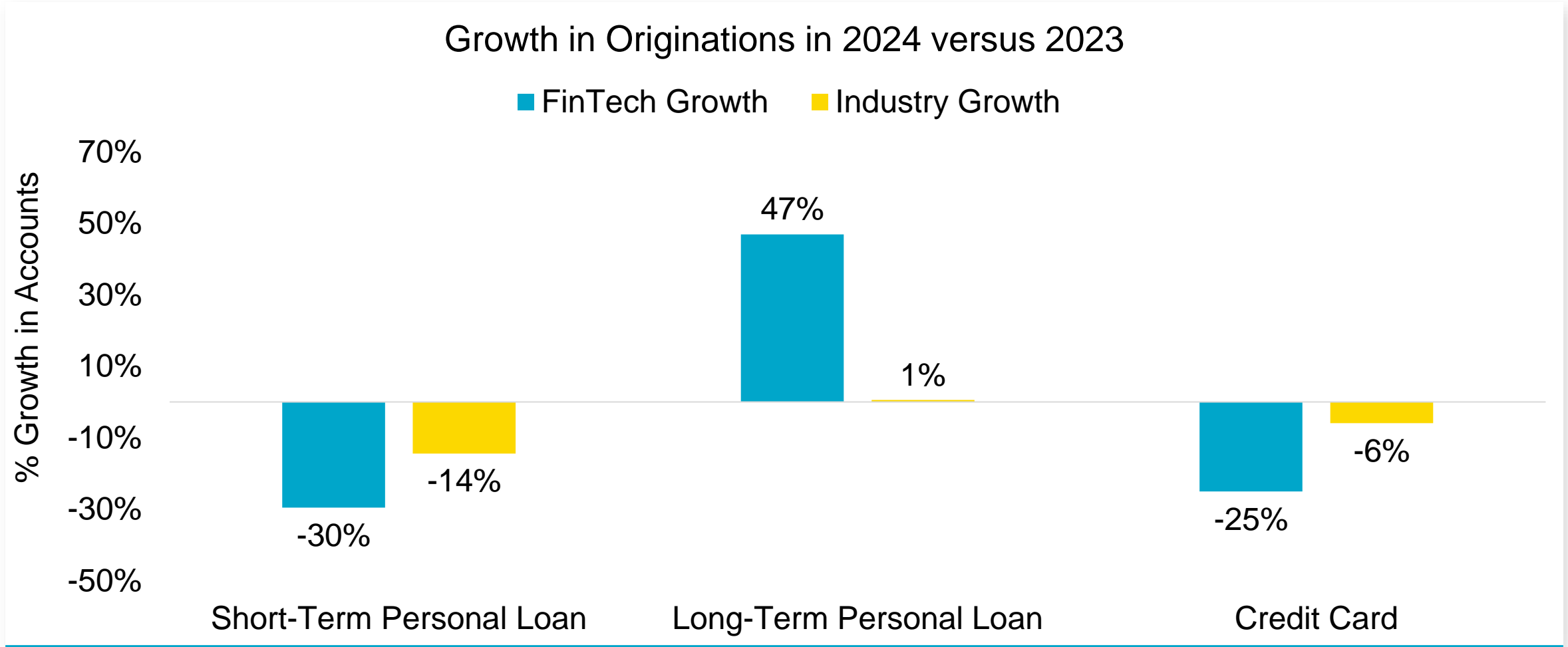


FinTechs hold significant share of the short-term personal loan market

Share of Accounts by Product and Lender Type

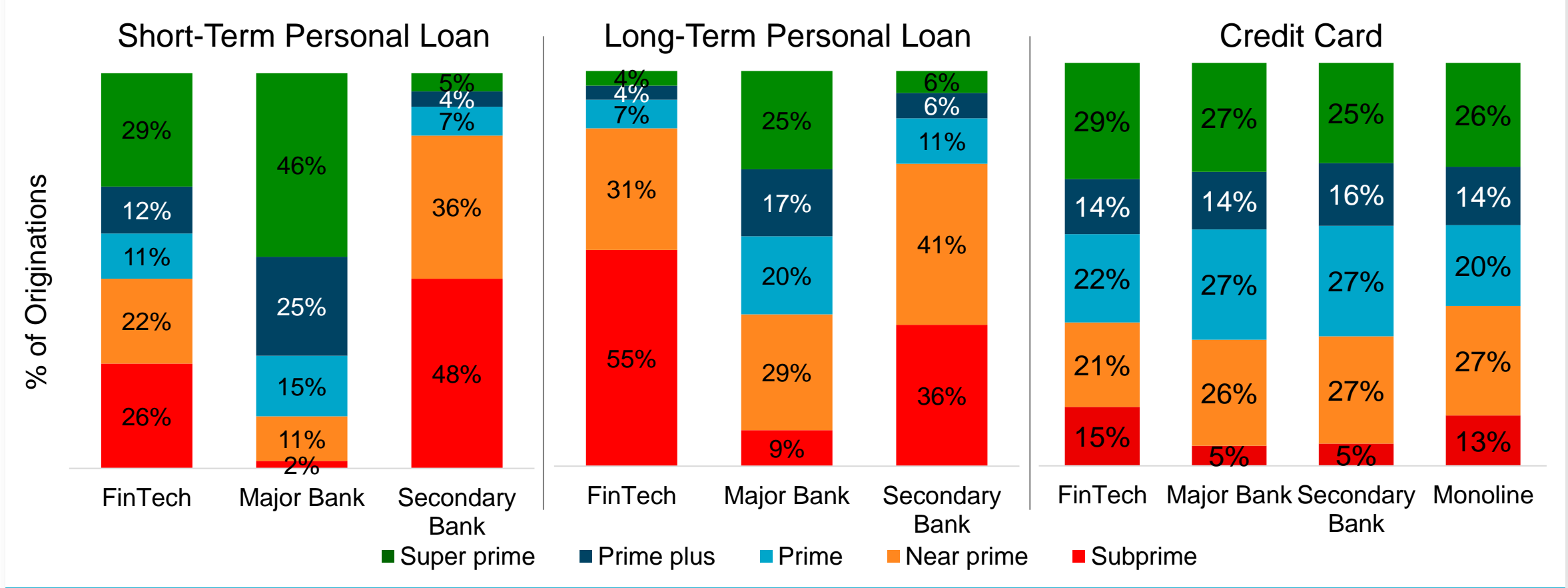


There is a clear focus on diversifying into the longer-term loan market



FinTech originations are skewed towards riskier consumers

Risk Distribution of Originations, by Lender Type, 2024

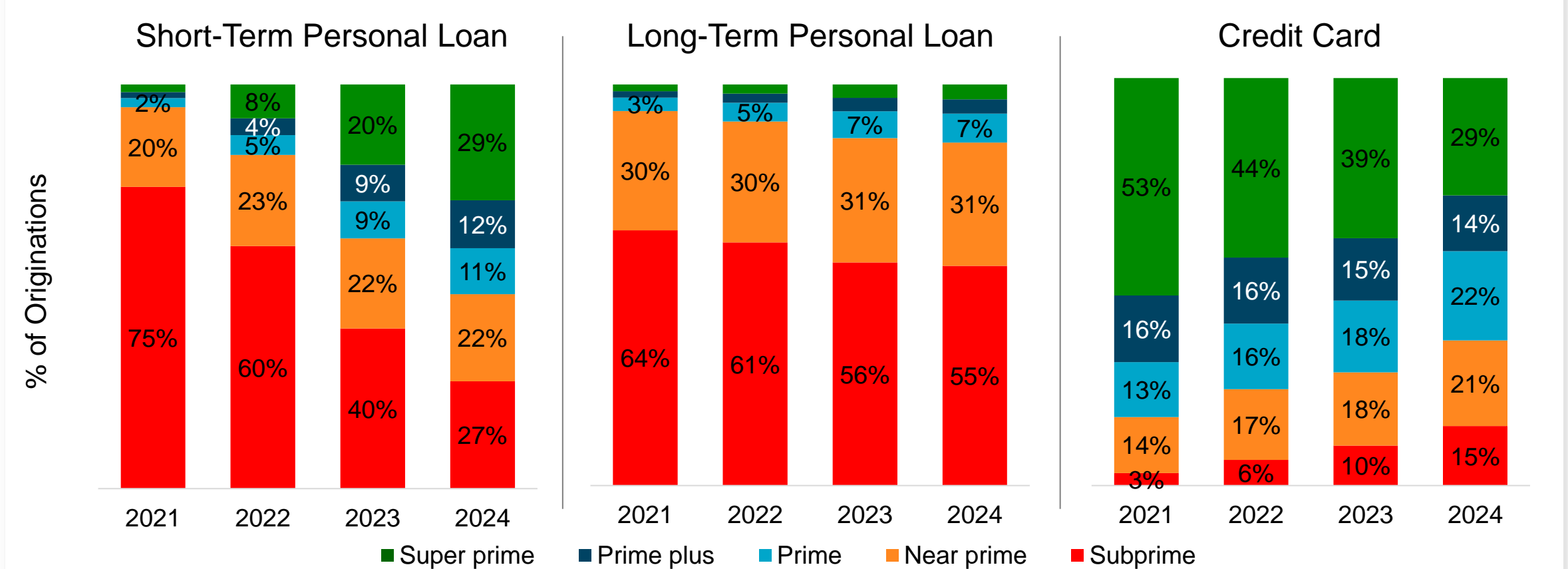


CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



