Financial Innovation

Why Are Global P2P Lending Platforms Transforming Their Business Models? A Comparative Analysis of Risks and Regulations

--Manuscript Draft--

Manuscript Number:	FINI-D-25-00592R1
Full Title:	Why Are Global P2P Lending Platforms Transforming Their Business Models? A Comparative Analysis of Risks and Regulations
Article Type:	Research

Funding Information:

Funder	Recipient
European Cooperation in Science and Technology (CA19130)	Prof. Dr. Joerg Osterrieder
European Cooperation in Science and Technology (CA21163)	Prof. Dr. Joerg Osterrieder
Schweizerischer Nationalfonds zur Förderung der Wissenschaftlichen Forschung (IZCNZ0-174853)	Prof. Dr. Joerg Osterrieder
Schweizerischer Nationalfonds zur Förderung der Wissenschaftlichen Forschung (IZSEZ0-211195)	Prof. Dr. Joerg Osterrieder
Schweizerischer Nationalfonds zur Förderung der Wissenschaftlichen Forschung (IZCOZ0-213370)	Prof. Dr. Joerg Osterrieder
Schweizerischer Nationalfonds zur Förderung der Wissenschaftlichen Forschung (100018E_205487)	Mr. Yiting Liu
Leading House Asia 2023 Call for Applied Research Partnership Grants (ARPG_112023_8)	Prof. Dr. Joerg Osterrieder
HORIZON EUROPE Marie Sklodowska-Curie Actions (101119635)	Prof. Dr. Joerg Osterrieder
Horizon 2020 (825215)	Prof. Dr. Joerg Osterrieder

Abstract:

In the past two decades, peer-to-peer (P2P) lending emerged as a disruptive innovation in financial intermediation, promising disintermediation, inclusivity, and efficiency. However, in recent years, a striking number of leading global P2P platforms—including Zopa, LendingClub, and Yiren Digital—have discontinued or significantly reduced their P2P lending operations, transitioning toward institutional funding models or digital banking structures. This study investigates the underlying dynamics driving this sector-wide shift away from original P2P intermediation models, examining how internal vulnerabilities and external institutional pressures have influenced strategic realignments among leading platforms. Drawing on comparative analysis across eight prominent platforms in North America, Europe, and Asia, we trace platform evolution trajectories, identify shifts in product offerings, and examine changes in regulatory frameworks. Our findings suggest that two primary forces, internal risk pressures and escalating external regulatory constraints, have jointly driven the trend away from P2P lending. The analysis contributes to a deeper understanding of how innovation-led financial platforms evolve under institutional pressures, and raises broader questions about the sustainability of decentralized financial services in regulated environments.

Corresponding Author:	Yiting Liu University of Twente Faculty of Behaviourial Management and Social sciences: Universiteit Twente Faculteit Behavioural Management and Social Sciences NETHERLANDS, KINGDOM OF THE
Corresponding Author E-Mail:	yiting.liu@utwente.nl

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

Corresponding Author Secondary Information:	
Corresponding Author's Institution:	University of Twente Faculty of Behaviourial Management and Social sciences: Universiteit Twente Faculteit Behavioural Management and Social Sciences
Corresponding Author's Secondary Institution:	
First Author:	Yiting Liu
First Author Secondary Information:	
Order of Authors:	Yiting Liu
	Joerg Osterrieder
Order of Authors Secondary Information:	
Author Comments:	
Response to Reviewers:	Dear Gang Kou, PhD, We would like to express our sincere gratitude to you and the anonymous reviewers for your thoughtful and constructive feedback on our manuscript, “Why Are Global P2P Lending Platforms Transforming Their Business Models? A Comparative Analysis of Risks and Regulations.” We deeply appreciate the time and effort invested in evaluating our work. We have carefully considered all comments and suggestions and have made substantial revisions to improve the clarity, rigor, and contribution of the paper. These include clarifying the research question, strengthening the theoretical positioning, expanding the literature review, refining the methodological justification, and enhancing the discussion of limitations and future research directions. In the following response letter, we indicate our revisions and clarifications in blue to highlight how we have addressed each reviewer comment. In the revised manuscript itself, deleted text is marked with strikethrough, and newly added content is highlighted in blue for clarity and transparency. Thank you once again for the opportunity to revise and resubmit this work. Sincerely, Yiting Liu (On behalf of all co-authors) Reviewer #1: In summary, this article has issues in terms of topic and originality, literature review, methodology, results and discussion, structural and expository clarity, originality and academic integrity, and formatting standards. It is recommended that the author clearly articulate the uniqueness and innovation of the research in the introduction, expand the literature review with more detailed discussions of relevant studies, provide detailed explanations of the research methodology, conduct in-depth analyses of the results, optimize the article's structure, ensure the accuracy of citations, and strictly adhere to formatting standards. Through these improvements, the quality and academic value of the article can be significantly enhanced. details as follows: 1.Topic and Originality Issues: While the article discusses the transformation of P2P lending platforms, it fails to fully demonstrate the uniqueness and innovation of this topic within the global development of fintech. For example, in the section titled "Title: , Time: , Content: This study addresses a novel research gap...", the author mentions filling a research gap but does not clearly specify the content of this gap or its importance. Revision Suggestions: Clearly articulate the uniqueness and innovation of P2P lending platform transformation within the global fintech landscape in the introduction.

Specifically explain the content of the research gap and its contributions to both academia and practice.

We thank the reviewer for this helpful comment. In the revised manuscript, we have clarified the research gap and the study's originality more explicitly in Section Research gap and contribution of this study. This revised section now explains in clearer terms how previous literature has largely examined platform-level risk mechanisms or regulatory frameworks in isolation, while relatively few studies have integrated both dimensions to understand the institutional dynamics behind the transformation of P2P lending platforms.

We also emphasize the longitudinal and comparative nature of our analysis, which contributes to both the academic literature on platform evolution under regulatory pressure and practical debates around fintech sustainability. The revised section outlines this dual contribution and better situates our study within the broader global fintech discourse, highlighting its relevance across jurisdictions and its significance for understanding business model adaptation in maturing fintech sectors.

2.Literature Review Issues: The literature review is brief and does not comprehensively cover the latest research in related fields. For example, in the section titled "Title: , Time: , Content: While existing literature has examined these aspects in isolation...", the author mentions the limitations of existing literature but does not detail the specific content or shortcomings of these studies.
Revision Suggestions: Expand the literature review to include more detailed discussions of relevant studies, particularly recent research on the transformation of P2P lending platforms. Clearly identify the contributions and limitations of these studies to provide a stronger theoretical foundation for this research.

We appreciate this constructive suggestion. In response, we have significantly expanded the literature review by adding a new subsection titled Platform governance and institutional adaptation, which engages more directly with recent research on governance structures, trust dynamics, and institutional responses in the context of P2P and fintech platforms. This addition aims to better situate our study within the broader literature on platform regulation and strategic adaptation, providing a stronger conceptual foundation.

Furthermore, in the Discussion section, we have added a new subsection Limitations and scope conditions to acknowledge the limitations of our data and methodological approach, while also clarifying the scope within which our findings are most applicable. These revisions aim to enhance both the depth and clarity of the theoretical framing of the study.

3.Methodological Issues: The research methodology lacks detailed explanations and justifications. For example, in the section titled "Title: , Time: , Content: This study relied on publicly available platform and regulatory data...", the author mentions using public data but does not provide detailed information about the data sources, collection methods, or processing procedures.
Revision Suggestions: Provide detailed explanations of the data sources, collection methods, and processing procedures in the methodology section, including the reliability and validity of the data. Additionally, consider introducing more comprehensive analytical methods, such as longitudinal analysis and direct stakeholder interviews, to enhance the depth and breadth of the research.

We appreciate the reviewer's attention to methodological clarity. As currently structured, the study adopts a comparative case study approach rather than a statistical or econometric design. Accordingly, the data are not processed for quantitative modeling but rather used to support narrative analysis across selected cases.

In the Methodology section, we have provided detailed information regarding our data sources, including platform websites, regulatory authority portals, annual reports, investor disclosures, and archival records. These sources are clearly cited and

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

hyperlinked for transparency. Our platform selection strategy is also carefully explained in the subsection Justification for platform selection, where we outline the rationale behind our case selection and acknowledge its implications for generalizability.

While we fully agree that methods such as longitudinal modeling or stakeholder interviews would enrich the analysis, these lie outside the scope of the present study and are suggested as future directions in the Conclusion and Limitations and scope conditions subsections. We hope the current methodological design is appropriate for the paper's empirical and comparative goals.

4.Results and Discussion Issues: The discussion of the results is superficial and lacks in-depth analysis and interpretation. For example, in the section titled "Title: , Time: , Content: The findings indicate that the original P2P model...", the author mentions that the original P2P model is unsustainable but does not provide detailed explanations of the reasons or impacts.
Revision Suggestions: Conduct in-depth analyses of the reasons and impacts of platform transformations in the results section, combining specific cases and data for detailed discussions. Additionally, introduce more theoretical frameworks and empirical analyses to enhance the credibility and persuasiveness of the results.

We respectfully thank the reviewer for this comment. While we agree that a rich interpretation of empirical findings is critical, we believe the current structure already offers a substantive and comparative discussion of both the internal and external factors driving platform transformation. Sections Business Model and Products and Regulatory Environment and External Pressures provide detailed case-level narratives across eight platforms, tracing the interaction between operational design, risk management strategies, and evolving regulatory frameworks.

In Section Discussion, we further synthesize these findings through the lens of institutional adaptation, highlighting key patterns of convergence and variation across jurisdictions. While additional theoretical extensions or alternative empirical strategies (e.g., interviews, formal modeling) could certainly complement the current work, they fall outside the scope and methodological intent of this case-based comparative study. We hope this clarifies the depth and intent of the analysis as presented.

5.Structural and Expository Issues: The structure of the article is somewhat loose, and the logical connections between some paragraphs are unclear. For example, in the section titled "Title: , Time: , Content: These developments reflect how fintech models must evolve...", the connection to the preceding content is weak, resulting in a poor reading experience.
Revision Suggestions: Optimize the overall structure of the article to ensure clear logical connections between sections. Use subheadings and transition sentences to enhance coherence and make the article more organized.

We appreciate the reviewer's attention to the clarity of exposition and the overall structure. In response, we have added a paragraph at the end of the Introduction section that outlines the structure of the paper and briefly explains the content and analytical purpose of each subsequent section. This addition is intended to guide the reader more effectively and clarify how each component of the paper contributes to answering the central research question. We hope this structural enhancement improves the coherence and readability of the manuscript.

6.Originality and Academic Integrity Issues: The article has unclear descriptions in some places when citing others' research findings. For example, in the section titled "Title: , Time: , Content: Havrylchyk, O., & Verdier, M. (2018)...", the author cites others' research but does not clearly specify the specific content or viewpoints being referenced.
Revision Suggestions: Clearly specify the specific content and viewpoints being cited when referencing others' research findings. Ensure that all cited literature is accurately listed in the reference section. Additionally, avoid plagiarism and improper citations to maintain academic integrity.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

We thank the reviewer for raising this important point. We have reviewed the citation of Havrylchyk and Verdier (2018) and confirm that it is used to support the claim that "P2P platforms primarily fulfill a brokerage role, facilitating credit allocation without assuming direct exposure to credit risk." This interpretation aligns with the authors' original analysis of the financial intermediation model in P2P lending. Additionally, we have carefully re-checked all other citations throughout the manuscript to ensure that referenced viewpoints are clearly attributed, accurately represented, and properly listed in the reference section. We are committed to maintaining high standards of academic integrity and transparency in all aspects of the manuscript.

