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Stop bank raids on overseas payments

Peer-to-peer services offer big savings on the cost of moving currency

Kiki Loizou Published: 22 June 2014



It didn't take long for Kriss Soonik to realise that she was wasting her money. When the fledgling

Lingerie retailer Kriss Soonik has saved £1,200 by going through TransferWise (Vicki Couchman)

entrepreneur began selling lingerie and swimwear she set out to win customers overseas, but she soon realised that transferring money across borders was eating into her profit margins.

"I was paying high fees to send money to suppliers, and more fees to receive money from sales overseas," said Soonik, 30, who launched her brand in 2009.

She and an assistant run the business from Islington, north London, and the products are made in Estonia. "Now we have stockists in 15 countries and it's important we save every penny we have. I'm a start-up, I don't have cash to waste."

After two years, she found an alternative to the banks. Soonik believes that TransferWise, a peer-to-peer money transfer site, has saved her more than £1,200 in fees. The site allows users to

transfer cash around the world at mid-market exchange rates for a fee of 0.5%, or a flat £1 if the amount being moved is less than £200.

“Nobody likes giving their money away and that’s what it feels like when you’re using a bank,” said Soonik.

She is not alone in her quest to save money on overseas transfers and exchanging currency. Businesses with suppliers and customers abroad often do not realise that banks are charging them high fees and loading on other costs.

A “mystery shopping” survey by Charterhouse Research revealed the additional costs imposed on businesses when transferring cash to and from overseas clients. For sending €1,000 to Germany, Santander charged a £25 fee but also a further £29 in other fees. Nationwide charged £25 plus £20.56, and Lloyds £20 and a further £24.72.

There are, though, ways around the heavy charges. Online services such as TransferWise, Currency Fair and Midpoint can help you to dodge the banks, save much-needed cash and find a reasonable exchange rate.

“The small businesses in this country are the hardest hit. The transfer fees and the hidden rates they have to pay are often worse than those for individuals,” said Kristo Kaarmann, previously a banking consultant at PwC. He set up TransferWise with Taavet Hinrikus, 33, who had moved to Britain after working for Skype in its home country of Estonia.

“I realised each time I made a transfer to my Estonian account that money was going missing,” said Kaarmann, 33. “I was losing about 4% to 5% of my money each time I made a transaction. I wasn’t happy with the banks taking that. I felt I was being robbed and it was frustrating.”

Since launching the site in 2011 they have raised almost £20m from venture capital companies and investors, including Index Ventures and Sir Richard Branson.

TransferWise, which has 25 employees in Shoreditch, east London, and 75 technical staff in Estonia, has transferred more than £1bn to date and says it has saved users £45m in bank fees. An online poll of more than 4,000 of its British customers found that 85% felt they had underestimated their banks’ fees.

Nik Darlington did not even bother calling his bank manager when he started his company. “It would have taken too long to set up the transfer service so I went straight to a faster online system,” said Darlington, 28, who established Red Squirrel Wine in 2012 and has three staff at the headquarters in Chiswick, west London. His website sells rare-grape wines from Europe, South Africa, North and South America and the Antipodes.

Darlington has used TransferWise to move more than £20,000 to overseas suppliers and estimates that he has saved more than £1,000. “People can’t be bothered to check how much their banks are charging so they end up paying much more for no reason,” he said.

Dan Hancu believes his photochromic lens company has saved even more by using Currency Fair. Shyre exports chemicals for the lenses to manufacturers in China and Korea and distributes their products here. About 90% of his business is overseas. “We get much better exchange rates using the peer-to-peer site,” said Hancu, 35, who co-founded the company in Shrewsbury, Shropshire, two years ago. “We’ve saved about £5,000.”

Currency Fair allows customers to choose a rate from users in its “marketplace” instead of the rate it offers, if they prefer. It charges 0.15% on the total amount exchanged and a £3 transfer fee, plus an exchange-rate margin. It has made more than £800m of transfers, saving customers £34m in bank fees to date, and about one-fifth of its transactions are made by small and medium-sized

businesses.

“Cash savings for small firms are crucial,” said Brett Meyers, 41, a former banker who co-founded Dublin-based Currency Fair in 2010. It has 35 staff and offices in London and Australia. “Fees charged by banks aren’t justified in this day and age,” he added.

0 comments



 Nigel Hart

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