With pressure on cost of credit and return dynamics, FinTechs have reduced their risk appetite in recent years, especially for short-term loans

Risk Distribution of FinTech Originations

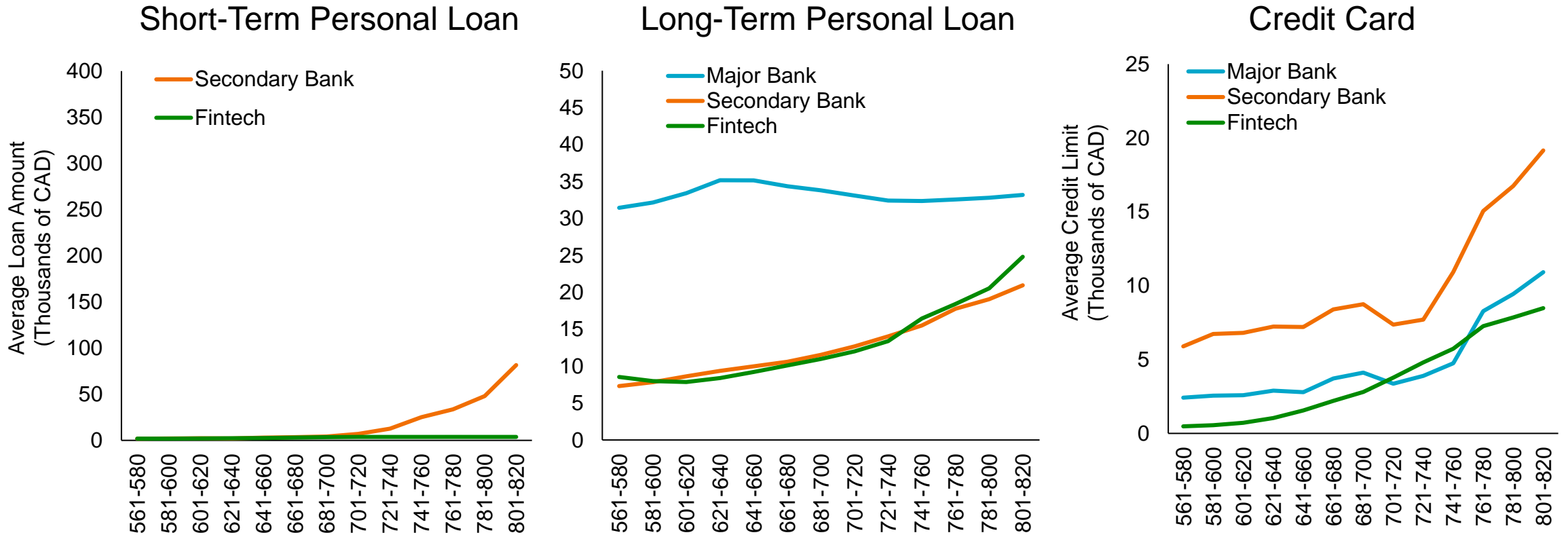


CreditVision™ risk score: Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



From a loan amount perspective, FinTechs show lower appetite, which is likely aligned with their funding strategies

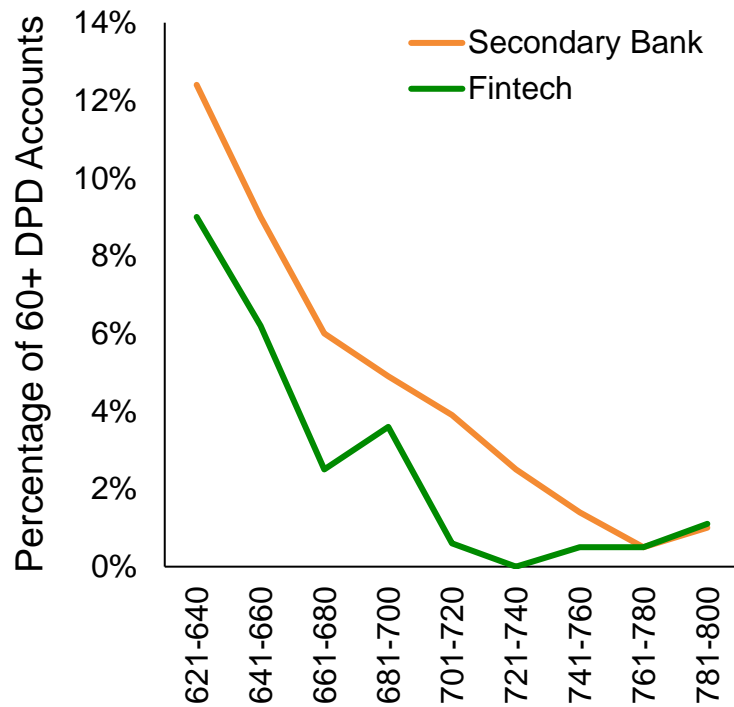
Average New Loan Amount at Origination, by Lender Type and Risk, 2024