7.Formatting Issues: The article has some issues with formatting standards, such as inconsistent reference formats and improper use of punctuation in some paragraphs. For example, in the section titled "Title: , Time: , Content: References...", the reference format is inconsistent, and some references lack necessary information.
Revision Suggestions: Strictly adhere to the journal's formatting requirements for typesetting to ensure consistent and complete reference formats. Additionally, carefully check punctuation and grammatical errors throughout the article to improve its overall quality.

We appreciate the reviewer's attention to formatting details. We have carefully reviewed the manuscript to ensure consistency in reference formatting and general typesetting. The manuscript was prepared using the LaTeX template provided by the journal, and all bibliography entries have been checked against the required citation style to ensure completeness and accuracy. We have also re-checked the manuscript for any punctuation or grammatical inconsistencies and made corrections where necessary.

Reviewer #2:
1. The introduction and conclusion could better articulate the theoretical contribution of the paper. For example:
 How does this study advance our understanding of platform evolution under institutional pressure?
 How is this different from prior work on fintech regulation or P2P credit risk?

This comment is well taken. In the revised manuscript, we have clarified the theoretical contribution along two dimensions:

(1) The study advances the literature on platform evolution by framing the strategic retreat of P2P platforms as a response to sustained institutional pressures. Our analysis emphasizes the interaction between internal operational fragilities and external compliance demands—an aspect underexplored in prior work that tends to isolate platform risk or regulatory change.

(2) The paper adopts a longitudinal and comparative approach that captures how platform transformations unfold across time and jurisdictions. This design allows us to identify broader institutional patterns that shape business model reconfiguration.

To reflect these contributions more explicitly, we have:

- Added a new paragraph at the end of the Introduction (5th paragraph) to summarize the study's contributions;
- Revised Section 2.4 "Research gap and contribution of this study" to frame the gap more precisely and articulate our dual contribution;
- Added a paragraph to the Conclusion (4th paragraph) that highlights the study's theoretical implications and its relevance to fintech regulation and organizational adaptation.

We believe these revisions help clarify the theoretical positioning of the study and hope they address the reviewer's concerns.

2. Consider framing the paper more explicitly in relation to institutional theory, market-

based finance, or platform governance literature

We appreciate the reviewer's suggestion to better situate the paper within relevant theoretical frameworks. While a full re-framing around institutional theory or market-based finance would require more extensive conceptual reconstruction, we have taken concrete steps to incorporate the platform governance literature, which is particularly relevant to our focus on how P2P platforms respond to regulatory change.

In the revised manuscript, we have added a dedicated subsection titled "2.4 Platform governance and institutional adaptation" to the "2 Related Work and Conceptual Background". This section introduces key definitions and empirical findings from recent studies on governance mechanisms in digital financial platforms. It then positions our study as contributing to this literature by examining how real-world supervisory rules shape platform-level governance adjustments across jurisdictions.

3. The paper would benefit from explicitly stated research questions early in the manuscript (e.g., at the end of the introduction).

We thank the reviewer for this helpful suggestion. In the revised manuscript, we have made the central research question explicit at the beginning of the second paragraph in the Introduction. Specifically, we added the following sentence:

"These global developments raise a central research question: Why are P2P lending platforms across different jurisdictions transforming away from the original peer-to-peer model? To answer this question, this study adopts a comparative analytical approach to identify concrete drivers of the trend."

This revision aims to clearly articulate the core question guiding our analysis, thereby improving the conceptual focus and framing of the study from the outset.

4. Objectives are implied but not formally laid out—clarifying them will help guide the reader.

We thank the reviewer for pointing out the need to more clearly articulate the objectives of the paper. In response, we have substantially revised the Introduction to make both the research question and the analytical objectives more explicit. Specifically, we now begin the second paragraph of the Introduction with a clearly stated research question. This question is grounded in the empirical observations discussed in the opening paragraph and serves as a central anchor for the study. We also clarify the two main drivers investigated, internal platform-level fragilities and external regulatory pressures, and highlight the paper's comparative and integrative analytical approach.

Moreover, to help the reader understand how the paper addresses this question, we have added a paragraph at the end of the Introduction that outlines the structure of the manuscript. This paragraph briefly explains the focus of each major section: the literature review not only maps the theoretical landscape but also positions our contribution; the methodology section details our data sources, platform selection logic, and research design; the empirical sections examine internal platform structures and external institutional pressures, respectively; and the discussion section integrates these findings to interpret platform evolution and draw broader implications. We believe this structural overview improves the transparency of our analytical logic and helps guide the reader more effectively through the paper's core argument.

These revisions aim to ensure that readers are clearly informed from the outset about what this study investigates, how the analysis unfolds, and how each section contributes to answering the research question.

5. While the criteria for platform selection are listed (e.g., geographic diversity, market relevance), consider discussing potential biases introduced by:
* The reliance on publicly available data
* Exclusion of smaller or failed platforms

We appreciate this thoughtful suggestion. In the revised manuscript, we have added a paragraph at the end of the subsection Justification for platform selection to acknowledge and address potential limitations related to our case selection strategy:

“While the selected platforms provide meaningful coverage of major P2P markets and business models, we acknowledge certain limitations inherent in the sampling strategy…”

Specifically, we note that the study’s reliance on publicly available information may limit access to internal decision-making processes or informal regulatory interactions. We also recognize that the focus on prominent, surviving platforms excludes smaller or defunct firms, which may result in some degree of survivorship bias. Nonetheless, we argue that the selected cases—given their geographical breadth, varying regulatory contexts, and diverse transition outcomes—still provide a representative and analytically useful sample for understanding major drivers of P2P platform evolution.

6. Acknowledge that focusing on successful or surviving firms may limit the scope of conclusions regarding broader market dynamics.

We appreciate this insightful observation. In the revised manuscript, we have taken two steps to address this concern. First, as noted in our response to the previous comment, we have added a paragraph at the end of the subsection Justification for platform selection that explicitly acknowledges the potential bias introduced by focusing on prominent and surviving platforms. This addition clarifies that the conclusions drawn in this study are most applicable to platforms that have achieved a certain level of visibility and operational continuity, and may not fully generalize to smaller or failed platforms.

Second, we note that in the Research design and methodological approach subsection, we clearly state that “each platform is treated as a distinct case.” As such, the study adopts a case-based comparative framework rather than a statistical analysis of the full platform population. We believe this design choice, along with the explicit articulation of case-level boundaries, makes it clear to the reader that the findings reflect the dynamics of selected major platforms rather than industry-wide averages.

7. Several platforms faced challenges related to retail investor trust, risk transparency, and governance. These themes could be further elaborated:
* How did trust failures (e.g., in China) differ from trust adaptations (e.g., in Europe)?
* Were there differences in platforms' governance structures or communication strategies?

The reviewer rightly highlights two important thematic directions:
(1) Comparative patterns of retail investor trust across jurisdictions and
(2) the role of platform-specific governance structures and communication strategies in shaping platform trajectories.
Both lines of inquiry are highly relevant to understanding the broader dynamics of platform-based financial intermediation, and we agree that addressing them could further enrich the explanatory depth of the paper.

We have given these suggestions careful consideration. After reflection, we have decided not to incorporate these additional analytical layers into the current manuscript, primarily due to two considerations.

First, the question of how trust failures in some jurisdictions (e.g., China) differ from trust adaptations in others (e.g., Europe) is closely related to platform strategies in the post-transition phase. While this is undoubtedly a valuable topic, our analysis focuses specifically on the causes behind the retreat from the peer-to-peer model rather than the consequences or reconfiguration strategies adopted afterwards. In this sense, our empirical and theoretical scope centers on the transitional moment itself, how and why platforms exit the original P2P framework, rather than on the mechanisms of post-exit recovery or adaptation.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

Second, the issue of platform governance structures and communication strategies raises important questions about platform-internal strategic design, such as pricing models, information disclosure policies, or investor engagement protocols. These elements are indeed crucial to a full understanding of platform performance and user dynamics. However, many such practices are not systematically documented or publicly available across the cases studied. Moreover, given the already substantial scope of the paper and the focus on the interaction between internal structural vulnerabilities and external regulatory constraints, we judged that integrating a detailed treatment of governance and communication would require a separate analytical framework beyond what the current structure allows.

That said, we view both themes as highly promising avenues for future research. In particular, a comparative study of post-exit governance adaptation or trust reconstruction strategies could make a valuable contribution to the emerging literature on platform resilience and the institutionalization of fintech. We are grateful to the reviewer for raising these points, which we have considered carefully in shaping the boundaries of the present analysis.

8. The paper could benefit from a short section acknowledging its limitations, such as:
Use of secondary data rather than interviews or proprietary datasets
Potential for rapid regulatory changes post-2024 not being reflected
Focus on large, internationally visible platforms

We thank the reviewer for this suggestion. In response, we have made two revisions to ensure that the scope and limitations of the study are clearly acknowledged and appropriately framed.

First, we have expanded the end of the subsection Justification for platform selection to clarify the rationale and implications of our case selection strategy. We now explicitly state that the study focuses on relatively prominent and surviving platforms and that, as a result, the findings are most applicable to mature, internationally visible actors rather than to smaller or failed platforms.

Second, we have added a new subsection titled “Limitations and scope conditions” at the end of the Discussion section. This addition systematically addresses the three issues raised by the reviewer: the exclusive use of secondary data, the temporal constraint related to post-2024 regulatory developments, and the generalizability of findings across the broader P2P ecosystem. This subsection aims to provide readers with a transparent understanding of the study’s empirical boundaries while affirming the relevance and robustness of its main findings within those boundaries.

Reviewer #3: Dear Editor,
Why Are Global P2P Lending Platforms Exiting Peer-to-Peer Models? A Comparative Analysis of Risks and Regulations" (Manuscript Number: FINI-D-25-00592) for Financial Innovation.

The paper analyzes leading P2P lending platforms across various continents. P2P emerged as an alternative in financial intermediation. The study shows that many platforms are moving away from this model. The authors suggest that internal risk pressures and tightening regulations drive this shift. However, some aspects need further development to improve clarity and impact.

First, the paper notes internal operational challenges but could explore more deeply how these made the P2P model unsustainable. What specific operational or strategic factors led platforms like LendingClub to retreat while others like Prosper or Funding Circle persisted? More examples and references strengthen this point.

We thank the reviewer for this thoughtful comment, which we note overlaps thematically with Reviewer #2’s point (7) regarding platform-level governance strategies and investor trust dynamics. We fully agree that examining the operational and strategic divergences among platforms, including why some retreated while others adapted, would enrich the explanation of the P2P model’s decline.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

However, as acknowledged in the revised manuscript, our study focuses on a selected group of prominent and surviving P2P platforms and is based on publicly available data. This empirical scope imposes certain limitations, particularly with respect to internal governance decisions, platform-specific trust-building strategies, or proprietary financial metrics, which are often not disclosed in sufficient detail for systematic comparison. In this context, a deep operational-level contrast between platforms like LendingClub and Prosper would require additional firm-level data or interview-based methods, which go beyond the current article's design.

