

Starling pulls Irish bank application as international focus shifts

One of Britain's most valuable digital lenders has withdrawn its application for an Irish banking licence, signalling a shift in its international expansion strategy.

Sky News has learnt that Starling Bank told its 2,000 employees on Monday that it had ended a four-year process aimed at launching a retail bank in Ireland.

In a memo to staff, seen by Sky News, Starling founder and chief executive Anne Boden said the company had opted to pursue other projects that would deliver a superior return.

"Sometimes changing course is the right option," she wrote.

"My job as CEO is to constantly test our thinking against evolving circumstances and to make sure that we are delivering value and maximising potential for growth.

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"Ultimately, we felt that an Irish subsidiary would not deliver the added value we are seeking."

Starling has been focused on rolling out its software-as-a-service platform, Engine, and utilising surplus capital to acquire portfolios of mortgage assets.

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It was recently valued at £2.5bn after the injection of new capital from investors.

The company now has more than 3m customer accounts, including nearly 500,000 with SMEs.

Its growth has been questioned in recent months, however, by Lord Agnew, the former Treasury minister, who has criticised Starling's handling of loans made under emergency Covid schemes.

People close to Starling said it was more likely to pursue the acquisition of a European bank to obtain a licence than apply for a licence in each new market, which can often be a protracted process.

“We’ll now be focusing on taking our software to banks around the globe through our Software as a Service subsidiary, Engine, and by expanding our lending across a range of asset classes, including through targeted M&A activity,” Ms Boden wrote in her memo.

Starling announced its intention to secure an Irish banking licence in 2018, although the process was temporarily paused during the pandemic.

A spokesperson for Starling, which will publish full-year results later this week, said: “This was the right decision for Starling at this time.”