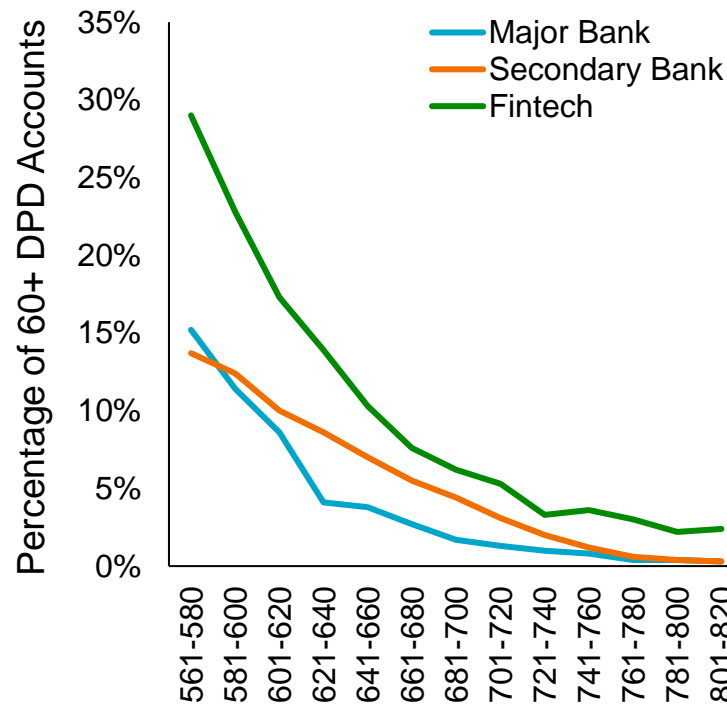
FinTech loans experience higher delinquencies across the risk spectrum, with the exception of short-term loans

Vintage 60+ DPD @12 MOB for Accounts Opened from Jan-Dec 2023, by Lender Type and Risk

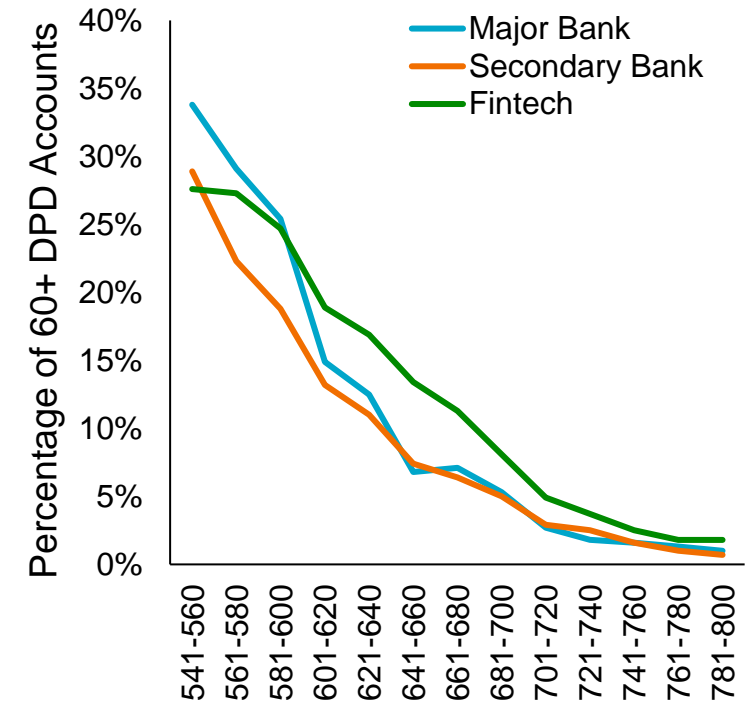
Short-Term Personal Loan



Long-Term Personal Loan



Credit Card



To summarize our insights so far...



FinTech market is growing faster than overall credit market, with recent focus on diversifying product offerings



FinTech originations are slightly skewed towards riskier consumers—however, FinTech lenders have become more conservative in their underwriting strategies over past years



FinTechs issue the smallest loan amounts across the risk spectrum and yet experience the highest delinquencies, even within the same risk scores

We will now explore popular myths about FinTechs...

Hypothesis #1. FinTechs are a gateway for financial inclusion

Hypothesis #2. FinTech borrowers are riskier and younger

Hypothesis #3. FinTech borrowers have lower access to credit

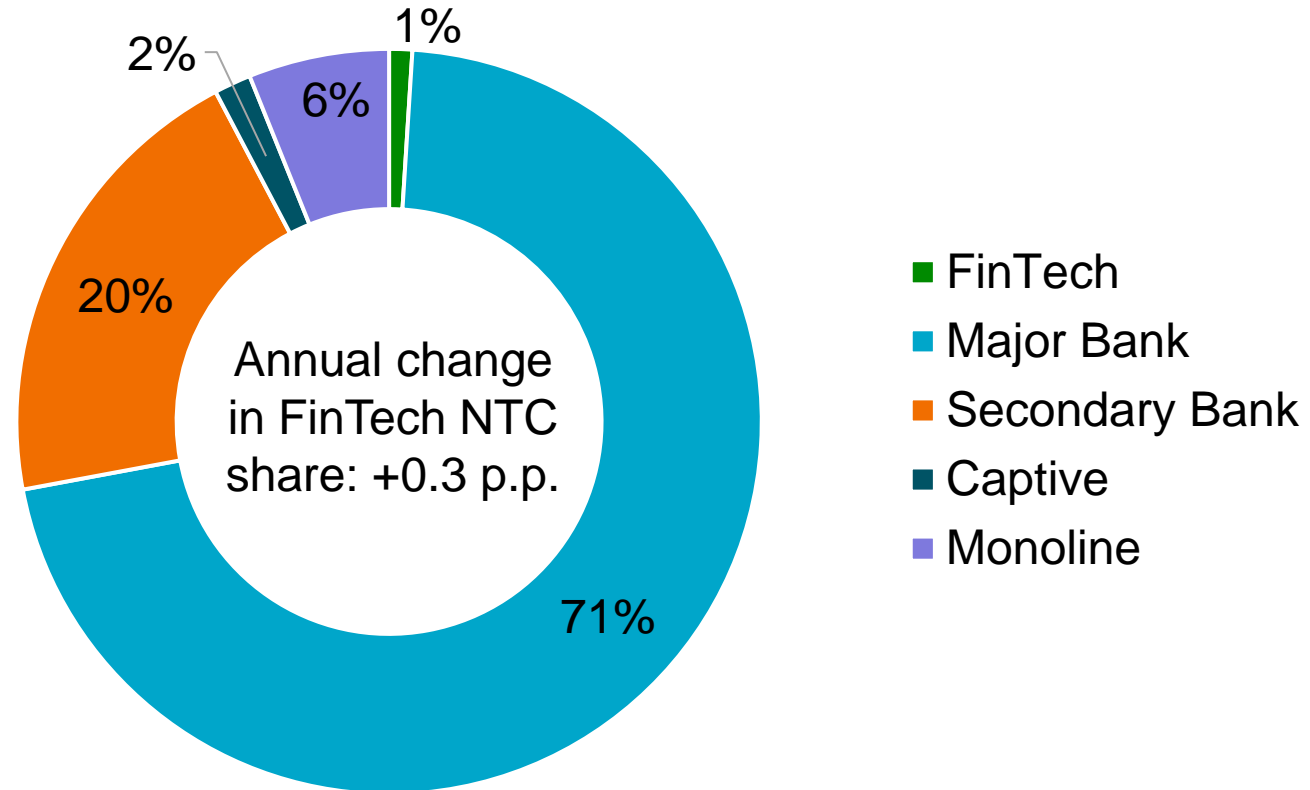
Hypothesis #4. FinTech borrowers perform worse