That said, we recognize the value of the reviewer's suggestion and have incorporated it into the revised Conclusion section as a concrete direction for future research. Specifically, we now encourage subsequent studies to investigate platform divergence more closely through longitudinal case studies or governance-focused comparisons. These may help uncover how trust failures, risk transparency issues, or structural governance responses shaped differential trajectories in response to institutional pressure.

Please see the newly added paragraph in the Conclusion section, second-to-last paragraph) for this extension.

Section 6 introduces a "dynamic feedback loop" between internal vulnerabilities and regulatory scrutiny. The causal relationship between these factors could be clearer. Did operational weaknesses attract regulatory action, or did tightening regulations trigger internal restructuring? A diagram could help illustrate this interplay.

As the reviewer notes, the interaction between internal vulnerabilities and external regulatory scrutiny is important to the paper's argument, and clarifying the causal mechanisms enhances the paper's analytical value. In response, we have revised Section 6 to present this interplay more explicitly as a two-way process: internal weaknesses—such as misaligned risk models or operational opacity—often triggered closer regulatory scrutiny, while tightening regulatory standards in turn imposed compliance demands that many platforms found difficult to meet, thereby accelerating internal restructuring. To further support this interpretation, we have added a schematic diagram that visually represents the dynamic feedback loop between platform fragilities and institutional responses. The diagram illustrates how regulatory and operational pressures mutually reinforce each other, shaping the strategic transitions observed across multiple platforms.

The description of the sector's evolution also needs refining. While the title and abstract emphasize a "retreat" from P2P models, the paper itself notes that several platforms—such as Prosper, Funding Circle, Yiren Digital, Bondora, and Faircent—still operate P2P models, albeit with modifications. It would be more accurate to describe this as a "transformation" or "institutionalization" of the sector rather than a full retreat. Revisiting the terminology used throughout would make the analysis clearer and more balanced.

We fully agree with the reviewer that the original wording may have overstated the degree of exit across the sector. While some platforms have indeed discontinued P2P operations entirely, others have retained modified peer-to-peer structures. Therefore, it is more accurate to characterize the observed trend as a transformation of the P2P lending model, rather than a uniform retreat.

To reflect this point, we have revised the title and abstract to adopt a more balanced terminology. Specifically, we replaced "retreat" in the abstract with "transformation" to better capture the heterogeneity of platform responses. In the main text, we carefully reviewed our language throughout and adjusted the usage of terms accordingly:
• For platforms that have exited P2P lending entirely (e.g., LendingClub, Zopa), we retained the term retreat;
• For the overall trend across our case sample, we now use expressions such as retreat or transformation or simply transformation to better reflect variation among platforms.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

The manuscript notes its reliance on publicly available data, which may exclude important insights such as informal supervisory interactions or unreported internal issues. The authors should suggest future research directions that include interviews with industry stakeholders or case studies to address this gap.

This comment echoes Reviewer #2's Point 8 regarding the limitations of relying primarily on publicly available data. In response, we have revised the manuscript to address these concerns more explicitly. Specifically, we have added a new subsection titled "Limitations and scope conditions" in the Discussion section. This subsection clarifies the rationale behind our platform selection and acknowledges key limitations, including the reliance on secondary sources and the exclusion of potentially informative internal dynamics and informal regulatory interactions.

Furthermore, in the final paragraph of the Conclusion, we now explicitly identify potential directions for future research that could help address these gaps. In particular, we suggest that follow-up studies could incorporate stakeholder interviews, internal case studies, or platform-specific fieldwork to gain deeper insights into platform governance, strategic decision-making, and regulatory negotiation processes that are not readily observable from public disclosures alone.

These additions aim to clarify both the evidentiary boundaries of our analysis and the potential for complementary research to extend the findings.

The conclusion raises important points about the sustainability of decentralized financial models in regulated environments. Expanding this discussion with parallels to decentralized finance (DeFi) would greatly enhance the analysis. What lessons from P2P platforms can inform DeFi's development, and how can they avoid the same pitfalls? What innovative solutions might emerge?

We thank the reviewer for raising this insightful point. Indeed, the broader relevance of our findings to the evolution of decentralized finance (DeFi) is an important dimension that deepens the implications of this study. While our empirical focus remains on P2P lending platforms, we agree that lessons from their institutionalization and transformation offer valuable perspectives for understanding the challenges facing DeFi ecosystems as they scale and come under regulatory scrutiny.

To reflect this, we have revised a paragraph in the Conclusion section to incorporate a brief discussion of how the pressures that shaped the fate of P2P platforms may also apply to DeFi. In particular, we highlight how the institutional and regulatory frictions encountered by P2P platforms underscore the difficulties of sustaining decentralized models in formal financial systems—a lesson that could inform debates around the long-term viability of DeFi. While a full exploration of this topic lies beyond the scope of the current paper, we hope this addition lays the groundwork for future comparative research in this area.

To improve methodological clarity, the authors should provide more detail on how platforms were selected and the data sources used. A brief reflection on the broader implications of the P2P sector's evolution—such as financial inclusion, systemic risk, and investor protection—would also add value.

We appreciate the reviewer's thoughtful comments on both methodological transparency and theoretical scope.

First, regarding platform selection and data sources, we note that these issues are addressed in the original manuscript in Methodology, particularly in the Subsection Justification for platform selection. There, we describe the criteria used to select eight representative P2P platforms based on market relevance, geographic diversity, and data availability. We have also included a brief discussion of the potential limitations of this selection strategy, highlighting that the conclusions are most applicable to prominent platforms operating at scale and may not generalize to all firms in the sector.

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

	Second, on the broader implications of the P2P sector's evolution for financial inclusion, systemic risk, and investor protection, we fully agree that these are important issues. Rather than expanding the scope of the discussion within the current manuscript, we have chosen to acknowledge these themes by strengthening the theoretical context. Specifically, we have added a new subsection in Related Work and Conceptual Background, titled Platform governance and institutional adaptation, which connects our analysis to the literature on platform governance. This addition helps situate P2P platforms more explicitly within broader debates about the institutionalization of fintech, including how regulatory and operational pressures influence platform structures, risk control mechanisms, and their evolving role in the financial system. While a full exploration of financial inclusion and systemic risk would require a broader empirical base and conceptual framework, we believe these revisions help better contextualize the implications of platform transformation without extending beyond the scope of the present study.
Additional Information:	
Question	**Response**
Are you submitting this manuscript to a Thematic Series?	No

Powered by Editorial Manager® and ProduXion Manager® from Aries Systems Corporation

Cover Letter Click here to access/download;Cover Letter;CoverLetter.tex

Title:

Why Are Global P2P Lending Platforms Exiting Peer-to-Peer Models? A Comparative Analysis of Risks and Regulations

Author's Information:

Yiting Liu
Faculty of Behavioural, Management and Social Sciences (BMS), University of Twente
Drienerlolaan 5, 7522 NB Enschede, the Netherlands
E-mail: yiting.liu@utwente.nl

Joerg Osterrieder
Faculty of Behavioural, Management and Social Sciences (BMS), University of Twente
Drienerlolaan 5, 7522 NB Enschede, the Netherlands
E-mail: joerg.osterrieder@utwente.nl

Corresponding author:
Yiting Liu, yiting.liu@utwente.nl

Short Bio

Yiting Liu is a doctoral researcher at the Faculty of Behavioural, Management and Social Sciences, University of Twente, and a hired PhD student under the Swiss National Science Foundation project "Network-based credit risk models in P2P lending markets". His research focuses on credit risk modeling, graph theory, and peer-to-peer (P2P) lending. He holds an MSc in Quantitative Finance (Distinction) from the University of Manchester and a BSc in Statistics with a second major in Data Science from Fudan University. Yiting is a member of the COST Action CA19130 "Fintech and AI in Finance" and the MSCA Industrial Doctoral Network "Digital Finance." He has presented his work at leading academic conferences in financial econometrics and network science across Europe.

Joerg Osterrieder is currently an Associate Professor of Finance and Artificial Intelligence at the University of Twente, Netherlands, and a Professor of Sustainable Finance at Bern Business School, Switzerland. He also holds an advisory position on Artificial Intelligence in the ING Group's Global Data Analytics Team. With over 15 years of experience, his expertise spans across financial statistics, quantitative finance, algorithmic trading, and financial digitization.

He is the Chair of the European COST Action 19130 Fintech and Artificial Intelligence in Finance, a vast interdisciplinary network of over 270 researchers from 49 countries. As the director of the executive education course "Blockchain, Machine Learning, and Data Science in Finance," he guides learners in exploring the digital transformation of finance. Joerg is also a prime mover in annual research conferences on Artificial Intelligence in Finance.

Joerg is also the Coordinator of the Marie Slodowska-Curie Action for an Industrial Doctoral Network on Digital Finance, funded by the European Research Agency.

In the academic area, Joerg is a founding associate editor of Digital Finance, editor of Frontiers Artificial Intelligence in Finance, and an esteemed reviewer for numerous top-tier academic journals. He extends his expertise to the European Commission as an expert reviewer for the "Executive Agency for Small and Medium-Sized Enterprises" and "European Innovation Council Accelerator Pilot" programs.

Joerg's impactful collaborations with the Finance industry have led to his leadership or co-leadership in over thirty national and international research projects. These projects span a broad range of quantitative, data-driven topics.

Before his academic career, Joerg held prominent roles in the industry. He served as an executive director at Goldman Sachs and Merrill Lynch, a quantitative analyst at AHL, and a member of the senior management at Credit Suisse Group. His current endeavors involve working at the intersection of academia and industry, with a focus on implementing research findings in the financial services industry.

Declaration

Availability of data and material

Not applicable.

Competing interests

The authors declares that they have no competing interests.

Funding

This research has been supported by several institutions through funding and collaborative efforts.

First, this work is based on research from COST Action CA19130, for which the second author serves as Action Chair, and COST Action CA21163, both funded by COST (European Cooperation in Science and Technology). COST Actions support collaboration and knowledge exchange among researchers across Europe.

The second author, as Principal Investigator of multiple projects funded by the Swiss National Science Foundation (SNF), acknowledges financial support from the following grants:

- Mathematics and Fintech (IZCNZ0-174853) – Investigating the digital transformation of financial systems.
- Anomaly and Fraud Detection in Blockchain Networks (IZSEZ0-211195) – Researching fraud detection and network anomalies in decentralized finance.
- Narrative Digital Finance (IZCOZ0-213370) – Analyzing market narratives, structural breaks, and financial bubbles.
- Network-Based Credit Risk Models in P2P Lending (100018E_205487) – Developing network-based approaches for credit risk assessment.

The first author acknowledges financial support from the Narrative Digital Finance project (IZCOZ0-213370), funded by SNF.

Additionally, funding has been provided by the Leading House Asia 2023 Call for Applied Research Partnership Grants for the project Graph-Theoretic Analysis for Consumer Credit Risk Assessment in Personal Lending (ARPG_112023_8).

The second author also acknowledges the support of the Marie Skłodowska-Curie Actions (MSCA) through the European Union's Horizon Europe research and innovation program, specifically for the Industrial Doctoral Network on Digital Finance (DIGITAL, Project No. 101119635), for which he is the Coordinator. This support has contributed to research efforts in digital finance at a European level.

