

Google Buys Stake In Lending Club, Valuing Peer-To-Peer Lender At \$1.6 Billion



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Renaud Laplanche, CEO, Lending Club & David Kirkpatrick, Founder & CEO, Technomy Media (Photo credit: LeWEB12)

Google has just bet on a less-hierarchical future for the credit industry. The search giant bought a \$125 million stake from investors in peer-to-peer credit site Lending Club, together with Foundation Capital. The site cuts out banks by matching lenders with borrowers, offering a better spread between interest and savings rates.

Rather than issue more equity, Lending Club invited current investors to sell their shares. The sale valued the company at \$1.55 billion, Lending Club said. Google took more than half of the new stake.



Lending Club says it wasn't looking for new funding. "We want to have Google as a shareholder," said Lending Club's founder and CEO Renaud Laplanche. "We didn't need additional capital."

Lending Club generated \$34 million revenues in 2012 and is forecasting sales of \$90 million for 2013. Laplanche said the company became cash-flow positive in the third quarter of 2012 and has since been profitable.

France-born Laplanche founded Lending Club in 2007 after he became irked by the massive disparity between the 18% interest rate on his credit card bill, and the 1% savings rate at his bank. The company has since mediated on more than \$1.7 billion in loans and is now among the world's biggest peer-to-peer lenders.

One of the company's original investors, Rebecca Lynn of Morgenthaler Ventures, said Lending Club was one of several credit market places she was looking at before investing in March 2009. Lynn, who had a background in financial services, said she liked the company's strict underwriting policies and focus on prime and super-prime borrowers.

"They're creating a financial market place very similar to the way eBay created a goods marketplace," she said.

So how might Google fit into Lending Club's future? "There is a lot of alignment between Google and Lending Club," said Laplanche. "We're not ready to announce specific products yet or services but we have several concepts we've discussed over the last few weeks that we're looking forward to explore in the next few months, to lead to a concrete product."

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Among the possibilities: products from Lending Club that benefit from Google's expertise in writing algorithms for large user bases. Google's own large user base "could benefit from our product," said Laplanche , adding that products like Google Wallet could, for example, be enhanced with a credit solution.

Laplanche added that Lending Club and Google both believed in making market places (like advertising and banking) more transparent. "We're hoping it's going to work both ways, like any good partnership."