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Strategies for the Internet

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Person-to-Person Lending 2.0

A disruptive service or niche market?

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Abstract:

Since our initial report on P2P lending in Feb. 2006 (*OBR 127*), the service has gained a small but impressive following in the United States and around the world. Worldwide, there are fewer than 100,000 active users, including borrowers and lenders. But the market potential has attracted a number of startups, 20 or more, depending on your definition.

It's really the perfect product for the Web 2.0-social-networked consumer. Why, then, has growth been relatively slow compared to other networked services? Because it's a difficult business. Not only are P2P lenders competing with 20,000 other financial institutions for good borrowers, the are up against thousands of investment alternatives for funds to lend, all the while waging a fierce battle with fraudsters and deadbeats. It's not a business for the faint of heart.

In this report, we look at the market as a whole examining the strengths and weaknesses of existing product. We list opportunities both for web-based startups and existing financial institutions and lay out a ten-year market forecast. Finally, we take a close look at the four major U.S. P2P lenders: **Prosper**, **Lending Club**, **Zopa** and **Virgin Money**.

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