Further support has been provided by the European Union's Horizon 2020 research and innovation program under Grant Agreement No. 825215 for the FIN-TECH project, which focuses on financial supervision and regulatory compliance through technology-driven training initiatives.

We also acknowledge the collaboration between ING Group and the University of Twente, which has contributed to research in artificial intelligence applications in finance. Moreover, support from the International Advanced Fellowship-UBB program, funded by Babeș-Bolyai University (contract nr. 21PFE/30.12.2021, ID: PFE-550-UBB), has played a role in expanding the scope of this research.

For the purpose of Open Access, a CC BY public copyright license applies to any Author Accepted Manuscript (AAM) version arising from this submission.

Authors' Contributions

The research presented in this manuscript is a result of collaborative efforts between the authors, with each contributing specialized knowledge and skills. Their specific contributions are as follows:

Yiting Liu (YL): YL performed the analysis, conducted the literature review, drafted the manuscript, and implemented revisions.

Joerg Osterrieder (JO): JO provided the conceptual framework, supervised the research, critically reviewed the manuscript, and coordinated the overall project.

Both authors have agreed to be accountable for all aspects of the work in ensuring that questions related to the accuracy or integrity of any part of the work are appropriately investigated and resolved. Both authors have read and approved the final manuscript.

Acknowledgements

This research has been supported by several institutions through funding and collaborative efforts.

First, this work is based on research from COST Action CA19130, for which the second author serves as Action Chair, and COST Action CA21163, both funded by COST (European Cooperation in Science and Technology). COST Actions support collaboration and knowledge exchange among researchers across Europe.

The second author, as Principal Investigator of multiple projects funded by the Swiss National Science Foundation (SNF), acknowledges financial support from the following grants:

- Mathematics and Fintech (IZCNZ0-174853) – Investigating the digital transformation of financial systems.
- Anomaly and Fraud Detection in Blockchain Networks (IZSEZ0-211195) – Researching fraud detection and network anomalies in decentralized finance.
- Narrative Digital Finance (IZCOZ0-213370) – Analyzing market narratives, structural breaks, and financial bubbles.
- Network-Based Credit Risk Models in P2P Lending (100018E_205487) – Developing network-based approaches for credit risk assessment.

The first author acknowledges financial support from the Narrative Digital Finance project (IZCOZ0-213370), funded by SNF.

Additionally, funding has been provided by the Leading House Asia 2023 Call for Applied Research Partnership Grants for the project Graph-Theoretic Analysis for Consumer Credit Risk Assessment in Personal Lending (ARPG_112023_8).

The second author also acknowledges the support of the Marie Skłodowska-Curie Actions (MSCA) through the European Union's Horizon Europe research and innovation program, specifically for the Industrial Doctoral Network on Digital Finance (DIGITAL, Project No. 101119635), for which he is the Coordinator. This support has contributed to research efforts in digital finance at a European level.

Further support has been provided by the European Union's Horizon 2020 research and innovation program under Grant Agreement No. 825215 for the FIN-TECH project, which focuses on financial supervision and regulatory compliance through technology-driven training initiatives.

We also acknowledge the collaboration between ING Group and the University of Twente, which has contributed to research in artificial intelligence applications in finance. Moreover, support from the International Advanced Fellowship-UBB program, funded by Babeș-Bolyai University (contract nr. 21PFE/30.12.2021, ID: PFE-550-UBB), has played a role in expanding the scope of this research.

For the purpose of Open Access, a CC BY public copyright license applies to any Author Accepted Manuscript (AAM) version arising from this submission.

Editors-in-Chief:
Zhi Zhuo, Southwestern University of Finance and Economics, China
J. Leon Zhao, Chinese University of Hong Kong (Shenzhen), China

Managing Editor-in-Chief:
Gang Kou, Southwestern University of Finance and Economics, China

I am pleased to submit the manuscript entitled "Why Are Global P2P Lending Platforms Exiting Peer-to-Peer Models? A Comparative Analysis of Risks and Regulations" for your consideration for publication in Financial Innovation. This study investigates a recent and underexplored phenomenon in financial innovation: the strategic retreat of major peer-to-peer (P2P) lending platforms from the original decentralized intermediation model. Through a comparative analysis of eight leading platforms across North America, Europe, and Asia—including LendingClub, Zopa, and Yiren Digital—the paper explores how evolving internal risk pressures and external regulatory constraints have jointly driven platforms to abandon retail P2P operations in favor of institutional funding structures or digital banking transformations.

The analysis combines platform-level case studies with a systematic synthesis of changes in product architecture and regulatory environments. By tracing each platform's developmental trajectory, the paper identifies both common risk-related challenges—such as credit loss volatility and liquidity mismatch—and policy-induced pressures stemming from heightened investor protection mandates and financial stability concerns. In doing so, the study contributes to the broader literature on the institutionalization of financial technology, offering insights into how innovation-led platforms adapt under increasing regulatory scrutiny. It also raises critical questions regarding the sustainability of decentralized financial services in highly regulated settings.

We believe this manuscript aligns well with the journal's thematic focus on financial innovation, regulatory dynamics, and the evolution of digital intermediation models. It may be of particular interest to readers engaged in research on FinTech governance, platform economics, comparative financial regulation, and the long-term viability of peer-based financial services.

The manuscript is original, has not been published, and is not under consideration elsewhere. All co-authors have approved its submission.

Thank you for considering this work. Please feel free to contact me should you require any additional information.

Sincerely,

Yiting Liu

Yiting Liu
University of Twente

cc: Joerg Osterrieder
Professor of Sustainable Finance
Associate Professor of Finance and Artificial Intelligence
Action Chair COST Action CA19130 Fintech and Artificial Intelligence in Finance Coordinator MSCA Industrial Doctoral Network on Digital Finance

Blinded Manuscript

Click here to access/download;Blinded Manuscript;mainBlinded.tex

Why Are Global P2P Lending Platforms Transforming Their Business Models? A Comparative Analysis of Risks and Regulations

Abstract

In the past two decades, peer-to-peer (P2P) lending emerged as a disruptive innovation in financial intermediation, promising disintermediation, inclusivity, and efficiency. However, in recent years, a striking number of leading global P2P platforms—including Zopa, LendingClub, and Yiren Digital—have discontinued or significantly reduced their P2P lending operations, transitioning toward institutional funding models or digital banking structures. ~~This study investigates the underlying causes of this widespread strategic retreat from P2P lending.~~ This study investigates the underlying dynamics driving this sector-wide shift away from original P2P intermediation models, examining how internal vulnerabilities and external institutional pressures have influenced strategic realignments among leading platforms. Drawing on comparative analysis across eight prominent platforms in North America, Europe, and Asia, we trace platform evolution trajectories, identify shifts in product offerings, and examine changes in regulatory frameworks. Our findings suggest that two primary forces, internal risk pressures and escalating external regulatory constraints, have jointly driven the trend away from P2P lending. The analysis contributes to a deeper understanding of how innovation-led financial platforms evolve under institutional pressures, and raises broader questions about the sustainability of decentralized financial services in regulated environments.

Keywords: Peer-to-Peer Lending, Platform Risk, Financial Regulation, FinTech Evolution

1 Introduction

Peer-to-peer (P2P) lending emerged in the early 2000s as an innovation in financial intermediation. It provided a digital alternative to traditional banking, allowing individuals to lend and borrow funds directly via online platforms without relying on financial institutions. The early appeal of P2P lending stemmed from its promise of disintermediation, reduced borrowing costs, higher investment returns, and expanded access to credit for underserved populations (Freedman & Jin, 2017; Klafft, 2008). Platforms such as Zopa in the United Kingdom as well as LendingClub and Prosper

in the United States became pioneers in this domain, rapidly gaining traction among retail borrowers and investors (Morse, 2015). In subsequent years, the model expanded globally, with China becoming the largest P2P market by volume during the mid-2010s (Huang, 2018). This widespread adoption was supported by improvements in internet infrastructure, digital identity verification, and algorithmic credit scoring, which collectively enabled scalable and low-cost lending solutions (Bone-Winkel & Reichenbach, 2024).

Despite its rapid global expansion and early optimism, the P2P lending industry has recently entered a period of profound contraction and structural transformation. A striking number of once-prominent P2P platforms have either permanently exited the P2P lending business or shifted their core models towards institutional funding or integrated banking services. Notable examples include Zopa, which surrendered its P2P license in 2021 and became a digital bank (Zopa Bank Limited, 2021, 2023); LendingClub, which discontinued its retail P2P offerings after acquiring Radius Bank (Frankel, 2020); and Yiren Digital, which drastically restructured its consumer finance business in response to regulatory tightening in China (ECONOMIC DAILY, 2015; Nemoto, Storey, & Huang, 2019). Although these transitions differ in form, they collectively represent a broader retreat from the original P2P model that once emphasized peer-based credit risk sharing and decentralized loan funding.

These global developments raise a central research question: Why are P2P lending platforms across different jurisdictions transforming away from the original peer-to-peer model? To answer this question, this study adopts a comparative analytical approach to identify concrete drivers of the trend. ~~This paper explains the underlying causes of this global wave of platform exits from P2P lending, restructurings, or shifts in business orientation across jurisdictions.~~ This study adopts a comparative analytical approach to identify concrete drivers behind these decisions. We argue that two interrelated factors have played decisive roles: first, the persistent internal challenges associated with credit risk management; and second, the tightening of financial regulations, particularly those focused on enhancing investor protection, controlling systemic risk, and raising compliance standards (Ma, Li, & Xia, 2022; Shen, Khan, & Hammami, 2021). These forces have created a convergence of pressure that renders the original P2P lending model increasingly unsustainable both from an operational and economic point of view for major platforms operating at scale.

To investigate this phenomenon, we conduct a comparative analysis of eight representative P2P platforms across North America, Europe, and Asia. These include LendingClub, Prosper, Zopa, Funding Circle, Yiren Digital, Mintos, Bondora, and Faircent. Drawing on publicly available data, regulatory filings, and platform disclosures, we examine each platform's development trajectory, product evolution, and regulatory environment. Our aim is not only to describe platform-specific outcomes but to synthesize broader institutional and risk-based patterns that account for the observed strategic transformation from P2P lending. In doing so, this paper contributes to ongoing debates on the institutionalization of FinTech and the long-term sustainability of decentralized finance models under evolving regulatory regimes.

This study contributes to the literature on FinTech platform evolution in two important ways. First, it shifts the analytical focus from platform–user interactions to

the institutional interface between P2P platforms and their regulatory environments, highlighting how business model adaptation emerges as a response to sustained institutional pressure. Second, it adopts a longitudinal and comparative perspective to trace platform-level transformations across jurisdictions and over time. This enables a dynamic understanding of how internal operational constraints and external rule changes jointly shape strategic transformation or structural transition. In doing so, the paper offers an integrated explanation for the decline of P2P lending models, contributing to broader debates on organizational adaptation in regulated financial ecosystems.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature on P2P lending, platform-based financial intermediation, systemic vulnerabilities, and platform governance. This section also clarifies the research gap and delineates the theoretical contributions of the study. Section 3 describes the data sources, case selection rationale, and methodological approach. Section 4 investigates the internal structures of major platforms by analyzing product offerings, business model shifts, and operational choices, thereby capturing platform-specific dynamics of strategic transition. Section 5 examines the external regulatory environment across jurisdictions, mapping policy shifts and compliance demands that have reshaped platform behavior. Together, these two empirical sections provide a comprehensive account of both internal and external pressures driving platform transformations. Section 6 synthesizes the findings to highlight the interaction between internal constraints and regulatory tightening, discusses the fragmentation of the original P2P model, and outlines broader implications for platform governance and policy. Section 7 concludes.