Hypothesis #5. FinTech borrowers are loyal to their FinTech lenders



False: FinTechs are not a primary gateway to credit for majority of NTC consumers in Canada

Share of NTC Consumers by Lender, 2024



We analyzed 1.2 million consumers who had at least one FinTech obligation as of Q4 2024 to better understand their profiles and behaviours

**Define FinTech
and Non-FinTech
Consumers at t**



FinTech: Study group of consumers with an open FinTech long-term personal loan; short-term personal loan, credit card



Non-FinTech: Control group of consumers with NO FinTech obligations of any product type EVER in their history and have a non-FinTech issued long-term personal loan, short-term personal loan, credit card

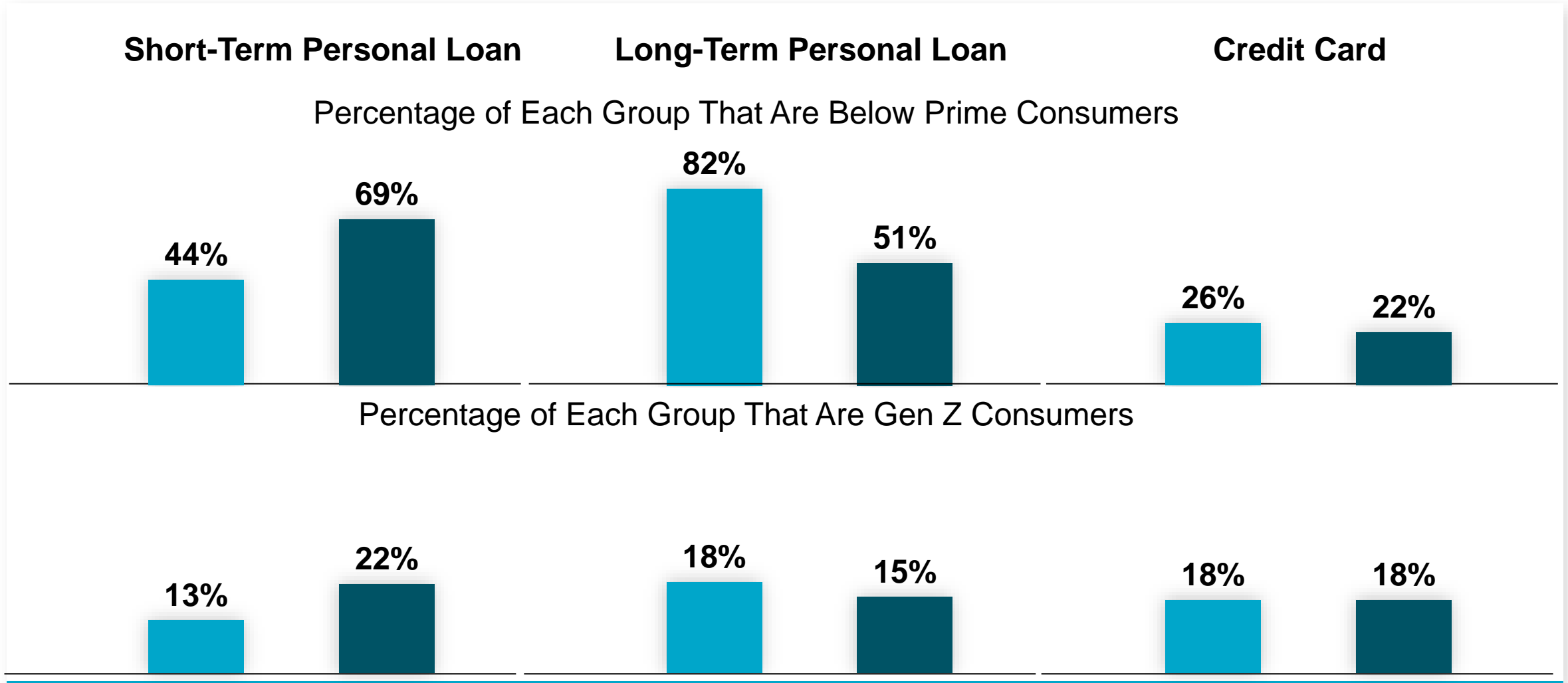
t: December 2024



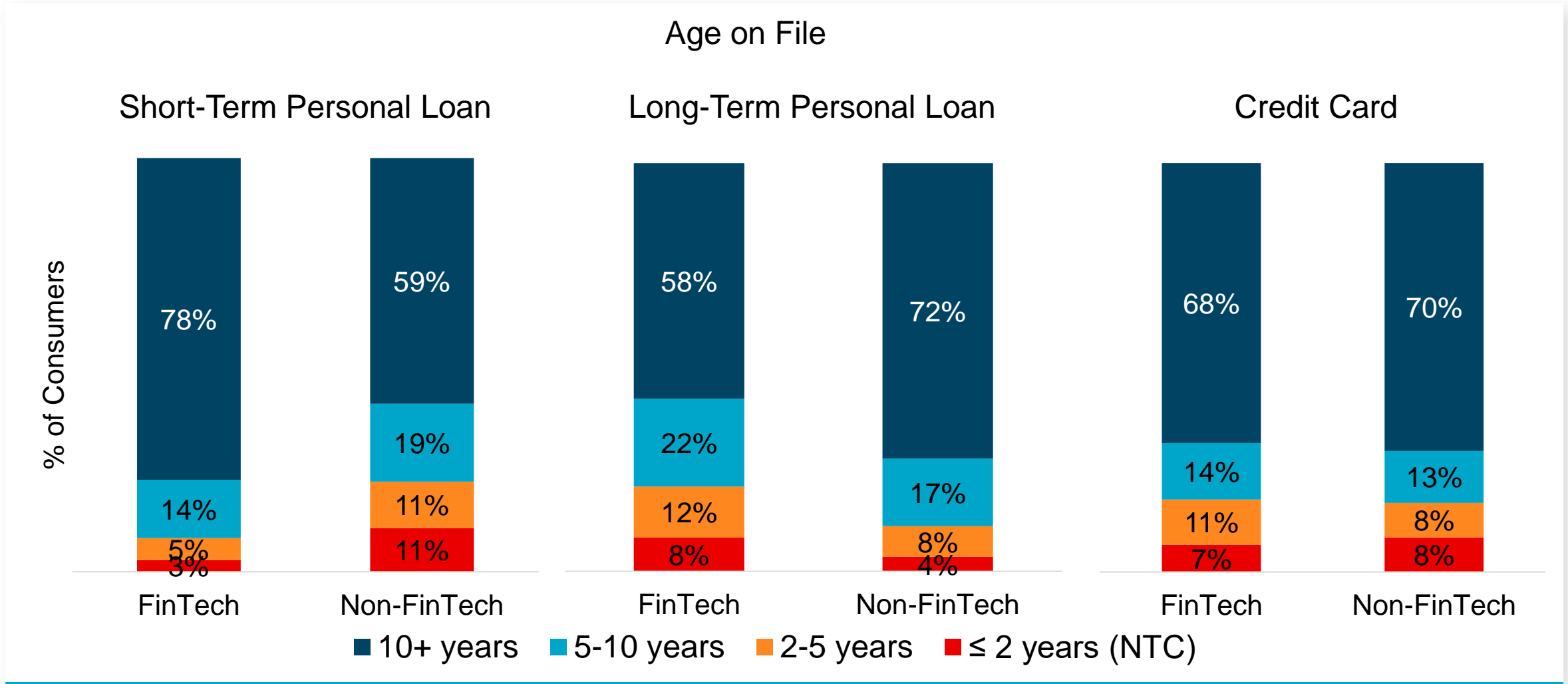
Measure at t:

