

Pure Inspiration

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It's been five years since I immersed myself in the world of mega-banks for my book, *Swimming with Sharks*. My conclusion was that not much had changed since the 2008 crash, far from it even. Incredibly, it's been "business as usual".

Then one day Ali called me. Apparently he'd been looking at the crisis from a very different angle for the past few years by setting up an entirely new kind of bank. A real 'Silicon Valley'-like start-up, without the comfort of the sunny weather of California, located in an old vacated office building in the cold windy suburbs of Amsterdam.

bunq is no typical bank run by middle-aged men in expensive suits who make their money by taking risks with your money. It's quite the opposite. bunq is a club full of young pups in their twenties, dragged and lured to Amsterdam from all over the world, taken by Ali's charisma and his plan. To use new technology and start a bank that doesn't take risks by piggybacking on your money. A bank that makes its earnings simply by providing an excellent service to its clients. Is that even

possible? In a tiny country like the Netherlands? Before the big boys in the USA beat them to it?

Yes, as it turns out, it is. And this book will tell you how and why. It's a story about hard-won victories over supervisors and red tape. About breakthroughs and setbacks, personal dramas, arguments and reconciliations. Real stamina and the guts to start over again and again. It's the romance of a start-up, but also the tragedy of compromise and grudging acceptance that the world can only move so fast. And it's a surprising story. Because who would have thought that the first challenger of the dinosaur banks would see the light of day thanks to a loan from... the ING bank!

We're at the start of a revolutionary age, similar to the 90s, when the first mobile phones popped up. Within a decade those first simple 'bricks' quickly evolved into the hypermodern and user-friendly iPhone 7 or Galaxy 8. 'The big banks are scared to death of people like Ali' said Jeroen Smit, author and expert in banking and innovation, during a Dutch television interview. Or, as a London-based banking expert put it: 'The question isn't whether IT companies will take over the banking world, it's when.' Ali's pack is spearheading this revolution. Their story is pure inspiration for those daring to believe in a positive future: about a pack of pups in Amsterdam who relentlessly hounded their dreams into reality.

Money Dealers

‘Banks,’ says Ali, ‘are money machines. They attract money at the cheapest possible rate, then go on and sell it for as much as they can. It’s buy-and-sell, just like your local car dealer. A car dealer promotes his cars by claiming how reliable they are. Somehow, a car has always been owned by an old lady that only used it for her weekly shopping trips. Bankers are barely any different. They too sell reliability by claiming how secure and service-oriented they are. No matter what happens — or so they claim — they’re going to be there for us. In reality however, banks have long since stopped being financial service providers. Instead, they have become money dealers. They no longer aim for profits gained as a result of satisfied clients, but instead opt for profit no matter what.’

Ali shoots a glance at Duke, one of his advisers at TransIP — a web hosting company he set up as a twenty-year-old during his university years. In just a few years he expanded it into the largest web-hosting provider of the Netherlands. With around 100 employees and over 200,000 clients, it has a turnover of tens of millions of euros.

Sitting across from each other at a restaurant, they appear to be polar opposites. He, Duke, is of robust build. With his dark-blond hair and cool blue gaze, he looks like the archetype of Dutch sobriety. He gives his full attention to his environment. Ali, boyish, has pitch-black hair and dark, flitting eyes. Hyperactive and constantly multitasking, he

is easily distracted. His thoughts always a few steps ahead of the moment.

Their backgrounds are miles apart too. Duke, 43 years old, built his career within the corporate structures of the financial world, moving from company to company. Ali, fourteen years younger, is the self-made man. The nonconformist buccaneer, fan of Nietzsche and Dostoevsky. He prefers building his own corporate structures.

Despite their differences, they share important values and traits. Honesty and an open mind being the two main ones. Without these similarities they would never have connected.

Ali only accepts advice from people he likes and who tell him the truth. Why waste precious time on people who annoy you, or convey cryptic or inaccurate messages? If Ali likes you, and the feeling is mutual, then it must be because you have an open mind, an absolute precondition of innovation in Ali's eyes: 'only open minds can shape the future'.

'All this crap with bonuses and banks going under? It's all because of this trade-driven mindset of the past few decades. There was a time when banks were our partners. Their service actually contributed to our growth and welfare. The size of their trade — and with that their profit — was balanced out by the social landscape and kept in control by limitations of the available technology. The improvements in that technology removed barriers and unlocked a potential of endless profits. To achieve those profits, increasingly complex mathematical and interest models were created — foregoing client interests and

disrupting the once healthy balance. And so while the profits increased, so did the risks. We've gotten to the point where banks spend most of their time sustaining themselves and thereby sustaining the problems they create. They've turned inward, into their own world, their own culture. Their primary objective merely being to survive instead of adding value. Once there was a point to banks — but now they have turned into unbound profit-minded machines. The most important question is therefore: what's the next step forward?'

Duke listens carefully to what Ali has to say. He's heard him criticize banks before, but never in such a clear and sharp argument. Ali's obviously going somewhere with this...

Ali gauges Duke's reaction. He wants to know what he thinks of this new idea: the idea of an innovative, IT-driven bank; a radically renewed bank of the future, spawned from irritation of the existing banking system's self-serving efforts to prop up an outdated money industry.