2 Related Work and Conceptual Background

2.1 Literature on P2P lending evolution and risk exposure

P2P lending is a form of credit intermediation that enables individual borrowers to obtain loans directly from individual or institutional investors through an online platform (Eid, Yang, & Duygun, 2024). The typical lending process begins when a borrower submits a loan application, including basic financial and personal information. The platform then assesses the borrower's creditworthiness using proprietary risk models, which may incorporate credit scores, income data, and behavioral metrics (Liu, Baals, Osterrieder, & Hadji-Misheva, 2024). Based on various mechanism, the platform determines the interest rate and loan terms (Shen et al., 2021; Zhou, Ma, & Hu, 2019), and either lists the loan request in a marketplace or directly matches it with lenders. After funding, the platform services the loan, collecting repayments or handling defaults.

P2P lending differs from traditional bank lending in several key aspects. First, banks typically perform due diligence using detailed, sometimes privileged information from the applicant's full financial history and transactional data. In contrast, P2P platforms rely on limited and often self-reported borrower information, supplemented by third-party credit data where available. Second, while banks maintain loans on their balance sheets and assume the associated credit risk, P2P platforms operate under an "originate-to-distribute" model, where risk is borne by the investors rather

than the platform itself (Freedman & Jin, 2017; Lin, Prabhala, & Viswanathan, 2013). Third, banks profit from the interest rate spread between deposits and loans, whereas P2P platforms generate revenue mainly through loan origination and servicing fees, typically charged as a percentage of the loan amount or repayment volume.

2.2 The economic logic of platform-based financial intermediation

The emergence of platform-based financial intermediation, particularly in the form of P2P lending, has drawn increasing scholarly attention as an institutional response to both technological advances and the shortcomings of traditional banking systems. From the perspective of financial intermediation theory, these platforms can be understood as novel arrangements for matching borrowers and lenders without relying on deposit-taking institutions. While traditional banks combine loan origination with credit and maturity transformation, P2P platforms primarily fulfill a brokerage role, facilitating credit allocation without assuming direct exposure to credit risk (Dömötör & Ölvedi, 2021; Havrylchyk & Verdier, 2018).

Several theoretical models have sought to explain the viability and appeal of P2P platforms relative to bank lending. For instance, Ben-Yashar and Krausz (2024) develop a decision-theoretic model comparing the loan approval processes of banks and P2P platforms, showing that under certain conditions, such as less stringent regulation and distributed lending decisions, P2P platforms may extend credit more readily to risky borrowers. This supports the notion that P2P lending can complement bank credit in periods of procyclical credit contraction. Moreover, the platform model is often interpreted through the lens of multi-sided market theory, where platforms serve as intermediaries that reduce search costs, aggregate dispersed information, and coordinate matching across heterogeneous participants (Berger & Gleisner, 2009). These efficiencies are particularly relevant in environments where banks withdraw from marginal or subprime lending segments, as observed in the aftermath of the 2008 financial crisis (Bavoso, 2020). In this context, P2P lending has been theorized as a form of market-based finance capable of enhancing financial inclusion and credit access for underserved borrowers. Technological innovations in data processing and credit scoring have further reinforced the logic of disintermediated lending. Georgiev (2024) argues that FinTech platforms exploit economies of scale in information collection and leverage both financial and non-financial data to reduce frictions in credit allocation. This supports the view that platform-based intermediation may partially replicate, or even improve upon, the screening functions traditionally performed by banks.

Nevertheless, despite their economic rationale, such platforms do not engage in liquidity or risk transformation, which limits their capacity to stabilize credit over time (Havrylchyk & Verdier, 2018). This inherent limitation distinguishes them from banks and raises questions about the resilience of the platform model in the face of systemic stress or borrower defaults. As a result, platform intermediation represents a new and distinct institutional form, justified by market imperfections and technological progress, yet structurally constrained in its scope and function.

2.3 Systemic vulnerabilities of P2P lending

Beyond the micro-level risk allocation discussed in Section 2.1, which primarily concerns the voluntary assumption of credit risk by individual lenders, a growing body of literature has drawn attention to the macro-level vulnerabilities embedded in platform-based lending. These systemic concerns are not directly linked to individual defaults, but arise from the structural features of platforms, including their network topology, lack of prudential regulation, and reliance on public trust, that may generate economy-wide consequences in times of stress. For instance, Y. Li, Hao, Zhang, and Xiong (2018) and Lu, Xu, Wang, Zhao, and Wu (2018) apply network analysis to Chinese P2P markets and demonstrate how lending networks exhibit centrality concentration and path dependence, making some platforms systemically important due to their position within borrower-lender flows. Such configurations, according to these studies, increase the likelihood of contagion effects if major nodes fail. At the market level, C. Li (2022) employs conditional value-at-risk models to show how aggregate platform distress correlates with industry-wide capital flight and diminished liquidity, especially in times of elevated borrower default risk. These findings suggest that platform risk is not merely additive across loans, but may be amplificatory and self-reinforcing at the industry level. Moreover, Bavoso (2020) emphasizes that longer intermediation chains, such as those introduced by P2P securitization, introduce further opacity, undermining the original rationale of transparency and disintermediation that once legitimized P2P finance.

Several studies further highlight how platform-based lending can generate reputational spillovers and information contagion, especially in the absence of formal institutional backstops. Cheng, Leite, and Caldieraro (2022) uses the Ezubao scandal as a natural experiment to show that fraudulent platform failure significantly reduces borrower and investor activity on unrelated platforms, indicating that public trust operates at the sectoral rather than firm level. Similarly, D. Chen, Deakin, Johnston, and Wang (2021) argues that the eventual regulatory shutdown of China's entire P2P sector reflected a broader loss of confidence in the platform model, rather than isolated misconduct. These authors point to the risks of transactional ambiguity and legal fluidity in markets where innovation outpaces regulation. In light of these dynamics, researchers such as Wei (2016) and Thakor (2020) suggest that platform intermediation, despite its technological form, shares functional similarities with traditional banking and should be subject to corresponding macroprudential oversight. Taken together, this literature indicates that platform-based lending may entail systemic vulnerabilities not despite its decentralized architecture, but precisely because of it, through structural fragility, risk concentration, and sector-wide interdependence.

2.4 Platform governance and institutional adaptation

Platform governance generally refers to the set of internal rules and mechanisms that platforms design to manage user behavior and coordinate multi-party interactions (Tiwana, 2014). Although this concept originated in the study of technology platforms, it has become increasingly relevant to financial intermediation platforms, especially in

the P2P lending sector, where platforms not only match borrowers and lenders but also impose participation rules, risk controls, and disclosure standards.

Recent empirical studies illustrate how various governance mechanisms affect FinTech platform performance and user behavior. For instance, Xia, Lu, Lin, Nord, and Zhang (2023) demonstrate that users' institutional, technological, and interpersonal trust all influence their perceptions of platform governance, which in turn shapes their willingness to continue using FinTech services. Similarly, X. Chen, Hu, and Ben (2021) show that the structural design and ownership configuration of P2P platforms—such as shareholder background, credit assignment mechanisms, and trusteeship—have measurable effects on net cash inflow and overall platform sustainability. These findings suggest that governance quality is not only a matter of internal architecture but also a determinant of platform viability in increasingly competitive and regulated markets. Moreover, several studies have moved beyond internal governance to examine how platforms adapt their strategies in response to shifting institutional environments. Wang, Liu, and Zhang (2022), for example, develop a tripartite evolutionary game model to analyze the co-governance dynamics among P2P platforms, investors, and regulators during the benign exit process in China's lending sector, arguing that effective governance arises from the strategic alignment of incentives, penalties, and reputational constraints across stakeholders. Likewise, Lee and Darbellay (2022) conceptualize data governance in the FinTech sector as a multilayered institutional architecture, involving both top-down regulatory frameworks and bottom-up compliance protocols enacted by platforms themselves. These perspectives underscore that platform governance in financial settings is not merely a matter of internal rule-making, but a continuous process of adjustment shaped by external institutional pressures and evolving norms.

While these studies highlight the growing scholarly interest in how institutional environments shape platform governance, they often rely on theoretical models. This study examines how concrete regulatory changes and policy frameworks have influenced the governance structures of major P2P lending platforms across countries. By tracing platform responses to evolving market rules and supervisory mandates, the paper contributes an empirically grounded perspective to the discussion on governance adaptation in financial platforms.

2.5 Research gap and contribution of this study

~~Although a growing body of literature has examined either the internal risk structures of P2P platforms or the external regulatory challenges posed by their emergence, few studies have integrated these two dimensions to explain the large-scale transformation of P2P lending in recent years.~~ While existing literature has examined P2P lending from multiple perspectives—including micro-level risk structures, the economic rationale of platform-based intermediation, and macro-level systemic vulnerabilities—most studies analyze these dimensions in isolation. Prior work typically treats platforms either as transactional mechanisms or as nodes of financial risk, but pays less attention to how P2P platforms adapt strategically over time in response to evolving regulatory and institutional pressures. As a result, current explanations for platform retreat or transformation often remain fragmented, overlooking the organizational dynamics that link internal constraints with external rule changes.

~~This study addresses this gap by investigating why many prominent P2P platforms have closed or substantially reduced their P2P services. Rather than treating these outcomes as isolated business decisions, this paper interprets them as the result of interacting forces between platform-level vulnerabilities, such as credit risk management limitations and operational fragility, and the tightening of financial regulations aimed at preserving market integrity and protecting consumers. By tracing the trajectories of major platforms and linking them to institutional developments, this study offers an integrative and empirically grounded account of the decline of the P2P lending model.~~ This study addresses this gap by adopting a dynamic and comparative framework to examine platform retreat or transformation from P2P models across multiple jurisdictions. It makes two main contributions. First, it shifts analytical attention from platform–user interactions to the broader institutional interface between P2P platforms and regulatory systems. This reframing allows for a richer understanding of how platform strategies evolve under sustained compliance pressure and shifting supervisory regimes. Second, it offers a longitudinal analysis of platform evolution, tracing changes in product design, funding structure, and default risk management across time and context. This perspective moves beyond static typologies to show how platform outcomes are contingent on the sequencing and intensity of regulatory interventions.

3 Methodology

3.1 Data sources

The primary data sets for this study were collected from the official websites of eight major P2P lending platforms: LendingClub (https://www.lendingclub.com/), Prosper (https://www.prosper.com/), Zopa (https://www.zopa.com/), Funding Circle (https://www.fundingcircle.com/), Yiren Digital (https://www.yirendai.com/), Mintos (https://www.mintos.com/), Bondora (https://www.bondora.com/), and Faircent (https://www.faircent.com/). These platforms were selected based on their market relevance, international representativeness, and information availability. For each platform, relevant information concerning its founding background, business model evolution, operational trajectory, and market exit (where applicable) was systematically collected from public sources including official websites, annual and financial reports, platform-published disclosures, investor presentations, and archival screenshots where necessary. Given the limited availability of academic literature detailing platform-specific development histories, additional data were obtained from reputable financial news portals (Bloomberg, Financial Times, Caixin), industry white papers, regulatory announcements, and archival content preserved via web archives.

