

## PITCHIT FINTECH STARTUPS PODCAST NO. 35-SERGEI TERENCEV

Welcome to PitchIt, the fintech startups podcast, one founder, one startup, one investor at a time. I'm your host, Todd Anderson, Chief Product Officer, LendIt Fintech.

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**Todd Anderson:** Episode 35, I talk with Sergei Terentev of B9. B9 is a fintech company that offers a full suite of app-based financial services to the unbanked worker in the US that are traditionally underserved by banks and this is really...skews a bit towards first and second generation immigrants. You know, there are now millions of people who can access the financial system, in large part, due to fintech companies like B9. You know, fintech has started leveling the playing field and it gives all sorts of workers, be it those living paycheck-to-paycheck or what the bigger trend recently is give gig economy workers a chance to participate in the digital economy when really prior to fintechs and the success they've had will have to rely on going to a local bank or payday lender or check cashing type facility.

B9 is also helping to get rid of the predatory lender and they do that through their Paycheck Advance product which allows users to access funds two weeks early that they've earned. The wealth of data available today, it's kind of changing the way lenders think about underwriting and the underwriting experience for the borrower, especially for loans that are a bit on the small end of the scale. So, Sergei and I discuss how his personal experiences have helped shape what they're building at B9, we also talk about the state of financial inclusion, the thinking behind their subscription tier, raising capital and a whole lot more. So, without further ado, Sergei Terentev of B9. I hope you all enjoy the show.

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Welcome to the podcast, Sergei, how are you?

**Sergei Terentev:** Excellent, excellent. Hi, Todd.

Todd: It's great to have you on the show. If you could just tell the audience a little bit about yourself, where were you prior to, you know, your venture with V9 and professionally kind of where've you been? Tell the audience about yourself.

**Sergei:** I've been in fintech for close to 20 years, originally was part of a payments service provider called Qiwi, it's a NASDAQ-listed company so was Co-Founder, was running the LatAm operations as a global payments provider. So, after that, you know, I was involved in a couple of tech projects, not only in fintech, so as a Co-Founder, also as a CEO and for the last few years, I was Board Member and also CEO for North America with major a European digital consumer finance company.

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**Todd:** You know, as a Founder, I always like to ask, is this something that you've always wanted to do in terms of starting a company or did it, you know, more come along the lines of hey, this problem existed, this kind of opportunity came about or was the path always there like hey, eventually, I'm going to be a Founder, I'm going to start my company, I've always had this itch and eventually, I'll get there?

**Sergei:** It's a mix of everything. I don't have any like one thing which influenced that, but, yeah, I was always thinking about and when we started for us the company, you know, back 15 years ago before we went public so that was purely inspired by that we see the problem, that's how we can solve it. Yeah, I've been working so that definitely, we couldn't resolve, you know, that particular issue when you cannot do it somewhere so you just.....you are lucky if you have your team and then you do it on your own so...

**Todd:** The name B9, it's an interesting name, not a common sounding name for a company so how did you come to the name of B9?

**Sergei:** We were thinking about like doing something like friendly and harmless like in banking and people would see us more prejudiced with certain, you know, attitude to certain banks, especially the demographics we were aiming at because normally, our clients coming from countries where banking penetration or credit penetration is not that developed. That was inspired by doing good things, you know, it's harmless banking, someone suggested that they don't remember some of the team members and we liked it.

**Todd:** So, can you give the listeners an overview of exactly what you guys offer and the target customer that you're going after.

**Sergei:** We see that, you know, nowadays with all the technologies we have in B9 technologies so we can offer people to build their credit worthiness based on their debit transactions and the daily transactions and based on their economic behavior, we're helping people to use their data evolve, about how they live on a daily basis, how much they make, how they spend the money to build their credit around that data instead of using traditional methods or ways of scoring, credit scoring like FICO, like credit bureaus so we don't do it.

So, we offer you to access your paycheck much earlier than your employer will pay you and that goes for free so we don't charge any interest, not as our competitors do in terms of any transactional charges. We provide all the banking infrastructure for you as well so you can save, you can store, you can spend that money so we provide your Visa card. So, in a sense, we provide you all the infrastructure how you can make use of your paycheck better and then also have on top of that the possibility to advance your next paycheck.

**Todd:** And this is different from like the early wage access where you can get it two days early, this is a full cycle early.

**Sergei:** Yeah. Our algorithm basically takes into account your employment history so we get that data directly from either your employer or directly from the payroll system so we get that data. Actually, we ask the person to provide it, offering him or her just an ability to start using his B9 or her B9 account as their primary account to get their salaries and based on that we see and understand their economic behavior and provide advances, cash advances for our customers which are free.