- Age, Risk
- Wallet Profile
- Delinquency

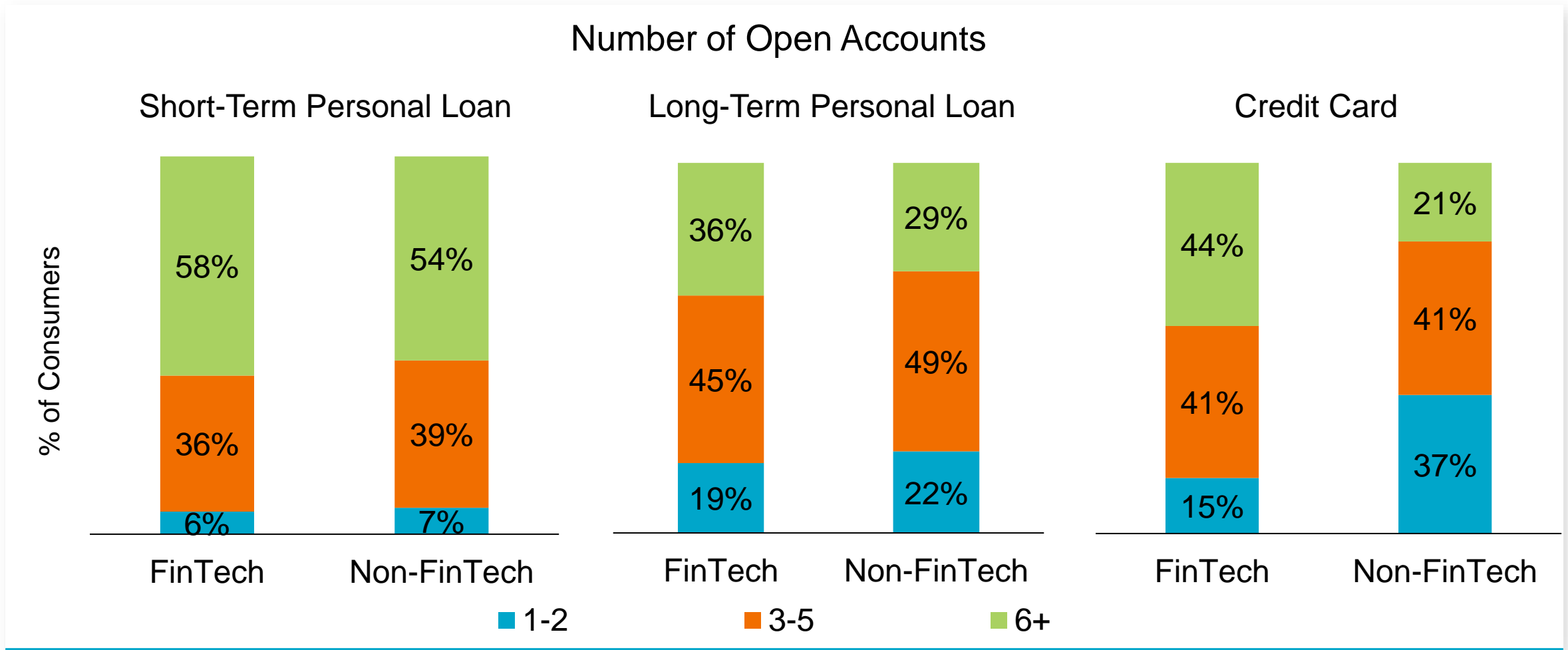
False: FinTech borrowers tend to be similar, in terms of risk and age, especially in credit card



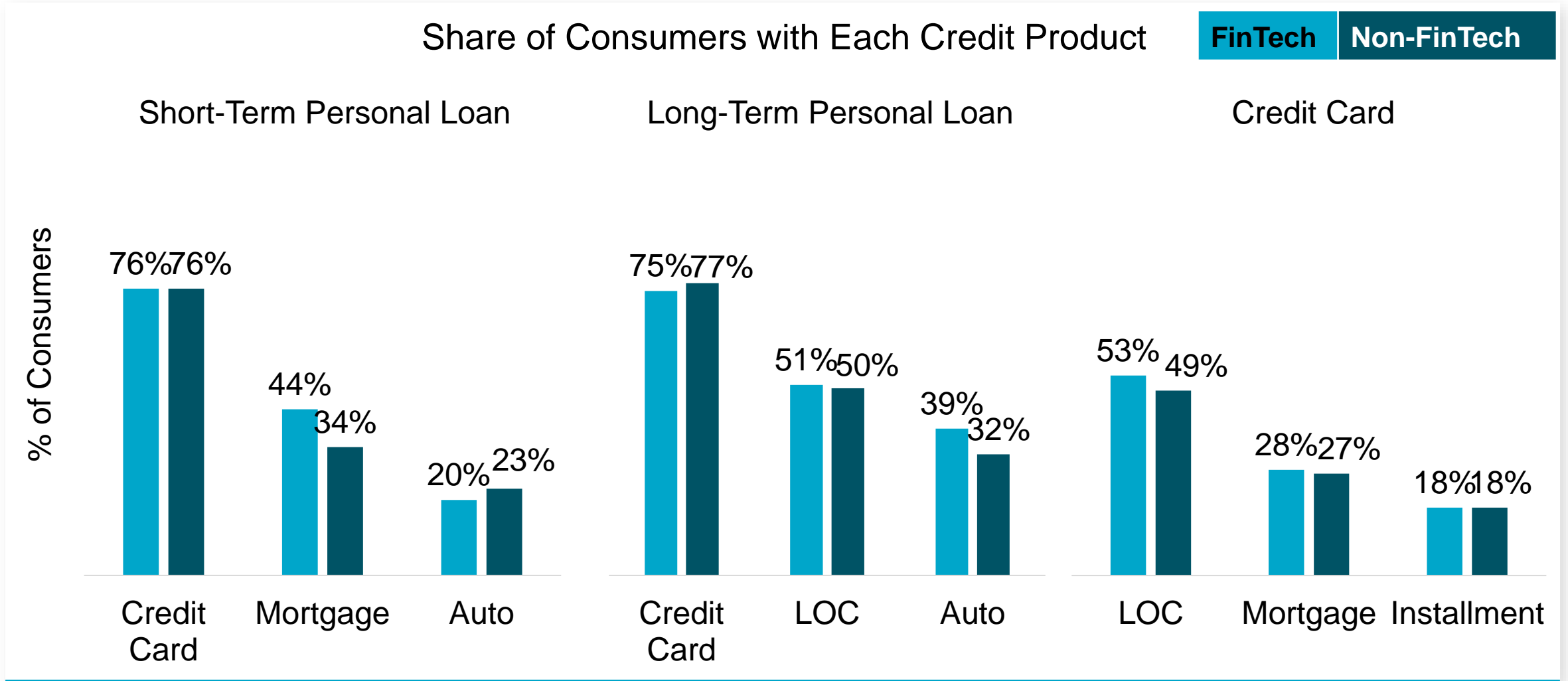
FinTech borrowers are generally credit established consumers, in terms of tenure