In addition to platform-level data, this study incorporates country-specific regulatory and policy information to contextualize platform operations within their respective institutional environments. Policy documents and legal texts were sourced from the official websites of national financial authorities, such as the Financial Conduct Authority (UK), the Securities and Exchange Commission (US), the European Securities and Markets Authority (Europe) and the China Banking and Insurance Regulatory Commission (China). If needed, secondary summaries from think tanks,

legal databases, and expert commentary were used to supplement official documents and trace the evolution of key regulatory changes affecting the P2P lending sector. The integration of these regulatory sources enables an analysis of how external institutional factors interact with internal operational vulnerabilities to shape platform outcomes.

3.2 Justification for platform selection

The selection of these eight P2P lending platforms is justified by several key criteria:

1. **Market leadership**: These platforms are recognized as leaders in their respective markets, either due to their large user bases, significant loan volumes, or innovative business models. For instance, LendingClub and Prosper are pioneers in the U.S. market, while Zopa holds the distinction of being the world's first P2P lending platform (Bednorz, 2023).
2. **Geographical diversity**: The platforms represent a diverse geographical spread, covering major P2P lending markets in North America, Europe, and Asia. This diversity allows for a comparative analysis of different regulatory environments, market dynamics, and platform trajectories.
3. **Comprehensive services**: These platforms offer a wide range of financial products and services, from personal loans to business financing, and in some cases, auxiliary services such as investment management and credit scoring.
4. **Reputation and influence**: The selected platforms have established strong reputations and exert considerable influence on industry norms and investor expectations. Their developments often serve as bellwethers for the direction of the global P2P lending sector.

While the selected platforms provide meaningful coverage of major P2P markets and business models, we acknowledge certain limitations inherent in the sampling strategy. First, this study relies on publicly available data, which may not capture internal deliberations, informal regulatory interactions, or proprietary risk assessments that shaped strategic decisions. Second, the analysis focuses on relatively prominent and surviving platforms, excluding smaller or defunct platforms whose experiences might reveal additional patterns of fragility or failure. As such, our findings primarily reflect the trajectories of more resilient or visible actors in the industry. The conclusions drawn should therefore be understood as most applicable to platforms that have reached a certain scale or visibility and may not generalize to the broader population of smaller, short-lived, or regionally confined firms. Nevertheless, given the broad geographical scope, diversity of institutional contexts, and inclusion of both exited and transformed platforms, we believe the selected cases offer a representative basis for analyzing key drivers of platform evolution.

3.3 Research design and methodological approach

This study adopts a qualitative, multiple-case comparative approach to investigate the institutional and operational dynamics underlying the retreat or transformation of major P2P lending platforms. Each platform is treated as a distinct case, situated

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65

within its respective regulatory and market context. The aim is to identify recurring patterns in internal business model vulnerabilities and the role of external interventions in shaping platform outcomes. Particular emphasis is placed on tracing the interaction between platform-level fragilities (e.g., risk management deficiencies, liquidity mismatches, scalability limits) and regulatory responses, including both formal legal enforcement and informal supervisory adjustments. Through cross-case comparison, the study uncovers shared causal mechanisms as well as divergences shaped by local institutional configurations. This design directly supports the study's broader objective: to explain how the interplay of internal operational risks and external regulatory pressures drives platform exits, restructurings, or shifts in business orientation across jurisdictions.

4 Business Model and Products: Internal Structures and their Role in Strategic Transition

To investigate the endogenous causes behind platform exits and strategic transitions in the P2P lending sector, we first examine the business model configurations and product structures adopted by major market participants. P2P platforms are approached not merely as service providers, but as institutional arrangements that embed specific operational logics, incentive structures, and risk-bearing mechanisms. By analyzing what platforms offer, how their products are structured, and how their loan and investment processes are organized, we uncover internal factors that may have contributed to their eventual retreat from or transformation within the P2P model.

To this end, we review the eight representative platforms along six key dimensions:

- What financial products does the platform offer?
- Does the platform allow loan applications? If so, who can apply for these loans (individuals, SMEs, institutions, etc.)?
- Does the platform allow investments? If so, who can invest (individuals, SMEs, institutions, etc.)?
- Is the platform still operating P2P lending products?
- If the platform is still operating P2P lending products, what is the business model? For instance, do investors directly choose borrowers, or does the platform allocate funds on their behalf?
- Who bears the default risk if the platform still operates P2P lending products? Is it the investors or the platform itself?

These questions, though focused on operational features, provide the foundation for assessing each platform's internal configuration. Following the descriptive review, we offer a brief analytical reflection for each case, identifying potential internal causes for the changes in the P2P lending structure.

4.1 Platform analysis

LendingClub

- Financial products offered: LendingClub provides a variety of financial products including personal loans, auto refinancing, patient solutions loans, and small business loans. Additionally, LendingClub offers banking products such as high-yield savings accounts, checking accounts, and certificates of deposit (CDs).
- Loan Application: LendingClub allows individuals and small businesses to apply for loans. Borrowers can apply for personal loans ranging from $1,000 to $40,000, with terms of 2 to 5 years. Small business loans are also available, catering specifically to the financial needs of SMEs.
- Investment opportunities: LendingClub permits both individual and institutional investors to invest in loans. Historically, investors could purchase fractional shares of loans, known as "notes," which represented portions of borrower loans. This allowed investors to diversify their investments across multiple loans to mitigate risk. However, it is important to note that LendingClub has transitioned its business model and no longer offers new "notes" as part of its investment opportunities. Currently, LendingClub focuses on whole loan sales to institutional investors, thus moving away from the traditional P2P lending model that initially allowed retail investors to fund loans directly.
- LendingClub no longer operates a traditional P2P lending model where individual investors directly fund loans to borrowers. This significant shift occurred after LendingClub acquired Radius Bank in 2021. The company has transitioned to a marketplace banking model, integrating traditional banking services with its lending platform. This change was driven by strategic business decisions to streamline operations and enhance financial stability. While the specific reasons for discontinuing the P2P model were not detailed extensively, it is clear that the transition allows LendingClub to leverage banking capabilities and offer a more comprehensive suite of financial products, catering primarily to institutional investors for loan funding.
- P2P lending model: Historically, LendingClub operated as a P2P platform where investors could directly choose which loans to fund.
- Default Risk: In LendingClub's previous P2P model, the default risk was borne by the investors who purchased the notes.

LendingClub's decision to exit the traditional P2P model appears to reflect several internal considerations. In its early model, retail investors directly bore the default risk by purchasing fractional loan notes. While this allowed for portfolio diversification, it also relied heavily on investor trust in the platform's underwriting and servicing. Over time, managing a large number of retail investors may have increased operational burdens. By acquiring a banking license and shifting to institutional loan sales, LendingClub moved toward a more stable and controllable funding model, suggesting that its original P2P structure had become difficult to sustain.

Prosper

- Financial products offered: Prosper offers a range of financial products including personal loans, home equity loans (HELoans), home equity lines of credit (HELOCs), and credit cards. The platform allows borrowers to obtain personal loans ranging

from $2,000 to $50,000, which can be used for various purposes such as debt consolidation, home improvement, and healthcare financing. Additionally, Prosper provides home equity products up to $500,000 and credit cards with limits up to $3,000.

- Loan application: Prosper allows individuals to apply for loans. Borrowers can apply for personal loans as well as home equity products. The application process is designed to be quick, with the possibility of receiving funds as soon as the next business day after completing all necessary requirements.
- Investment opportunities: Prosper permits individuals to invest in personal loans through its platform. Investors can purchase notes that correspond to portions of borrower loans, allowing them to diversify their investments across multiple loans. This investment opportunity is available to both individual and institutional investors, offering average historical returns of around 5.7%.
- Current status of P2P products: Prosper continues to operate as a P2P lending platform, allowing investors to fund personal loans directly. The platform has maintained its P2P model, enabling investors to choose loans based on their criteria, thus retaining the essence of P2P lending.
- P2P lending model: Prosper operates on a model where investors can directly select the loans they wish to fund. Borrowers list their loan requirements, and investors can browse these listings to choose loans that match their investment preferences. This model provides transparency and control to investors in managing their portfolios.
- Default risk: In Prosper's P2P lending model, the default risk is borne by the investors who purchase the notes. While Prosper provides risk assessments and credit scoring to aid investment decisions, the ultimate risk of borrower default lies with the investors.

Compared to platforms that have exited the P2P model, Prosper has preserved its original disintermediated structure. Its product offering remains relatively focused on personal finance, and the platform continues to support direct matching between retail investors and borrowers. This suggests that Prosper has so far managed to align its operational model with its scale and market niche. The absence of banking integration or major structural overhaul indicates that Prosper has not experienced the same degree of internal misalignment or business model strain, at least not to the extent requiring transformation.

Zopa

- Financial products offered: Zopa offers a range of financial products including personal loans, auto loans, credit cards, and savings accounts. The savings products include Smart Saver, Smart ISA, and Fixed Term Savings accounts. These products are designed to cater to various financial needs such as debt consolidation, home improvement, and general personal finance.
- Loan application: Zopa allows individuals to apply for loans. The platform provides personal loans and car finance options. Borrowers can apply for these loans online, with the application process designed to be straightforward and user-friendly.
- Investment opportunities: Zopa no longer offers traditional P2P investment opportunities. The platform closed its P2P lending business in January 2021 to focus on

becoming a fully regulated digital bank. This decision was made to enhance regulatory compliance and operational efficiency, providing a broader range of financial services through Zopa Bank.

- Current status of P2P products: As of now, Zopa does not operate any P2P lending products. The company transitioned away from the P2P model in 2021 to focus entirely on its banking operations and other financial services.
- P2P lending model: Historically, Zopa operated a P2P lending model where investors could fund loans directly to borrowers. However, this model has been discontinued, and Zopa now functions solely as a digital bank.
- Default risk: During its operation of the P2P model, the default risk was borne by the investors.

Zopa's withdrawal from the P2P lending space reflects a broader strategic transformation rather than a short-term operational response. As the first P2P platform globally, Zopa successfully scaled its retail investment model for over a decade, maintaining a relatively focused set of personal finance products. However, the shift toward digital banking suggests an internal reassessment of long-term viability. The decision to cease P2P services and pursue a banking license points to a desire for more stable funding sources and tighter control over compliance and capital adequacy. While Zopa did not publicly attribute this change to internal fragility, the move away from retail investor intermediation suggests challenges in sustaining the original marketplace model under growing operational and regulatory demands.

Funding Circle

- Financial products offered: Funding Circle provides a variety of financial products tailored to small businesses. These include business term loans, lines of credit, asset finance, and specialized loans under the Recovery Loan Scheme (RLS). Business loans range from £10,000 to £500,000 with terms up to 6 years, while lines of credit can range from £1,000 to £250,000. Asset finance options are available for funding vehicles, equipment, or machinery with loans up to £5 million.
- Loan application: Funding Circle allows SMEs to apply for loans. The platform specifically targets established small businesses, with criteria such as a minimum of two years in business and a minimum annual revenue of £50,000. Applicants must also meet certain credit requirements.
- Investment opportunities: Funding Circle permits both individual and institutional investors to invest in SME loans through its platform. Investors can diversify their investments across multiple loans to mitigate risk. The platform offers attractive returns by enabling investors to lend directly to small businesses.
- Current status of P2P products: Funding Circle continues to operate its P2P lending model, allowing investors to fund business loans directly. The platform has maintained its focus on P2P lending for small businesses, leveraging technology to facilitate these loans.