Ali's irritation reached an all-time high a few weeks ago. On a beautiful summer day, during a small picnic, he received a phone call. TransIP was suffering and literally couldn't do any business because one of the primary online payment systems in the Netherlands was down. At that moment, a snippet from something he heard on the radio earlier that morning came to mind. The crisis was in full swing and politicians were scrambling over one another to spew their opinions on the matter. He realized there was something he could do. Why not overturn the banks' entire moneymaking system? Why not replace a complex structure made of cards, machines and bank transactions

with a simple and direct payment system among people? Hadn't the start of TransIP once been brought on by his annoyance at the amount of paperwork and hand-filled forms that needed to be faxed over, just to register a domain name? The technology to deliver such huge change was already available and the need for change was massive.

And Duke? He has the financial background as well as the interest and intellect to not only grasp the idea, but also its consequences.

Duke refrains from answering and waits for Ali to recollect his thoughts. In the meantime, the latter replies to a message that popped up on his iPhone. The constant stream of messages on his phone seems never ending...

'Why not a bank that doesn't depend on interest revenue and complicated, risky business models,' Ali continues. 'A bank that transfers your money directly, without first parking it on a massive account just to make even more money. A bank that would have far fewer risks, it wouldn't be "too big to fail" or "too complex to grasp". Nor would you need a deposit guarantee scheme. And society wouldn't end up paying the price if it failed. Wouldn't it be great if you could change the essence of banking? If you turned it back from a money-dealer to a service organization? When you change the essence, the rest automatically falls into place. What would that look like? Like a small IT and service providing organization with an app, a website and a database. It would be a simple platform, not a huge collection of buildings. *Wikipedia* instead of the *Encyclopedia Britannica*. Would you still use nickel, cotton fiber and plastic for your payments?'

Would you still have to line up at a bank counter between nine and five? No, of course not. No piles of credit and debit cards, no banknotes pulled from the wall like vending machines. Payments would no longer be in cash, complicated and expensive, but simple, safe and fast. How great would it be if money itself became pure again? If it became a social binding agent between friends, family and colleagues. If it were to be your money again, to do with as you please.'

'What about existing apps?' says Duke. 'Mobile banking, as banks offer it now?'

'Those apps are already completely obsolete. They do nothing more than just provide access to the outdated databases at larger banks. They don't contribute to the fundamental change to the system. Our app would work outside that system. We would offer high quality services and beautiful products, resulting in satisfied clients, thereby leading to profit. We would charge a simple subscription fee for the services and products provided. This allows us to not have to make up all sorts of derivatives. People are perfectly capable of managing their own money and no one needs a bank that's only interested in pushing more of its own products. And so,' Ali summarizes the idea, 'we develop a service organization for payments, no more and no less. A social network for payments, bypassing old-fashioned banks. A network that surpasses big banks in terms of day-to-day money needs, and changes the world. We're going to shake things up and give people back what they're entitled to: control over their own money. What do you think?'

Duke has a moment of silence. He sips his coffee and gazes out the window. He realizes that Ali's question is no innocent one. In reality it means: are you in? Ali needs someone who knows his way around the financial world, someone like him. Together they would make a great team indeed. A positive answer would however also imply his departure from the comfort of Ernst & Young, where he was recently promoted to Executive Director of Transaction Advisory Services.

'All this commotion over bonuses and bankrupted banks,' Duke inquires, searching for a decision, 'where do you think it stems from? They're not the only companies to go bankrupt, and performance-related pay exists everywhere. Why are so many people anti-bank? Are banks really that bad?'

'No, banks are neither good nor bad,' answers Ali. 'And although many call bankers unethical moneygrubbers, I don't have any negative feelings towards them. Some of my old classmates ended up working for banks. They weren't unethical at all. They just ended up working for companies in a dysfunctional system. The core problem is this mindset of infinite money-dealing, which inevitably causes financial gluttony, leading to unacceptable risks.'

Duke nods. It's not the bankers, not the employees, it's the consequence of an obsolete system... 'I'll consider it,' he says.

Ali pays the bill. As they exit the restaurant, the sparrows scatter from their path. Duke heads to his semi-electric bicycle at the north exit of the Max Euweplein, a square in Amsterdam. 'Homo sapiens non urinatur in ventum' is

inscribed across the archway: ‘Sensible people don’t pee into the wind’.

Duke absentmindedly fidgets with the lock. A new sort of bank, an app really, nothing more... *What do you think? What’s the next step forward?*

As he rides his bike through the beautiful streets of Amsterdam, his mind keeps going over their conversation. Memories of his time at Citibank start to loom. It was over ten years ago: he spent each and every day optimizing yield to maximize profits. In the morning, the money flowed in, often several billions. By the evening it was gone again. Yet somehow more than enough money was left each day to cover for the office space, the employees and the shareholders. Everyone had their own task to keep the system going, but no one seemed to consider what they were actually doing anymore. Most of them were primarily concerned with reeling in their bonuses, while others focused on backstabbing their colleagues.

It all boils down to what’s the right thing to do? And how do we make this come true? This idea completely changes the view of what a bank should be. What if we really could change the system? What if — even in a minor way — we could actually change that essence and transform it into something new? If we could do more than just keep talking about change and complain about all that is wrong with the world? Would our efforts mean that we could actually change the world for the better? Slowly but surely a feeling creeps up on him: maybe, just maybe, change would be possible. Maybe they really can make a difference.

Lost in his thoughts, Duke doesn’t hear the frantic ringing of the tram until the very last moment. He immediately

hurls himself and his bike out of the tram's path, barely avoiding a grim collision. His rear tire gets caught in the tracks. He manages to pull away in the nick of time, just in front of the oncoming wheels.

He texts Ali: 'Your plan is mind-boggling: I nearly got hit by a tram...'

Sensible or not, he realizes: they shall be peeing into the wind.

Today marks July 19, 2012.