**Todd:** Is there a maximum/minimum?

**Sergei:** The maximum could be as high as your paycheck or next paycheck as we see it because we can get the data also through the information the customer provides us with. So, yeah, it could be up to 100% of your next paycheck, normally it works like in two weeks because most of our customers are paid bi-weekly. We start with \$300, that also depends on your employment history so on the information received.

**Todd:** How real-time is the data exchange between you and say a payroll provider because, you know, the example I'm thinking of is, you know, I either quit or got fired, I try to get an advance to create that bridge before I run out of my current paycheck, but obviously I'm not at my job anymore. So, is that exchange of information between you and the provider instantaneous, pretty much real-time that you'd know that I've left my job?

**Sergei:** Absolutely, yeah. So, we see ...every time we think that so, I mean, we see your current status so we see whether you're employed or now, so we see your history as well. So, eventually, we get all the employment data, also your current status as well, absolutely, yeah.

**Todd:** You know, technology is flooded into the fintech space, you know, you have companies like you who are able to serve consumers, you have big banks as well, but as much as technology has helped people get more access to financial services at a more reasonable cost, banks and the traditional powers are still largely ignoring the segment that you're serving or at least the people that are maybe a little bit more paycheck-to-paycheck. Is there any particular reason why they're still ignoring it even though the cost of technology has come down and conceivably they can now serve these people better?

**Sergei:** Well, I think that's a perception of risk, overall, and then the ability of technologically understanding the economic behavior. So, I mean, the banks are, so if you would imagine, scoring all the big banks or a financial institution regulated heavily and then also understanding how the risk would work. It's very complicated to start using alternative data so it changes the business model so I think the business model risk like everything and the banks are definitely trying not to do that. You know, they, of course, would try to continue doing what they think works, but at the same time we, as a fintech, trying to test a few things, how you can alternatively measure and understand and score people.

Banks are looking at the same, you know, three credit bureaus, same FICO, nothing's changed for many, many years and we believe that, you know, the credit scoring itself doesn't work in this country

and it doesn't work the way it should be. There is a lot of, as I said, you know, data which now, due to technologies, are super available so transactional economic behavior, especially like you're looking at music and gig workers never existed before. So, there are new approaches which for banks are just a little bit more difficult because, I mean, they're big, you know, more difficult to change. So, you're talking about startups which are super focused on a particular product, they just have more, let's say, capacity due to that focus to change it and to start trying new things and, again, technology is here so.....

**Todd:** You think banks have kind of, I don't know, consciously written off this segment, but have kind of said alright, this is just someone that we're not probably ever going to serve?

**Sergei:** I believe so, yeah. In this sense, we don't compete with banks, for sure, because, you know, they would need to change dramatically the way how they score and that is, as I said, that would involve changes to the entire probably even business model like how they charge, what their revenue streams, you know, risk, everything, it's very, very complicated. So, my guess is banks would continue to serve the demographics they're serving right now so whether the rest will be left for fintechs to test and disrupt.

**Todd:** You mentioned the credit scoring a few times, you know, there's been I guess little updates to the credit score, Experian Boost, you know, they kind of take some of your utility payments and other payments that kind of show hey, this person is a little bit better of a risk than maybe previously when we didn't have a more complete picture, but do you think we'll ever get to the point where the credit score itself is kind of totally revamped for the current age?

**Sergei:** It will be more complicated like there will be more, absolutely more and more factors including what you do, how you behave, what you buy, you know, like there will be more and more data as long as the access, not only access, but also how you ....all the analytics behind the data and AI and everything. So, the score becomes much more complicated, but I think first, we will see fintechs using that before banks will start adopting any of that.

**Todd:** Now, I saw on your website that you guys also have a subscription tier. You know, I haven't seen a lot of subscription models out there, do you see that product kind of becoming successful, what's kind of behind the thinking behind that type of.....

**Sergei:** I think that's the main differentiator is the business model itself like how we make money. The idea of the subscription is that you have like Netflix sort of style that you're within a certain subscription, you have unlimited access to certain key features so you can then choose plans which are better for you. So, we're even thinking about going to implement like a plan constructor so I mean, when a client cannot sell like build his or her plan with different features which are important on a monthly basis and then it will just give you the price, the overall price you pay monthly.