False: FinTech borrowers are highly engaged in the credit market and seem to have sufficient access



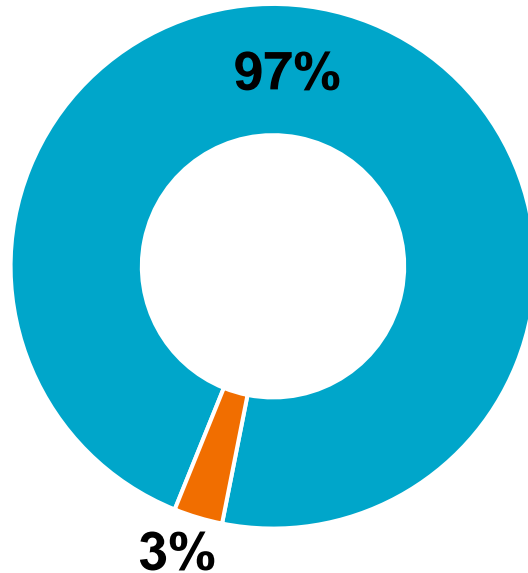
False: FinTech borrowers seem to participate across major credit products, especially cards



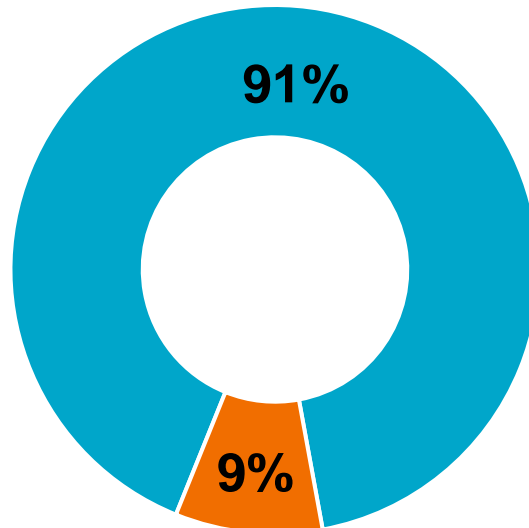
FinTech borrowers do not operate in silos, as seen by the high share of consumers who have interactions with Non-FinTechs

Distribution of FinTech Borrowers by Existence of Relationships with Non-FinTech Lenders

