

by Charlotte Al Usta, 8 July 2026

## Executive Interview with Luke Trayfoot, Global Head of Strategic Partnerships, YouLend: “Embedded lending is emerging as the next major frontier in embedded finance.”



*Flagship Advisory Partners’ Executive Interview Series provides readers with exclusive insights from thought leaders in the payments and fintech industry.*

*This edition spotlights YouLend, a leading embedded lending provider operating in 10 markets. Flagship Advisory Partners met with Luke Trayfoot, Global Head of Strategic Partnerships, to discuss how lending delivered through platforms can give SMBs faster, smarter access to credit and help bridge the SMB credit lending gap.*

*Photo credit: Luke Trayfoot*

### Introduction

#### **Can you introduce YouLend and what it offers?**

YouLend is an embedded lending provider operating across 10 markets and growing. At its core, the company enables platforms, marketplaces, payments companies, fintechs, and banks to offer lending products directly to their SMB customer base.

#### **How do you define embedded lending?**

Embedded lending enables platforms and businesses to deliver capital directly to their customers, replacing the historically bank-dominated path to financing by widening eligibility and expanding the range of offer types and sizes.

Providers offer businesses and platforms a modular operational model covering everything from inquiry handling to underwriting, servicing, and renewals. A key differentiator is the use of real-time data on businesses, enabling quicker decisions, easier access to capital, less paperwork, and less friction at the point of need.

## Defining the Embedded Lending Opportunity

### **Our recent survey of around 100 platforms found that embedded lending is the next big opportunity after embedded payments. What is driving that acceleration?**

The acceleration is driven by a combination of unmet demand, commercial opportunity, and a low barrier to entry via partnerships. Many SMBs simply cannot access capital through traditional means, or face slow, cumbersome processes when they try. Platforms that already have the attention of these businesses can monetize that relationship through a lending program that also delivers meaningful indirect benefits: higher NPS scores, increased lifetime value, higher average revenue per user, and lower churn. Crucially, going to market through a partner requires no balance sheet commitment and relatively limited technical investment, making it one of the most accessible embedded finance products to launch.

### **The data shows that smaller SMBs have the hardest time accessing credit, with long and cumbersome approval processes from banks. Who are the ecosystem providers that stand to benefit most from embedded lending, and do banks still have a right to win?**

YouLend looks at the opportunity through four broad verticals: i) payments businesses, which pioneered this space thanks to access to card data and a wide user base, ii) software platforms, currently a major growth frontier, iii) marketplaces, where sellers derive clear uplift from fast access to capital, and iv) fintechs, neobanks, and banks. Each can be further segmented as either vertical (serving a specific merchant industry) or horizontal (serving a diverse SMB base).

The way businesses manage their finances has fundamentally shifted. Many SMBs interact with their traditional bank infrequently, while software platforms – accounting tools, POS systems, marketplaces – have become the daily operational infrastructure of the business. For these platforms, embedding financial services, including lending, is a natural extension because that is where the customer already is. Businesses want to consolidate: they want their data, their decisions, and their services in one place rather than logging into five separate systems. Digital-first platforms, whether PSPs, neobanks, or SaaS providers, are well-positioned to deliver this because they lead in user experience and have the businesses' trust, which is fundamental.

On the question of banks, the answer is yes – they retain a right to win, anchored by trust and the cost of capital advantage. Where banks struggle is on the micro end of the SMB market: smaller ticket sizes, high operational overhead per loan, and limited risk appetite for asset-light businesses. YouLend works with banks in this space, filling in where banks currently can't efficiently lend, helping them serve micro and small SMEs until those businesses grow into the bank's traditional corporate and enterprise segments.

### **Beyond revenue, what are the key advantages of embedded lending for the end customer and for the platform offering it?**

The real value lies in the compounding effect of multiple benefits working together. Platforms are looking to increase revenue, but ultimately they need to find the sweet spot in giving the right offer, at the right price, with a frictionless, near-instant experience, to enable businesses to deploy capital for hiring, opening new locations, or marketing. For the platform, the follow-on effects are significant. Because lending is an opt-in product, the platform needs to find the sweet spot of widest eligibility for the best penetration.

## Embedded Lending Operating Models

### **Why do you think partnerships play a much more critical role in embedded lending?**

The build-buy-partner framework is useful here. Building requires competency, is capital-intensive, requires substantial data and deep underwriting expertise that only come with scale and time, and has been executed successfully by only a handful of platforms globally. Buying through M&A is complex, especially for non-core businesses, and tends to be geographically constrained, which is a significant disadvantage in a market where regulation, credit bureaus, and lending dynamics vary enormously across geographies. Partnering removes almost all of those barriers: no balance sheet commitment, rapid multi-market deployment, access to proven data models and expertise, and the ability to learn before deciding whether to build in the future. Industry data suggests over 80% of platforms prefer the partnership route for embedded lending, which is quite different from payments, issuing, accounts, or insurance.

YouLend has funded over 350,000 businesses, put offers out to millions of businesses, and we have our own UX/UI that we A/B test on a daily basis. But we partner with many different providers for data access to offer businesses a pre-baked, ready-to-go solution.

### **Have you ever worked with a client that initially attempted to build an embedded lending solution in-house but ultimately decided to partner with YouLend instead?**

Yes – in fact, several of YouLend's largest partners began by building themselves, typically launching in a single market. A recurring finding was that their in-house eligibility coverage reached only 20-30% of their addressable merchant base, meaning the majority of merchants were left without access to capital. That gap created a negative experience, - which is internally described as "FOMO" around capital access. YouLend stepped in to widen eligibility for those underserved cohorts while allowing the platform to retain ownership of the segments they knew well. The second common trigger is geographic expansion: scaling a proprietary lending capability across multiple European markets, each with a different regulatory regime, credit bureaus, currency, and cultural context, is a fundamentally different challenge from the US, where a single-market model can be scaled. YouLend has local expertise and knowledge in 8 different markets across Europe, so we can service our clients in multiple languages and navigate cultural nuances and help them launch quickly.