Well, specifically for our demographics it's super important because people, as I mentioned, they're paid bi-weekly. A lot of them are still...we have a lot of people paid weekly and even more often, you

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know, during the month so they may have issues where they need to access their next paycheck, you know, much more earlier. Some of them even would prefer to be paid before they start doing work and that's also important, there are a lot of people like that so we're talking like millions of Americans.

If we charge for transactions like some other companies are doing so that may become a little bit more expensive, you know, if you need like to draw three or four times a month, you know, \$100, \$300 or whatever amount you need against your next paycheck so that becomes a little bit more expensive so we would prefer to build our relationship with these customers when we .....you pay once per month, that's flat fee within that so you have unlimited access. That's our philosophy and the customers like it based on our survey so they really adore that.

**Todd:** You mentioned Netflix, I mean, how big of an impact have you seen the experience on the Netflix, the Amazon-type company side seep into financial services? You mentioned that your subscription model and kind of building the one that fits my life, your life whatever, it seems as if that type of experience in our other daily life, so to speak, has kind of began to take over our financial life as well.

**Sergei:** Again, you know, talking about things like in particular in banking, we believe that subscription in this SaaS would be ideal so that would be across any other things you're doing.

**Todd:** How much healthier do you think people are today in terms of financially because of fintech and firms like you? You know, prior to kind of fintech taking off, there was very much a have/have not, those that are banked an have access to good rates and everything in the banking system and then you move to, you know, probably more payday lender, check cashing-type area, but now you have this other area which is fintech which has kind of burst on to the scene, do you think as someone that serves the segment that lives closer to paycheck-to-paycheck, do you think we're on the path to being healthier today or do you think there's still a long way to go?

**Sergei:** You will see things changing pretty fast just because the technology allows me to understand how you make money and how you spend money and you can get access to like your next paycheck for free. You know, that couldn't exist if you're looking at a few years behind us and see that there are a lot of, as you mentioned, payday lenders or predatory lending around and that exists purely because of first, banks do not want to work with this segment and secondly, technology wasn't there allowing companies like us or, you know, as well the competition also to do the same.

I think that would evolve very fast, it's already here so we have currently 100,000 customers already and we just started and then you see other companies, I wouldn't mention the names, but I mean, we're talking to like millions of customers in the same space. The market is the people living from paycheck-to-paycheck is absolutely pretty big, you know, we're talking about different estimations so we estimate it as \$00 Million at least.

**Todd:** There is this group, you mentioned 100 million people that are living, if not paycheck-to-paycheck, pretty close to it. Besides making more money, is there enough tools available for them to

really become that much healthier than where they are today without like saying alright, I got a job that pays me \$20,000, \$30,000, \$40,000, \$50,000 more, is there enough available for people to become “financially healthy” without that boost?

**Sergei:** Well, honestly, I think the main problem with these people also not being able to access a bank-grade product is that many of them getting into the debt cycle and that’s unfortunate, you know, for them even more complicated just to get out of it. A lot of the problems in that particular segment, this is caused by.....that they go, find, you know, some expensive way of living, get this money that...it’s difficult every time to pay again and again so with solutions like B9, they definitely wouldn’t get into that.

I mean, the only thing is that they’ve continued working, yes, I mean, the majority of our customers are between 18 to 35 years so with their kick earnings ahead of them which is inspiring, savings tools, financial education is definitely what they are provided which is what we offer and other companies offer as well. You know, some different ways of how you can understand your score so B9, in this sense, building your internal score so you can see how you can not only have access to more of your next paycheck, but also how you can get access to other financial products like unsecured credit cards based on your daily economic behavior within B9 and we’re planning to offer such products to our customers as well in the future.

**Todd:** Before we shift a little bit in the conversation, I want to ask, what’s the best piece of advice that you’ve received, so far, building B9?

**Sergei:** You just need to be and that’s the philosophy within the team. We are super focused, you know, you have a lot of things you want to do, you have a lot of products you want to launch so you need to be very patient and also data-driven, exactly what you’re doing when you’re doing.....so we are trying to be extremely focused on our, you know, features of our app which is early access to your next paycheck. That’s the best thing I can also give as an advice to anyone as well so when you do something, try to be really focused on what you’re doing. Don’t try to do like everything.

**Todd:** Today, how big is the overall team at B9?

**Sergei:** With engineers and customer support, we’re 30 people. In August, there was just seven of us so we grew quite fast, you know, continue to improve and grow in our engineering capabilities.