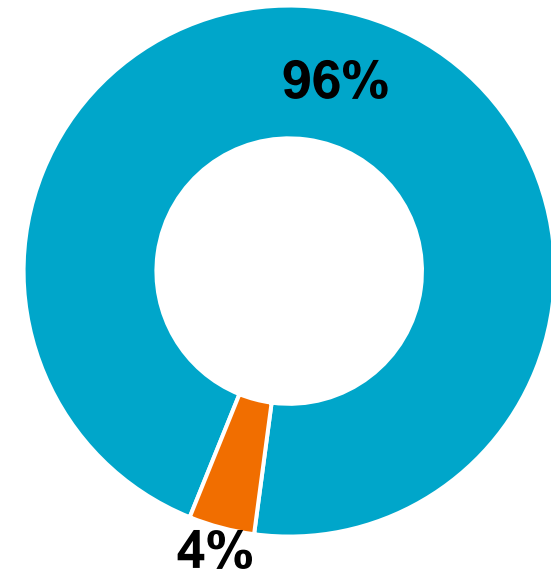
Short-Term Personal Loan



Long-Term Personal Loan



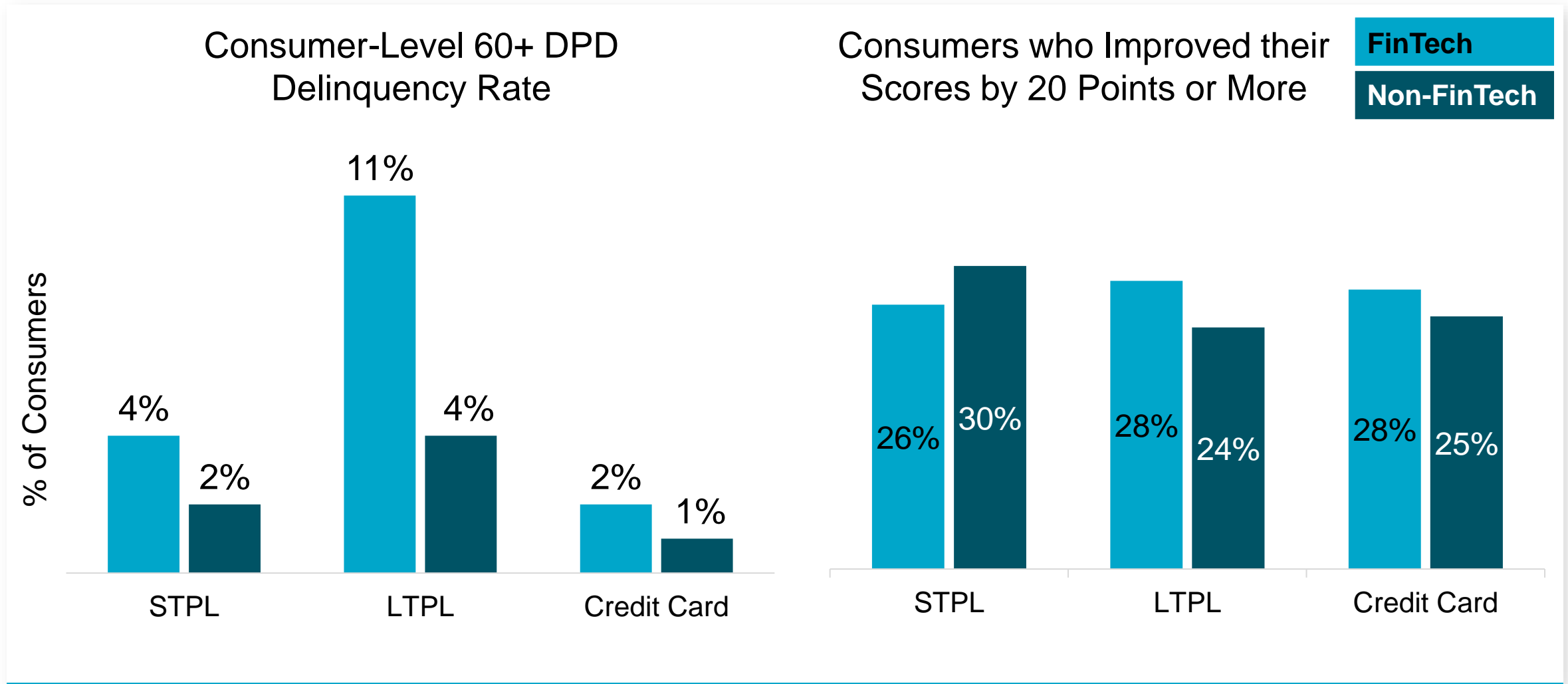
Credit Card



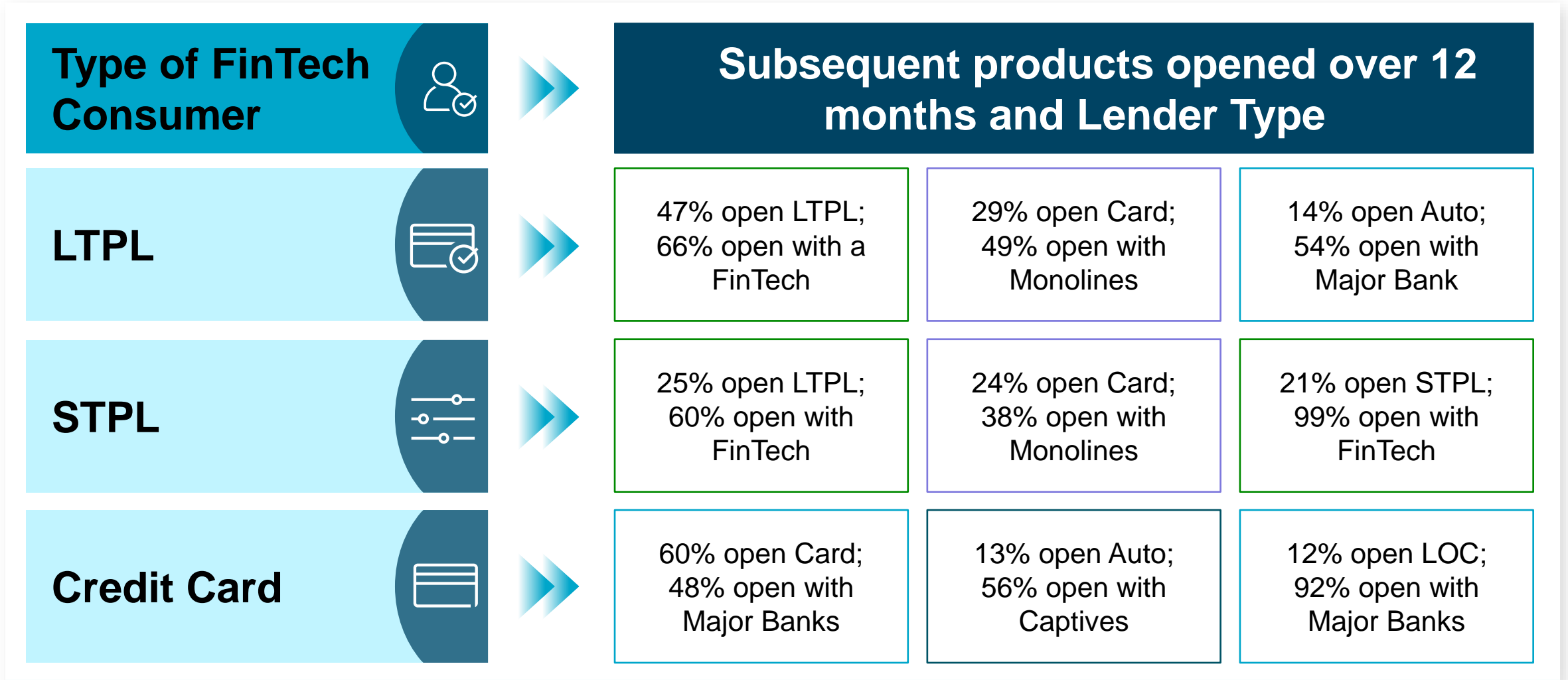
Has credit products with Non-FinTech lenders

Does not have any credit product with a Non-FinTech lender

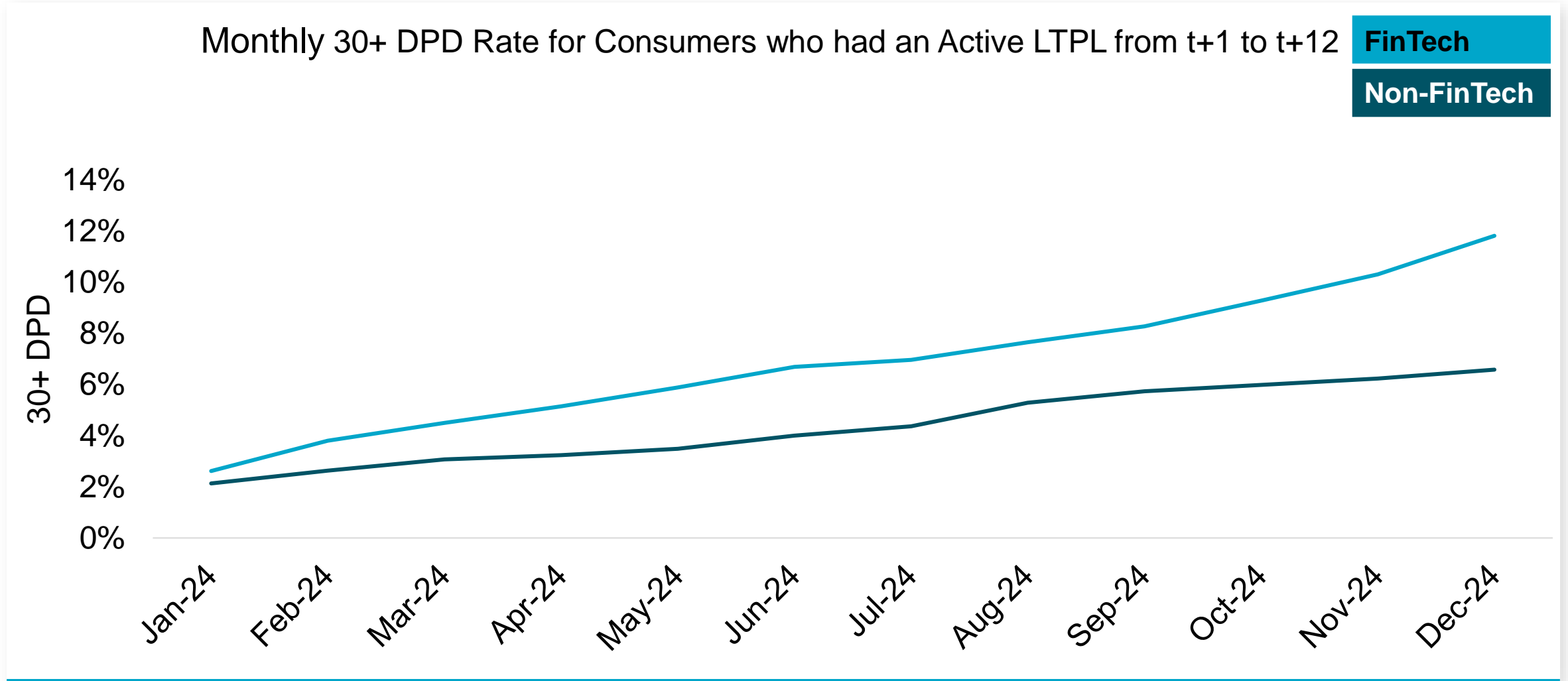
True: FinTech borrowers perform worse on similar obligations