- P2P lending model: Funding Circle operates on a model where investors fund loans directly to small businesses. Investors can select loans based on their criteria, providing transparency and control over their investment choices. The platform also manages the loan servicing and collection processes.
- Default risk: In Funding Circle's P2P lending model, the default risk is borne by the investors who lend money to businesses. While Funding Circle provides detailed credit assessments and risk ratings to aid investment decisions, the ultimate risk of borrower default remains with the investors.

Funding Circle's business model remains rooted in SME-focused lending, with no publicly confirmed retreat from the P2P structure. Nonetheless, several features of its design reveal potential internal constraints. The platform targets a narrow borrower segment—established SMEs with minimum revenue thresholds—which may limit borrower volume and challenge scalability. Additionally, investors retain default risk, meaning that the platform must maintain robust credit assessments and servicing operations to preserve investor trust. While the platform still permits individual investment, the growing complexity of business loan underwriting and the platform's expanding engagement with institutional capital suggest a potential shift toward more centralized funding mechanisms in the future. These features highlight Funding Circle's efforts to balance transparency and operational control, while navigating the demands of a complex borrower segment.

Yiren Digital

- Financial products offered: Yiren Digital, also known as Yirendai, provides a range of financial products including personal loans, wealth management services, and insurance products. The platform primarily focuses on offering unsecured personal loans to meet various consumer needs such as home renovation, travel, and medical expenses. In addition, Yiren Digital has expanded its offerings to include wealth management products that cater to investors seeking diversified investment options.
- Loan application: Yiren Digital allows individuals to apply for personal loans. The platform targets high-growth potential individuals who may not have access to traditional banking services. The application process is facilitated online, leveraging big data and machine learning for credit risk assessment and loan approval.
- Investment opportunities: Yiren Digital offers investment opportunities primarily through its wealth management platform, where investors can choose from a variety of financial products designed to provide steady returns. However, specific details about the investment opportunities and whether they are available to individuals, small businesses, or institutions were not explicitly provided on the platform's website.
- Current status of P2P products: Yiren Digital continues to operate its P2P lending products. The platform maintains a focus on personal loans facilitated through advanced technology to ensure efficient loan matching and risk management.
- P2P lending model: Yiren Digital operates a P2P lending model where investors do not directly select borrowers. Instead, the platform uses an algorithm to match lenders with borrowers, optimizing the allocation of funds based on risk assessments

and borrower profiles. This model ensures that the process remains efficient and scalable.

- Default risk: In Yiren Digital's P2P lending model, the default risk is typically borne by the investors. The platform provides detailed credit assessments to help investors make informed decisions, but the ultimate risk of borrower default lies with the lenders.

Yiren Digital's operational structure reflects several features that may contribute to internal fragility. The platform relies on algorithmic matching to allocate funds between investors and borrowers, which helps streamline processes but limits transparency and control for lenders. Unlike traditional P2P models where investors actively select loans, this automated system reduces investor agency while preserving exposure to default risk. Additionally, the platform's expansion into wealth management and insurance suggests a move to diversify income sources beyond lending, which may imply that the core lending business alone is insufficiently resilient or scalable.

Bondora

- Financial products offered: Bondora provides a variety of financial products primarily focused on consumer loans and investment opportunities. The platform's flagship product is "Go & Grow," an automated investment service that allows users to invest in loan portfolios with expected returns of up to 6.75% per annum. Bondora also offers Portfolio Manager and Portfolio Pro, which enable investors to customize their investment strategies based on risk preferences and loan selection criteria.
- Loan application: Bondora allows individuals to apply for consumer loans. Borrowers can apply for personal loans directly through the platform, which offers a streamlined and quick loan approval process. The platform caters primarily to individual consumers, providing them with accessible credit options.
- Investment opportunities: Bondora offers several investment opportunities to individuals. Investors can choose from Go & Grow, Portfolio Manager, and Portfolio Pro, each providing different levels of control and automation. These options are designed to cater to both novice investors looking for simplicity and experienced investors seeking more control over their portfolios.
- Current status of P2P products: Bondora continues to operate its P2P lending model, allowing investors to invest in loans issued to borrowers across Europe. The platform has maintained its P2P structure, with investments primarily funneled through the Go & Grow product, which simplifies the investment process and provides automated portfolio management.
- P2P lending model: Bondora operates on a model where investors can choose to manually select loans via Portfolio Pro or automate their investments through Go & Grow and Portfolio Manager. This model ensures a balanced approach, offering both direct loan selection and automated investment strategies for diversifying portfolios.
- Default risk: In Bondora's P2P lending model, the default risk is borne by the investors. The platform provides detailed risk assessments and loan ratings to help investors make informed decisions. However, the ultimate risk of borrower default

lies with the investors themselves, which is a common structure in P2P lending platforms.

Bondora's product design emphasizes investor convenience through automation, but this comes with reduced control over individual credit selection. The centrality of Go & Grow in its investment structure reflects a shift toward simplicity and accessibility, particularly for retail investors. However, this model relies heavily on the platform's internal risk assessment and portfolio allocation strategies, creating potential opacity in loan-level decision-making. Additionally, available data indicate a rising trend in default rates in recent years, suggesting that the long-term sustainability of the model may depend on the platform's ability to adapt its underwriting practices and maintain portfolio quality under growing scale.

Faircent

- Financial products offered: Faircent offers a range of financial products primarily focused on P2P lending. These include personal loans and business loans. The platform connects borrowers and lenders directly, providing a virtual marketplace for loan transactions. Faircent also offers various investment plans for lenders, such as Fixed Term, Monthly Income, and On-Demand plans, which are designed to suit different investment needs and preferences.
- Loan application: Faircent allows individuals and businesses to apply for loans. Borrowers can apply for personal loans or business loans directly through the platform. The application process involves a comprehensive verification of the borrower's personal, financial, and professional information to ensure creditworthiness and repayment capability.
- Investment opportunities: Faircent permits individuals to invest in loans. Investors can choose from different investment plans, allowing them to pool their money into a diverse mix of loans offered to pre-verified borrowers. The platform uses advanced data analytics to match lenders with creditworthy borrowers, providing a transparent and efficient investment process.
- Current status of P2P products: Faircent continues to operate its P2P lending model actively. The platform is regulated by the Reserve Bank of India (RBI) as an NBFC-P2P, ensuring compliance with financial regulations and maintaining its status as a leading P2P lending marketplace in India.
- P2P lending model: Faircent operates a P2P lending model where investors do not directly choose individual borrowers. Instead, the platform uses algorithms to match lenders with suitable borrowers based on various parameters. This approach helps streamline the lending process and ensures efficient allocation of funds.
- Default risk: In Faircent's P2P lending model, the default risk is borne by the investors. The platform provides detailed assessments and continuous monitoring to help manage and mitigate risk, but the ultimate responsibility for potential defaults lies with the lenders themselves.

Faircent's model emphasizes automated credit matching and diversified loan pooling, which lowers the burden on individual investors to assess borrower risk manually. This strategy may improve efficiency and scalability but also reduces transparency

in credit selection. The platform's expansion into multiple investment plans and the absence of granular investor control point to a system increasingly reliant on internal algorithms and credit scoring mechanisms. While Faircent remains active in the Indian market under RBI regulation, its long-term sustainability will likely depend on the effectiveness of these algorithmic risk assessments in managing default exposure under varying economic conditions.

4.2 Concluding Remarks on Internal Factors

This section has examined the evolution and structural features of eight major P2P lending platforms, focusing on their business models, financial products, and operational configurations. Through a platform-by-platform analysis, several common patterns and divergences emerge regarding the internal factors that have shaped strategic transitions in the P2P sector.

First, product offerings and investment structures varied significantly across platforms, reflecting different market strategies and risk allocations. Some platforms, such as LendingClub and Zopa, initially adopted models centered on retail investors funding standardized consumer loans but eventually transitioned toward bank-based or institutional models. Others, like Prosper and Funding Circle, have continued to operate P2P structures, albeit with refinements in loan matching and investor engagement. These shifts suggest that the sustainability of the P2P model is closely linked to the platform's ability to manage investor trust, credit performance, and product scalability.

Second, several platforms displayed signs of operational strain or model adaptation that point to underlying fragilities. For instance, complex loan servicing logistics, thin or opaque secondary markets, and the burden of maintaining regulatory compliance for retail investment products were recurring challenges that likely motivated business model reconfiguration. In some cases, such as Yiren Digital and Faircent, the introduction of algorithm-based loan allocation and institutional-style underwriting reflects a move toward tighter platform control over credit risk, albeit without formally abandoning P2P principles.

Taken together, these cases illustrate that internal operational considerations—including scalability, investor risk exposure, and cost-efficiency—play a pivotal role in shaping platform-level decisions to retain, transform, or exit the P2P model. While each platform's trajectory is shaped by its specific market context and institutional constraints, the patterns suggest that endogenous pressures, rather than exogenous shocks alone, are central to understanding the decline or adaptation of P2P lending platforms.

5 Regulatory Environment and External Pressures

This section investigates the external institutional factors that have shaped the strategic choices of P2P lending platforms, with particular attention to regulatory frameworks and supervisory dynamics. As platforms scaled and attracted broader public and policy attention, regulatory scrutiny intensified, reshaping their operational boundaries and compliance obligations. By examining how P2P lending is regulated

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65

across different jurisdictions, and how specific regulatory changes influenced platform behavior, we aim to understand the extent to which external institutional pressures contributed to platform transformations or exits. Through this analysis, we assess how legal, supervisory, and policy environments constrained or enabled the sustainability of disintermediated lending models.

5.1 LendingClub

Regulatory environment

LendingClub has operated under an increasingly stringent regulatory framework since its inception. As a P2P lending platform, it was subject to both federal and state-level oversight, including registration of loan offerings as securities with the U.S. Securities and Exchange Commission (SEC) and compliance with investor protection and disclosure rules. This positioning required ongoing monitoring, standardized documentation, and investor risk disclosures.

A major regulatory shift occurred in 2021 when LendingClub acquired Radius Bancorp and became a regulated digital bank. This transformation brought the company under the authority of the Office of the Comptroller of the Currency (OCC) and the Federal Reserve. As a banking institution, LendingClub became subject to expanded compliance obligations, including capital adequacy requirements, anti-money laundering (AML) protocols, and the Community Reinvestment Act (CRA) (12 CFR Part 25).

Regulatory changes and impact

The shift to a banking model directly impacted LendingClub's ability to sustain its original P2P lending framework. Compliance with bank-level regulatory standards increased the operational complexity of offering loan "notes" to retail investors. Meeting requirements in areas such as credit risk control, IT security, and internal oversight became more resource-intensive. In this context, the company chose to discontinue its retail-facing P2P investment offerings and focus on institutional whole loan sales. This transition reflects a strategic response to the regulatory environment, where integration into a unified banking framework was seen as more compatible with long-term operational and compliance goals.