**Todd:** Yeah. Are you a distributed team, working from home, is there a home-based office?

**Sergei:** We’re sort of everywhere so we never had an office. We started here in the pandemic and I’m not sure we’re going to have any physical office soon. Yeah, we have operations, compliance, legal, front end, you know, that’s all in California so we have customer support and some engineering capacity in Mexico as well as in Eastern Europe. Some of our analytics are even stuck in Asia like in Singapore, but we’re going to move together at a certain point, So, yeah, we’re super distributed in this sense.

**Todd:** You think it's easier to build a company when you are distributed like that because you can essentially hire talent wherever, whenever, you don't have to worry about alright, we're in New York or home base is in New York, we want to try to find the right person in New York, New Jersey, Connecticut area, does it make it a little bit simpler that we're distributed ourselves so we can just hey, Tim in Seattle is a great engineer, we're going to hire Tim, we don't have to worry about where he is.

**Sergei:** We hire everywhere, it's just how it is right now so we're hiring very actively at present. I think the distributed team, I'm a big fan of it, at the same time, you know, definitely, we have retreats and we have like all the teams getting together. We're planning to do this in....we're getting everyone from around the world, we have like in Mexico as of 15<sup>th</sup> of January so we will have like a 3-month marathon for just doing and completing certain things, but.....

**Todd:** Everyone's going to be there for three months?

**Sergei:** Yeah.

**Todd:** Wow!

**Sergei:** Just basically living in the same building and working for the next three months before Round A. You know, my personal experience running other companies globally, in my experience from working in Malaysia so that helps a lot. Sometimes, at least, not all the year round, but I mean sometimes, people get under the same roof. I like distributed teams, I still believe that, you know, in-person interaction, people working together, that also helps to do things faster definitely and it's final so....

**Todd:** You know, we have just a few minutes left here before I get to my final few questions, I did want to ask, you know, you mentioned the banking infrastructure, you give your customers the chance to deposit, to save, do you eventually ever see yourselves acquiring a charter to become a "new age bank" yourselves or do you think that working with, I think I saw on your website, Evolve Bank and Trust, for example, is kind of the way that you'll continue?

**Sergei:** We love our partnership, you know, we don't know yet, honestly. We're thinking, you know, like in different directions, but that will be driven by legal and costs and everything, but we're super happy with what we get right now from our partners, from our license (garbled) as well so, I mean, I don't think that's something we would really look closer within the next couple of three years, for sure.

**Todd:** So, we have just a couple of minutes here, I'd like to end with a little bit lighter question so do you have a favorite book and the last book that you read.

**Sergei:** So many books, hard to tell because, I mean, they're also in different genres. I'm reading a lot of technical, you know, things like payments systems in the US, something like that so, I mean, I wouldn't consider that as fiction or something (Todd laughs), but I was reading like it's "Business

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Adventures,” it’s an old book. I was reading that specifically to understand cases like Xerox and other companies who used to be super technologically advanced at a certain point and then somehow they didn’t figure out so I was always curious how that could happen, why a company from a super efficient, super technological that converged into a different one so I like that. It was “Business Adventures,” the most recent business book I’ve read, you know, that was very interesting.

**Todd:** Do you have a favorite sport or sports teams?

**Sergei:** Originally from Europe so I do a lot of soccer so European football, that’s my favorite. Also, I was living a lot of time in Brazil so soccer is something I really admire.

**Todd:** And final question, biggest inspiration in life?

**Sergei:** Honestly, see what Elon Musk is doing, I don’t know, I mean, I just really like the guy’s attitude to business, like his vision, you know, what he’s really dreaming of, you know, that entire Mars thing and space is super inspiring. I mean, it’s great to have those sort of entrepreneurs and being able to see what they’re doing.

**Todd:** Well, Sergei, I really appreciate your coming on the show. How can listeners find B9, website, social?

**Sergei:** It’s very easy, it’s [www.bnine.com](http://www.bnine.com) so we are B and number 9. You can find us in Appstore or Google Play, welcome to test, see how it works, we hope you will enjoy it.

**Todd:** Alright. Well, Sergei, thank you very much for coming on the show, really appreciate your time. I wish you and the team continued success and hopefully, we’ll get you back sometime in the future.

**Sergei:** Great, okay, have a good one.

**Todd:** Yeah, thank you.

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Thank you for listening to the latest episode of PitchIt, the fintech startups podcast. I encourage you to take a few minutes to write a review or rate the episode. Ratings and reviews both help us to improve the show for future episodes. If you’re interested in learning more or would like to be considered for a future episode, please reach out anytime to Todd, T O D D, at [lendit.com](http://lendit.com) and until next time.

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