

# Meet GoCardless, the startup that wants to change the way you collect payments

Maddyness UK speaks to Duncan Barrigan, chief product officer at GoCardless, about revolutionising the payment collection process, why he believes existing payments systems are broken, and the common errors businesses make when it comes to invoicing.

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## What is GoCardless?

We believe that the way payments work is broken. The card networks take a hefty cut of every transaction, creating a tax on our economies: you've got payers and merchants worrying about fraud, and you've got lots of people trying to avoid the tax on the economy and these high fees by using incredibly manual payment methods like asking people to send them a cheque or a bank transfer for an invoice.

We think that in the information age, the world deserves to break free from this. Our belief is that payment should be more direct and made directly between accounts where people are storing their money. We are a network for people to move their money from one account to another.

Our initial focus has been on the merchant and helping them take the pain out of getting paid. We founded GoCardless in the UK 10 years ago, and we now have offices around the world in New York, San Francisco, Paris, Munich, Melbourne and London. We've processed more than \$25B a year of transactions on behalf of north of 65,000 merchants. In all those cases, we're helping people to make those payments directly from bank accounts.

*Our customers are everything from the one woman swim school to TripAdvisor, branches of governments and the Financial Times and The Guardian.*

A big part of what we do is working with our partners who help to integrate payments into the platforms businesses use every day. We work with companies such as QuickBooks for accountants to the likes of Salesforce in an enterprise software world and everything in between.

## How do you reach those customers?

A huge amount of our growth has come through word of mouth because people don't realise how much better payments can be until someone tells them. The other element that has been a major part of our growth has been the partners because our belief is that payment should be painless and to do that, things have to be integrated into the software you use.

You shouldn't be creating an invoice in Xero and then logging into some payment software and asking it to collect the money: Xero should be collecting the money for you the second you create the invoice. Because of that, we put a lot of attention into those partnerships and they have helped a lot of people to hear about this better way of doing things.

## How would you summarise your unique selling point?

We're the world's leading payments network: we're the best at coverage in

terms of how global our network is. We combine the ability to pull money from people's bank accounts – which is what you want when it's an ongoing relationship and you know when it's due – and the ability for the payer to push the first payment with our open banking payment feature, Instant Bank Pay, so that when you first sign up, you can make that payment immediately.

We're the only business that has made this our vision: there are general payment providers and open banking infrastructure providers, but we're the ones that are focused on building an account-to-account payments network for the world.

## Do businesses make common mistakes when collecting payments? How does GoCardless address this?

Definitely. Sometimes people ask, 'Is this really a problem to be solved and does your business really solve the problem?' I always say if you ask any of our customers, we solve a problem. Anyone who works in payments innovation knows that the problems are massive. Most people only pay for their own things, so they don't see the other side of how painful it is to get paid and assume that the merchants think this is fine. It's a massive problem.

There are two biggest mistakes that people make when collecting payments as the person who's owed. The first is that they just don't realise how good it can be and therefore they don't realise how bad they are now until someone tells them.

This is where word of mouth comes into play because you can imagine how one small business owner talks to another small business owner about their processes: one of them is sending invoices, chasing them, taking an average of 34 days to get each one of them paid. The other one has told Xero to connect to GoCardless and their clients are all being paid automatically. This person gets paid faster.

The second thing I think people don't realise is quite how much business impact your payments can have. People don't think through the cost of all of the administration and they don't realise that payments cause a quarter of churn in subscription businesses.

*Of the customers they lose every year, a quarter of*

*those are probably being lost because of payments.*

They don't realise that bad debt is an enormous problem, with even public energy companies in the UK losing 1-2% of their revenue due to bad debt, which again comes down to not efficiently collecting.

They also don't realise that fraud can cost you 5-10% of the revenue of your ecommerce business. This is in terms of the cost of the fraud itself, the cost of preventing it, and the people you lose trying to stop it. Alongside not realising how good it can be, they don't realise how bad or good the impact is. It can transform businesses, as we've seen time and time again.

## How has payment collection been challenged by COVID-19?

We've seen everything during the pandemic in some regards: with gyms, for example, many were no longer collecting payments for most of the period. Some were figuring out ways to go online. Lots of gyms took the time to switch payment providers while they were closed. If you consider the experience of gyms in the pandemic, I think it's been a time of nothing and a time of everything in various different ways.

In terms of how the collections themselves have evolved, the example I'd highlight is how payment failures have changed. Sometimes you try and collect and it doesn't work, but what do you do about that? How do you recover them?

Energy companies and broadband companies are very sensitive to the payers and don't want to cause distress, so that's where we've seen a surge in interest. Our Success+ product uses machine learning to figure out the right time to try and take a payment, so you don't have as much risk of hitting the payer when they've got no money in their bank account.

Cuckoo Broadband have been using our new Instant Bank Pay feature, which uses open banking to allow an instant payment when someone logs into their banking app on their mobile. They've been using that as a way of recovering from payment failures because it means that they can handle the communications with the customer directly. Before Instant Bank Pay the process of chasing and collecting a failed payment could take 21 days for Cuckoo; using this feature they have the capability to reduce this to just seven days.

# What exciting launches or updates are on the horizon for GoCardless?

I mentioned briefly our Instant Bank Pay feature, which has started in the UK using open banking to allow people to combine that instant push payment with the benefit of being able to pull the money whenever any one of your invoices is due.

We are going to be launching in more countries and introducing more features involving banking APIs and open banking. The next feature that we're working on and really excited about will help people avoid problems with fraud. It's a hot topic for lots of businesses who are suffering from this issue, particularly online, and we're excited to use our payment intelligence to give them a solution.

Duncan Barrigan is chief product officer at [GoCardless](#).

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Article by KIRSTIE PICKERING