



Petal credit card

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## US STARTUP PILOTS A NEW WAY TO EVALUATE CREDIT HISTORY

 FINANCIAL SERVICES

### A US startup looks beyond a client's credit history to determine credit-worthiness

**Spotted:** US startup [Petal](#) is piloting a new way to provide credit to people with no (or poor) credit histories. Petal isn't a bank. It partners with [WebBank](#), an online financial services platform. What makes Petal unique is that it uses machine learning to analyse an applicant's entire financial history to get a more detailed picture of financial behaviour. Using sophisticated data analysis, it looks beyond whether credit card bills were paid on time to assess things like whether rent was paid on time.

The strategy replaces the traditional standard for credit card qualification – the credit score. This allows people who have poor credit histories — or no credit histories at all — to qualify. It gives young people, for example, or immigrants who struggle to transfer their banking histories to the US, a sporting chance. In addition, unlike most credit cards, Petal doesn't charge fees. Not even late fees.

Petal has captured significant attention from investors. So far, the startup has raised [\\$80 million in equity and debt financing](#).

The card, which launched in October 2018, offers its clients a line of credit up to \$10,000 at an annual percentage rate of 15.24 percent – 26.24 percent.

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## Takeaway:

An estimated one-fifth of the world's population is effectively cut off from the global economy because they are unbanked. This means they lack access, or fail to qualify, for traditional banking services. A growing number of products, like Petal, are using technology such as machine learning to disrupt traditional banking services and reach more people. The credit card has the potential to tap into the **8.4 million US households**, which lack access to credit because of outstanding debt or lack of a banking history. Similar innovations include **blockchain financing for small business owners** with no credit, and efforts to use people's **financial behaviour** to improve their credit scores.

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