

8 Small business Out on your own

Finnish start-up targets SMEs

Holvi is pledging a new more flexible model of banking



Elaine O'Regan

BY ELAINE O'REGAN

As the Irish government gears up to roll out its new Strategic Banking Corporation, to ease the squeeze on small business lending, a Finnish start-up is targeting Irish SMEs with an alternative to what it views as an outdated and inflexible banking model.

Holvi founder Johan Lorenzen describes the venture as "the mission of the decade".

"We want to see banking adapt to the way society works and the way small businesses work, rather than the other way around. It's about changing the way banking works for the betterment of society," said Lorenzen.

Technology is driving a fundamental shift in the way people live and work, according to Lorenzen, forging increasingly flexible work practices.

"We are living in a more and more connected world where people collaborate together on projects and more and more are becoming independent, working in small businesses or on projects as freelancers. Fifteen per cent of the European population is already freelancing. If you add the numbers that are not registered, it's twice that. If you look to the US, it's 34 per cent," he said.

Lorenzen believes the banking sector has yet to respond to customers' changing needs.

"We see banking become more and more disconnected from how people live and work in our daily lives, how we interact and how we devise our work patterns and our activities," he said.



Johan Lorenzen, founder, Holvi

"When you are a small business or entrepreneur, you are faced with a system that doesn't understand or want you.

"You behave a little differently to most people. You run your own finances, you work independently, you might be difficult to risk-classify, you don't fit into all the bureaucracy."

In this context, Lorenzen sees current banking practices as a "limiter" to small business, rather than an "enabler".

"We think it should be an enabler that adds value to your life on a daily basis, so we sat down to look at what banking could be in the modern age for small businesses, that are used to using their brain, their hands, their laptop, in a connected environment."

Lorenzen is piloting Holvi in 19 countries and has waiting lists set up in eight, including Ireland, where he believes that SMEs are primed to adapt readily to the service.

"The small business tradition in Ireland is so predominant," he said. "If you look at the country, 99.8 per cent

of active enterprises are really small business and 50 per cent of the contribution to the economy comes from those small enterprises.

"People are early to adopt new technology, and they are quite flexible in the way they think about it. It is really a

perfect test market."

During the pilot phase, Lorenzen will test Holvi on early users to fine-tune it in the run up to its official launch next year. So, what can these early adopters expect?

Lorenzen describes Holvi as an integrated business platform and bank account that aims to ease the administrative burden on users by consolidating tax management, receipts, online sales, accounting entries and bank statements.

"What you get when you open the account is a budget function integrated with a small invoicing platform, and a web shop with a direct interface to your bank account, so you can take card payments on the internet," he said.

"It has all the features that freelancers, contractors and small businesses use on a daily basis, and sits directly on top of your finances, so you're always on top of what happens to your business on a cash basis."

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For sole traders and small business users, Lorenzen maintains Holvi could play

a valuable time-saving role.

"You spend your time managing a shoebox full of receipts at the end of the month, and doing your VAT reporting and all these things that you don't want to do and which could be taken care of by your bank account, if it allowed you to keep everything in one place," he said.

"We have had machines to do up invoices for a long time, so why is it that I spend time calculating my VAT and things like that? We're talking about simple things like integrating your VAT reporting with your bank account, and we run it as a cloud service."

Lorenzen, who established Holvi in Helsinki in 2011, said it had been authorised for operations across Europe by the Financial Supervisory Authority of Finland.

This effectively gives Holvi a licence to operate anywhere in the EU, making it the first ever pan-European banking entity, according to its founder.

At its core, Lorenzen said Holvi was transposing a proven online consumer business model to the banking sector.

"All of the services you use daily - Dropbox and Spotify, for example - are part of a generation of learning that just hasn't made it into internet banking," he said.

"We are an internet business. We will take your money and manage it, but we won't take any risk with it. We will just hold it for you."

Customers will be able to open Holvi accounts free of charge and the company will not charge monthly maintenance fees. A 90 cent transaction fee will instead be applied to individual banking activities.

"In our case, transactions will be a lot more value-add than normal transactions," said Lorenzen.

"So, for example, if you're writing an invoice, you write it in Word, attach it to an email and send it out.

"You move back to your bank account for a list of transactions, you find it and update your spreadsheet, and you calculate your VAT. That's the normal workflow.

"What happens with Holvi is that, if you do up an invoice, the payments get integrated directly into that, we track the invoice to check that it has been paid and then update your budget when it arrives."



Grid Finance chief operating officer Sean O'Riordan, with chief executive Derek Butler

Grid Finance squares up to funding challenge

Going head to head with crowdfunding heavyweight Kickstarter, which has just launched in Ireland, has not deterred chartered accountant Derek F Butler from establishing a new homegrown peer-to-peer finance platform.

Grid Finance (www.grid.finance) is targeting business owners seeking project finance and community groups looking to fundraise.

Butler plans to eventually add a third leg to the business, with a funding model for personal projects.

For now, he is keen to build the momentum behind Grid's current funding option for businesses looking for loans of up to €75,000, and community groups seeking to fundraise up to €1 million.

To become a Grid Finance member, businesses pay an annual fee of €249, compared to €149 for community groups. However, a €49 rate is being offered to early members.

Butler and Grid co-founder Sean O'Riordan will charge a four per cent fee for fundraising campaigns, and a two per cent fee for business lending projects.

