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ONDECK

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OnDeck has made it to the big leagues by servicing the little guy.

On April 28, the U.S.-based small business lender, which entered the Canadian market 12 months ago, introduced a ramped up service model that will extend its financing platform to include loans of up to \$150,000 for entrepreneurs looking to take things up a notch.

"We know in Canada the access to capital is a big problem. Forty per cent of small businesses are looking for credit at any one point in time and less than 50 per cent of those are actually getting it," says Rob Young, senior vice-president of international operations.

"We think there's a great market here and the uptake has been tremendous," he adds, noting his company has granted loans of up to \$50,000 to more than 150 different business sectors since its soft launch last year.

With a few high-profile U.S. companies like Target recently retreating from an inhospitable northern market, logoed tail between legs, Mr. Young says he's aware of the risk involved in scaling up.

He certainly doesn't expect to match their scope down south, where the eight-year-old company has delivered more than \$2-billion to small businesses since founder Mitch Jacobs started attracting investors like PayPal's Peter Thiel and Google Ventures.

Where he feels OnDeck's model could be disruptive to the Canadian market, however, is in the company's proprietary technology, an algorithm-based aggregation system called OnDeck Score that assesses a business's cash flow performance in real-time.

OnDeck Score inputs more than 2,000 data points collected from online sources and quickly evaluates whether the business owner would make a good loan candidate based on how they stack up against similar data from 10 million small businesses across North America.

In order to facilitate the process, candidates can grant OnDeck one-time access to variables like bank transaction records, credit rating scores, and accounting information, all of which gets thrown into the program for automatic assessment.

The technology also looks at qualitative factors, like a LinkedIn profile or Yelp reviews, to evaluate what the public thinks of the business and what shape they're in to grow.

"OnDeck Score is now in its fifth generation," Mr. Young says. "It's much more predictive than FICO scores, which is what banks rely on, and we now have it very finessed to various subsectors so if you're a café or equipment store or a small manufacturer, all those nuances build cash flow."

Unlike bank loans, which involve reams of paperwork and often take weeks for a reply, Mr. Young says OnDeck's signup process has been streamlined to a few minutes for time-strapped business owners, while approval takes a maximum of a few days.

Business owners "really appreciate" this new way of accessing capital, he says, just like they're looking to the online channel to do all kinds of other things like hiring or sourcing suppliers.

And because their loans are smaller amounts designed for working capital, like kitchen renovations or a new truck, OnDeck has built some loyalty amongst its clientele for turning a relative blind eye to personal finances.

"Small business owners frequently sacrifice their personal credit score to fund their business. So your business might be in good standing but your personal credit might have suffered and that's what the bank looks at. We think that's completely wrong," Mr. Young notes.

Success in the U.S. financial market doesn't always translate up here, where more stringent bureaucratic regulations and a traditionally risk averse financial sector make many companies think twice before setting up shop.

That's why OnDeck hasn't yet broken ground on a Canadian bricks-and-mortar office, even though Mr. Young says they're happy with their welcome wagon so far.

In the meantime, they've zoned in on Toronto as a likely nesting ground, with OnDeck banking on its solid reputation. Their A+ rating from the Better Business Bureau is a good start to ease the transition.

But ultimately it's OnDeck's connection to the small business world that may find them invited to all the right parties.

"We do work in the financial sector, but we're a tech company in our DNA."

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