### **To what extent do you think success in embedded lending depends on first understanding product positioning and country-specific customer behavior?**

One interesting case is Germany, where roughly 50% of payments are made by card, while the rest is cash, APMs, or invoice. Therefore, many providers may not be able to lend or underwrite based on data outside of card payments. YouLend has been able to crack that in Germany and other markets, and we have seen great results from that. It's not only about regulation but also understanding how to provide a strong offer based on all the business's revenue sources.

## Geographic and Vertical Differences

### **When comparing the maturity of embedded lending in the US versus the UK and broader Europe, where do you see the most significant differences?**

The US benefits from a larger total addressable market, a more fragmented banking sector that creates natural demand for alternative capital providers, and a largely unregulated environment for revenue-based financing, all of which have enabled faster growth. The UK sits closer to the US than to continental Europe: single currency, a relatively clear regulatory framework, and unregulated revenue-based financing. The UK market is smaller. Europe is where complexity compounds: fragmented regulation, national credit bureaus with restricted access (notably in France), cultural differences in how businesses approach lending (Germany, for example, has a strong preference for direct human communication in the local language), varied repayment infrastructure (Poland has no national direct debit scheme), and markets where government usury laws distort the lending economics (Italy).

### **Across the vertical and horizontal software platforms you work with, which segments are currently the most advanced in their adoption of embedded lending?**

Vertical payments businesses are currently seeing the strongest penetration rates. Because they serve a focused, well-understood cohort of merchants, the lending proposition can be tightly tailored, which drives higher merchant engagement and faster adoption. Horizontal payments businesses – typically larger, more global brands – are also active, driven by competitive pressure and the desire to reduce churn and improve economics across a broader customer base. Software is now becoming the fastest-growing frontier, particularly in the US, where the addressable market for vertical software is very large. Accounting platforms in particular have a clear mandate, given their daily touchpoint with business owners and the financial data they hold. Neobanks and digital-first banks are also a meaningful segment, particularly in the UK and Europe, though they often serve as secondary account providers, which creates penetration complexity. The core dynamic is this: vertical businesses have smaller but more engaged cohorts and higher penetration rates; horizontal businesses have larger addressable markets but face a harder challenge driving adoption.

### **Merchant Cash Advance is one of the most established use cases today. Where do you see embedded lending going next and what do you see as the next, upcoming use case?**

Merchant Cash Advance – or revenue-based financing – will remain an important and sustainable product for cash-flow-constrained businesses, thanks to its flexible repayment structure that moves in line with business performance. Alongside it, YouLend offers three other products: fixed repayment loans suited to more established businesses with consistent cash flows; flexible financing line that allow businesses to draw down only what they need, and short-term trade credit products to secure a limited-time purchase offer, which is becoming very popular for marketplaces.

The challenge is to pick the product that is most important for the platform and its constituents, which makes it critical to partner with a provider who understands the space and the vertical. The product must be framed clearly so the business understands the financing it is receiving.

## **What are your best practices for platforms, marketplaces, PSPs, (neo)banks, and fintechs looking to launch an embedded lending program?**

First, take a wide strategic lens before launching: understand the types and sizes of businesses you will serve, your geographic roadmap, and – critically – the capital intensity implications if you are considering a build approach. Lending has a different scaling dynamic to payments; growing origination volume without a properly structured program creates real operational risk.

Second, when evaluating partners, go beyond the headline revenue share or pricing terms – those are outputs/outcomes. The inputs that matter are underwriting methodology, servicing quality, case studies from comparable peer platforms, financial health of the partner, and the depth and diversity of its capital market funding. A partner you go live with needs to support a long-term, scalable relationship.

Third, take the go-to-market seriously. A well-embedded, pre-approved offer flow can enable merchants to access capital in a single click – but even the best integration underperforms without a disciplined distribution strategy. That means merchant dashboard placement, targeted email and direct mail campaigns, terminal messaging for POS providers, and enabling sales teams to lead with lending as part of their pitch.

## **Conclusion**

### **How do you see the target end state of embedded finance, and embedded lending specifically?**

The embedded finance components – payments, lending, accounts, cards, insurance – are beginning to converge. Each remains a deep, complex business in its own right, which is why specialists like YouLend focus on being "an inch wide and a mile deep" within their domain rather than attempting to do everything. The end state will not be winner-takes-all; it will be a network of deep specialists integrated at the platform layer. AI will accelerate that convergence by improving data models, underwriting precision, pricing, and decision speed – alongside better APIs, SDKs, and embedded components that make integration faster and deeper. The human element remains important: YouLend's conversion metrics are meaningfully supported by accessible customer support to our clients. Geographically, growth will extend well beyond the current core markets, with South America and Asia already showing strong momentum. The overall trajectory is one of continued, compounding growth.

### **Looking five years out, what is your outlook for embedded lending?**

Appetite for embedded lending is growing rapidly. More businesses are recognizing the need to embed value-added services for their customers, and lending is increasingly central to that. The growth will be accelerated by technology – faster payment rails, seamless background fraud and KYC checks, and AI-driven underwriting – as well as by continued platform adoption across geographies. Within five years, businesses will source most of their capital requirements directly through the platforms they already use for payments, banking, and software today.

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