Two such business lending projects include Dublin restaurant chain KC Peaches, which is looking to raise €5,000 to revamp a catering truck. Also in Dublin, The Art

of Coffee has identified a €7,260 funding target to open its fourth outlet in the city centre.

"For businesses it's debt finance, so we're building our community of lenders and supporters, so it will take some time before we can get to a stage where we can facilitate large loans," said Butler.

"It's hard-coded on the platform that individual lenders can't offer more than 20 per cent of the total amount."

"Looking at KC Peaches and the Art of Coffee, the two businesses in the pilot phase, it seems to be around 7 per cent."

Grid Finance is backed by Enterprise Ireland, Kilkenny Capital Partners and several business angels, according to Butler, who is not fazed by Kickstarter's Irish launch.

"They do something very different to us. They are a rewards-based peer-to-peer finance platform and have been very successful in other jurisdictions with their business model, but we think that we are more suited to the Irish market," he said.

The long-term goal for Grid was to become a vehicle for innovation in financial services, Butler said.

"We are looking at a range of other products, personal financial management products and budgeting tools. That's the next step."

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Irish Life Investment Managers has appointed a new business development director. Sandra Rockett has been Davy's head of pension advisory services for the past eight years.



Verve The Live Agency has appointed a new country manager for Britain. James Maclay joins from IMG Consulting where he was head of experiential for international consulting for six years.



SallyAnn King is joining RTE digital sales as key account manager. King has been digital account director with Starcom Media for two years.

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LowDown Top tips for SMEs

This week: demystifying the Companies Bill

BY PAUL KEANE

The Companies Bill 2012 is company law as we know it, except made easier. The bill is expected to be enacted later this year, and will come into effect in mid-2015, making far-reaching and fundamental changes to Irish company law.

It is the largest piece of legislation in the history of the state. At some 1,200 pages, with more than 1,400 sections, it represents a comprehensive and coherent restatement and reform of Irish company law, consolidating 30 pieces of legislation - dating from 1963 to 2013 - into one single act.

More relevance to business owners

Up to now, Irish company law has focused on the public limited company (PLC), a form of company that can have thousands of shareholders.

However, business in Ireland is predominantly conducted by small private companies, and only a tiny percentage by PLCs.

By concentrating on the private company, this new legislation aligns company law with the way in which business is actually done in Ireland.

New company structures

The bill describes in an accessible manner the life, activities

and demise of a company.

It takes as its starting point a private company limited by shares, which has the acronym "CLS", but is also described as limited or "ltd".

Accordingly, the company limited by shares is the model company. It will use the word "limited" or "ltd" as part of its name.

The CLS will have a simplified constitution and no objects clause. It will allow a company with one director and one shareholder.

It recognises that AGMs and other meetings are frequently merely a paper fiction. Thus it allows a CLS to operate without AGMs, provided all of the members entitled to attend and vote, sign documents dealing with the business of the AGM.

The second type of private company is a Designated Activity Company (DAC). This company focuses on one particular activity - for example, managing an apartment block.

It will still be a full-capacity company. However, there will be a requirement for two directors and the DAC may be confined to its designated activity.

PLCs, unlimited companies and companies limited by guarantee will largely continue to exist as they always have been, with some limited changes (especially in relation to the requirement for directors' compliance statements for PLCs and larger private companies).



Paul Keane, managing partner of Reddy Charlton

More user-friendly

The new law will make a number of sensible changes. These will remove a large number of irritating obstacles and traps.

Limited companies will



Where new ideas have been introduced, business owners should find them to be sensible

now only require one director and not two, as is currently the case. Directors' duties will be codified, making the law more transparent and accessible.

Irish companies will have full capacity and the directors will have power to exercise any power of the company.

The ultra vires rule (and the resultant complications), so beloved of lawyers, will be no more.

A CLS will be able to engage in domestic mergers similar to those that are currently only possible in the case of cross-border mergers. No court order will be required. Two Irish companies will be able to merge, so that the assets, liabilities and identity of one are transferred to the other.

There will be no requirement for a CLS to hold an actual, physical annual general meeting. It may be conducted in writing instead.

Guarantee companies and dormant companies may be audit exempt.

A new limited company will be required to have only a single-document constitution instead of a Memorandum of Association and Articles of Association.

Small companies will be able to apply to the Circuit Court instead of the High Court to enter examinership.

CLS and DAC overview

Most private companies will be pleased to cast aside the shackles of the memorandum and embrace the facility of the new structure.

However, some will wish to continue to have a confined object clause.

Painless transition (we hope!)

The bill establishes a regime that allows the new arrangements to become effective with the minimum disruption.

A transition period of 18 months will follow the enactment, after which private companies limited by shares will automatically become limited.

For private companies, a new constitution will need to be established, which is relatively straightforward.

Companies can opt for an earlier changeover, and there is also a facility to shift back, should they change their minds.

World-class

The Company Law Bill presents an efficient, world-class company law infrastructure, suited to the needs of Irish business.

This is the fruit of a detailed and lengthy process of preparation, consultation and correction that stretches over ten years. It is very well laid out and clearly expressed.

Where new ideas have been introduced, business owners should find them to be sensible and user-friendly. Better still, the new structures will reduce much of the risk and costs associated with our current regime.

So if you are a director or shareholder in an Irish company, you should be asking your lawyer or other business adviser how you can take advantage of these new rules, to allow you to run your business more effectively.

Paul Keane is managing partner of Reddy Charlton