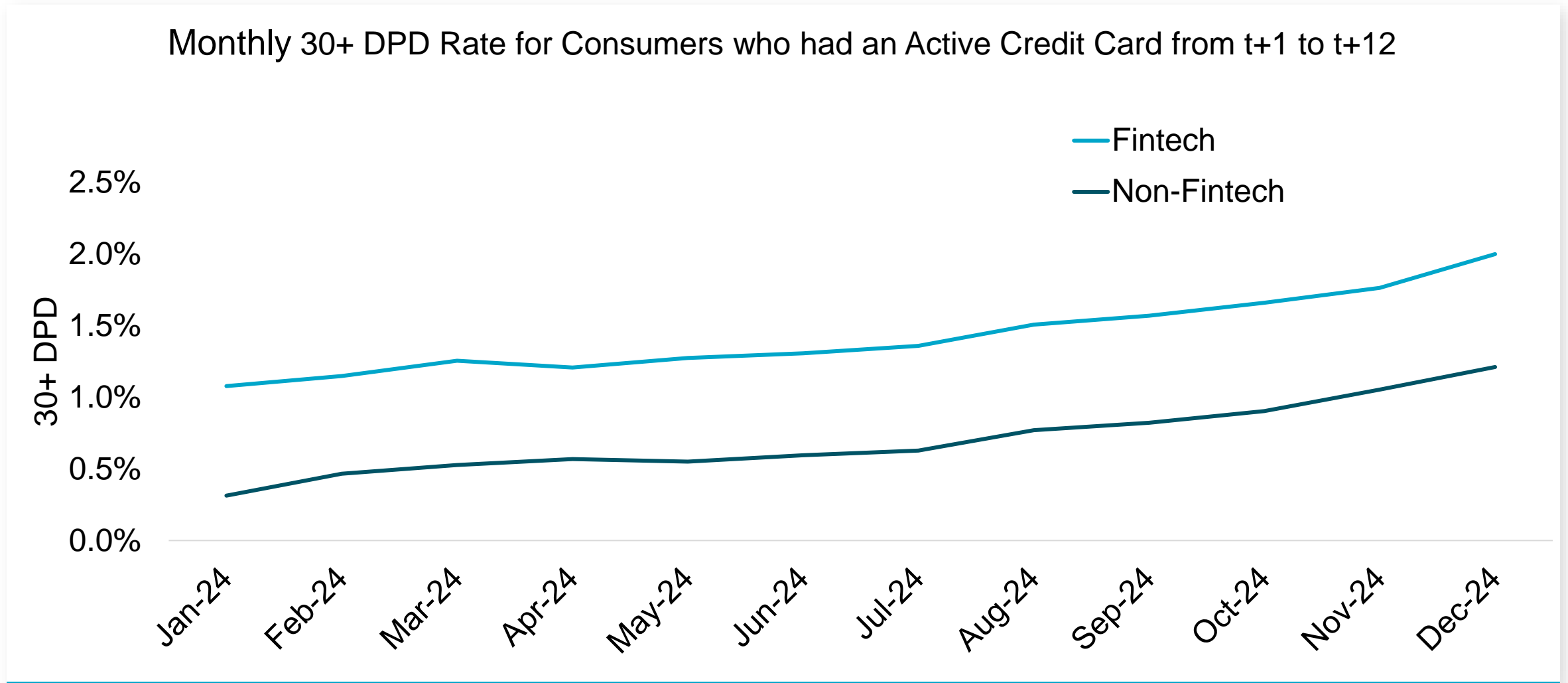
True: FinTech borrowers' have a high demand for similar products and FinTechs have a higher share of subsequent loans—card being an exception




False: Loyalty, when measured from a repayment perspective, does not play in favor of FinTech lenders






A similar observation was made for credit card consumers






We will explore popular myths about FinTechs...

 **Hypothesis #1.** FinTechs are not necessarily a gateway to credit for majority of NTC consumers in these markets

  **Hypothesis #2.** FinTech borrowers are similar, in terms of risk and age, with the exception of LTPLs

 **Hypothesis #3.** FinTech borrowers are highly engaged in the credit market and seem to have sufficient access

 **Hypothesis #4.** FinTech borrowers perform worse on similar obligations

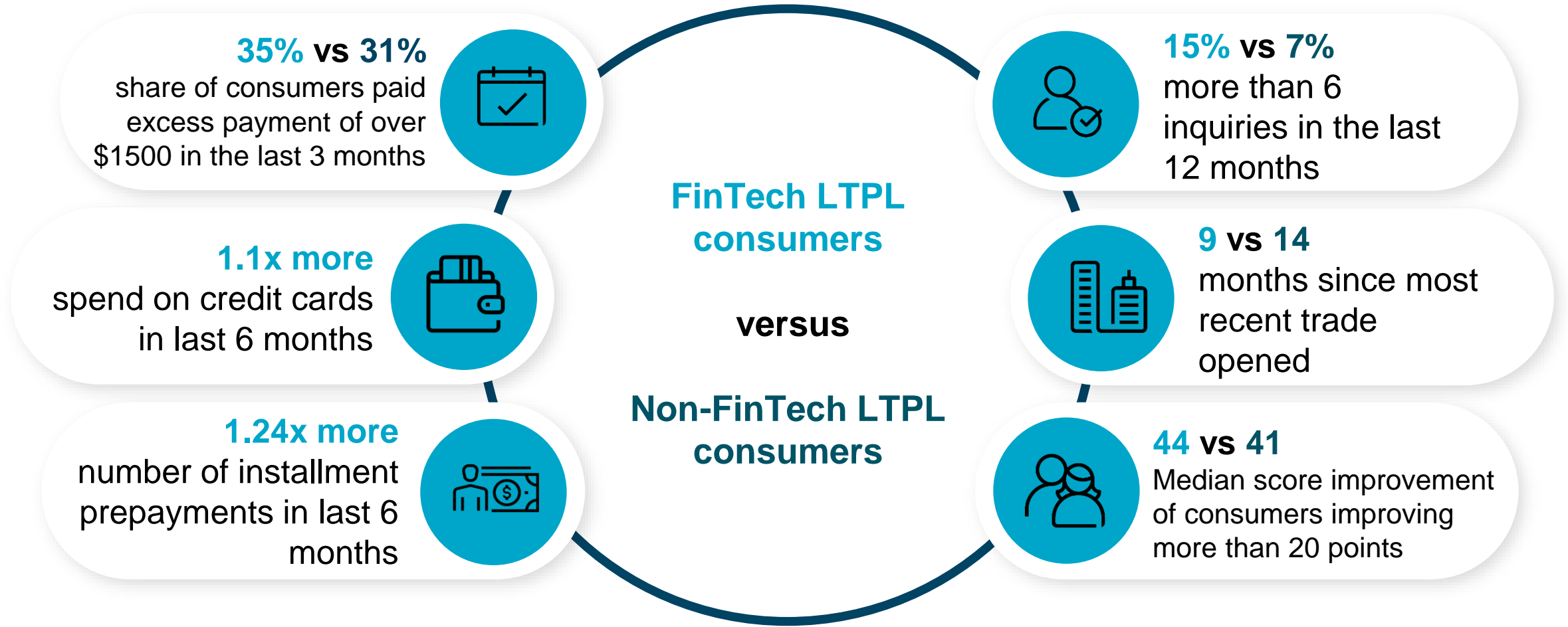
  **Hypothesis #5.** FinTech borrowers showcase loyalty when opening subsequent STPLs and LTPLs, but not in terms of repayment preference



Implications to Consider



There are key differentiators for FinTech consumers that can serve as predictive variables for better targeting and serving this segment



Opportunity Sizing

We estimate that Canadian FinTech consumers will grow to approximately 2.4 million and represent 8 billion worth of balances in personal loans by 2030

How can you capture this opportunity?

- ✓ **Target consumers likely to interact with FinTechs**
- ✓ **Defend share of wallet by predicting existing consumers on file**

Thank You