5.2 Prosper

Regulatory environment

Prosper operates within a layered regulatory framework that combines federal oversight with diverse state-level requirements. As one of the earliest P2P platforms in the U.S., Prosper is subject to the rules of the U.S. Securities and Exchange Commission (SEC), which requires registration of loan offerings as securities and mandates ongoing disclosure and transparency to protect retail investors. In addition, Prosper must comply with lending laws across the various states in which it operates. These include rules governing interest rates, borrower eligibility, and consumer protection standards, which collectively shape the platform's operational boundaries and loan origination practices.

Regulatory changes and impact

Since its inception, Prosper has had to file regular disclosures with the SEC, including information on financial performance, risk exposures, and loan quality. This requirement has ensured a baseline of transparency and supported investor confidence in the platform. Prosper is also subject to supervision by the Consumer Financial Protection Bureau (CFPB), which enforces federal consumer finance protections related to marketing, data handling, and borrower complaint mechanisms. Additionally, navigating heterogeneous state regulations has compelled Prosper to tailor aspects of its product offerings—such as interest rates and licensing structures—to local jurisdictions.

These evolving regulatory obligations have shaped Prosper's internal processes, leading to more stringent credit risk evaluation and enhanced borrower screening systems. While the platform has remained committed to the P2P model, the regulatory burden has influenced its operational architecture and compliance investments (Knowledge at Wharton, 2014).

5.3 Zopa

Regulatory environment

Zopa operated under the supervision of the UK Financial Conduct Authority (FCA), which began regulating the P2P lending sector in 2014 with the introduction of interim permissions. These initial rules required platforms to segregate client funds, implement robust credit risk assessment procedures, and clearly communicate investment risks to retail users (FCA, 2019). In 2020, Zopa was granted a full banking license by the Prudential Regulation Authority (PRA) and the FCA, which brought the company under a stricter regulatory regime, including Basel-aligned capital requirements, more extensive AML obligations, and comprehensive consumer protection standards (Finextra, 2016; Zopa Bank Limited, n.d.).

Regulatory changes and impact

Regulatory tightening in the late 2010s significantly increased compliance demands for UK-based P2P platforms. In 2019, the FCA introduced new rules aimed at strengthening retail investor protection. These included appropriateness tests for new investors, restrictions on the proportion of assets that retail clients could invest in P2P products (capped at 10% initially), and mandatory publication of platform-level performance data (FCA, 2018). These requirements increased both the operational complexity and the cost of maintaining a P2P structure targeted at the general public.

Zopa responded to these developments by winding down its P2P lending business and redirecting its focus toward regulated banking services. The closure of its P2P operations was announced in December 2021, following a gradual transition away from investor-funded loans. The decision was motivated by the increasing regulatory burden and the strategic clarity afforded by a unified banking model. By exiting the P2P sector, Zopa aligned its business entirely with the regulatory framework applicable to banks, reducing compliance fragmentation and enabling the consolidation of lending, deposits, and credit card services under a single institutional structure.

5.4 Funding Circle

Regulatory environment

Funding Circle operates across multiple jurisdictions, including the United Kingdom, the United States, and several European countries. In the UK, it is regulated by the Financial Conduct Authority (FCA), which enforces standards related to capital adequacy, investor protection, risk management, and transparency (FCA, 2023). In the US, Funding Circle is subject to oversight by both federal and state authorities, including the Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB). These agencies require compliance with securities regulations, consumer protection laws, and fair lending standards.

Regulatory changes and impact

In the UK, Funding Circle has complied with evolving FCA rules that aim to strengthen the resilience of the P2P sector. These include requirements on segregation of client funds, standardized credit risk disclosure, regular loan performance reporting, and the implementation of investor appropriateness tests. In the US, SEC requirements have compelled the platform to treat its loan offerings as securities, necessitating public disclosures and standardized investor communications. The CFPB further oversees borrower-facing practices, including servicing transparency and consumer complaint resolution (CFPB, 2023).

Following the UK's withdrawal from the European Union (Brexit), Funding Circle encountered new compliance requirements for operating in individual EU member states. These country-specific regulatory adjustments, combined with the loss of regulatory passporting, contributed to the platform's decision to gradually scale back its operations in certain European markets. Across jurisdictions, Funding Circle is also subject to anti-money laundering (AML) and know-your-customer (KYC) regulations, which necessitate robust procedures for identity verification and transaction monitoring (HM Treasury, 2024). While these requirements are standard in the financial sector, they place ongoing demands on operational infrastructure and may pose challenges for platforms aiming to maintain a scalable, retail-focused P2P model.

5.5 Yiren Digital

Regulatory environment

Yiren Digital operates under a dual-layered regulatory framework involving both domestic and international oversight. In China, the platform is subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC, https://www.nfra.gov.cn), which oversees financial stability and consumer protection within the FinTech sector. Internationally, as a company listed on the New York Stock Exchange (NYSE), Yiren Digital also complies with regulatory requirements set by the U.S. Securities and Exchange Commission (SEC), including financial disclosures and governance standards.

Regulatory changes and impact

In 2019, Chinese authorities introduced sweeping regulatory reforms aimed at restructuring the P2P lending industry. These measures included caps on outstanding loan balances, heightened disclosure obligations, and strengthened risk management

requirements. In response, Yiren Digital substantially scaled down its P2P operations and began transitioning toward a broader digital finance model.

As part of this transition, Yiren Digital expanded into areas such as wealth management and insurance services, which fall under a different regulatory regime governed by the CBIRC. The firm's compliance efforts shifted accordingly, focusing on areas such as suitability assessments, consumer protection, and capital adequacy within the broader digital finance framework.

Yiren Digital's status as an NYSE-listed entity also entails adherence to SEC-mandated reporting practices. This includes periodic filings, transparency in risk disclosures, and compliance with corporate governance norms applicable to foreign issuers in U.S. capital markets.

Overall, these regulatory shifts—both domestic and international—have prompted Yiren Digital to adapt its business model, enhance its compliance capabilities, and realign its operations with evolving supervisory expectations.

5.6 Mintos

Regulatory environment

Mintos operates under a regulatory regime primarily governed by the Financial and Capital Market Commission (FKTK) in Latvia and adheres to the Markets in Financial Instruments Directive II (MiFID II) (European Securities and Markets Authority, 2014) of the European Union. The platform is licensed as an investment firm, which subjects it to high standards for investor protection, transparency, and financial reporting. This classification entails obligations such as asset segregation, disclosure requirements, and conduct of business rules comparable to those imposed on traditional investment service providers.

Regulatory changes and impact

To comply with MiFID II, Mintos must segregate client funds from its own operational accounts. This arrangement ensures that investors' assets are protected in the event of platform insolvency or financial distress, reinforcing trust in the platform's structural safeguards.

Mintos also participates in Latvia's investor compensation scheme, established under EU Directive 97/9/EC (Official Journal L 084, 1997). This scheme guarantees compensation of up to 90% of net investor losses, capped at €20,000, in cases where the platform fails to return financial instruments or funds. This mechanism offers additional reassurance to retail investors.

As part of its regulatory obligations, Mintos implements rigorous Anti-Money Laundering (AML) and Know Your Customer (KYC) procedures, requiring identity verification for both borrowers and investors. These measures are essential for mitigating financial crime risks and ensuring legal compliance.

In addition, Mintos is subject to ongoing supervisory audits and reporting requirements. These include maintaining detailed transaction records, reconciling investor accounts, and submitting regular reports to the FKTK. Such oversight aims to preserve platform stability and enforce regulatory discipline across all aspects of its operations.

Mintos's status as an investment firm under MiFID II imposes strict safeguards on investor assets and transparency obligations. While such rules enhance investor protection, they also require substantial compliance infrastructure. For instance, obligations to segregate client funds, implement AML/KYC protocols, and maintain ongoing audit readiness increase administrative complexity. Although Mintos has adapted to these requirements, it is reasonable to infer that the regulatory demands—especially those tied to EU-wide harmonization and cross-border investment—may constrain product innovation or raise entry barriers for new retail investors. However, the platform's continued expansion suggests that it has so far managed to align compliance with operational scalability.

5.7 Bondora

Regulatory environment

Bondora operates within the European Union's financial regulatory framework and is supervised by the Estonian Financial Supervision Authority (EFSA), reflecting its headquarters in Estonia. The platform is subject to EU-wide regulations, including the Markets in Financial Instruments Directive II (MiFID II), which imposes investor protection standards, disclosure obligations, and operational integrity requirements. In addition, Bondora complies with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations, mandating identity verification for both investors and borrowers to prevent misuse of the platform for illicit financial activity.

Regulatory changes and impact

As EU financial regulations have evolved, Bondora has adjusted its internal systems accordingly. MiFID II, in particular, has required the platform to enhance fund segregation practices and risk disclosures. Bondora also undergoes periodic audits and publishes annual financial statements reviewed by independent auditors, contributing to transparency and regulatory accountability.

The platform has responded to ongoing regulatory developments by upgrading data protection and financial reporting systems, in alignment with broader EU directives. While such measures contribute to investor confidence, they also introduce operational complexity. It is plausible that these cumulative compliance requirements influence the pace of platform innovation and the expansion of retail-facing services.

5.8 Faircent

Regulatory environment

Faircent operates within India's formal regulatory framework for P2P lending, established by the Reserve Bank of India (RBI). In 2017, the RBI issued a set of comprehensive guidelines specifically targeting non-banking financial companies engaged in P2P lending. These rules created a new institutional category—NBFC-P2P—under which Faircent is registered pursuant to Section 45 IA of the Reserve Bank of India Act, 1934 (RBI, 2017). As an NBFC-P2P, Faircent is required to meet defined operational, prudential, and disclosure standards to ensure platform integrity, borrower protection, and investor transparency.

Regulatory changes and impact

The RBI's framework imposes specific caps on lending exposure: a single lender may lend no more than INR 50,000 to any individual borrower, and the total exposure across all borrowers may not exceed INR 10 lakhs. Additionally, P2P platforms must carry out credit assessments, risk profiling, and maintain escrow accounts administered by a trustee bank. These measures are intended to manage credit concentration risks and safeguard investor funds.

Faircent is also subject to India's data protection requirements under the Information Technology Act, 2000, which govern the collection, storage, and handling of sensitive personal data. These regulations require platforms to implement robust privacy and cybersecurity protocols.

In parallel, Faircent must comply with national AML and KYC regulations, ensuring full identity verification for all borrowers and lenders on the platform. This supports anti-fraud efforts and aligns with India's broader financial system safeguards.

These cumulative regulatory obligations have led Faircent to invest in compliance infrastructure, including automated KYC systems, data security protocols, and algorithmic credit assessments. While these changes improve risk control and investor protection, they also increase operational complexity. Nevertheless, Faircent has continued operating under the NBFC-P2P model, indicating its institutional adaptation to the regulatory framework.

6 Discussion

The comparative analysis of eight major P2P lending platforms highlights both shared and jurisdiction-specific drivers behind the widespread retreat or transformation from traditional P2P business models. This section synthesizes findings from the business model and regulatory analyses to discuss the interaction between internal operational dynamics and external regulatory environments in shaping platform outcomes. In addition, a concluding subsection reflects on the limitations of the study's data sources, temporal scope, and case selection criteria, clarifying the conditions under which the findings are most applicable.

6.1 Limitations and scope conditions

While this study provides a comparative account of the retreat or transformation from peer-to-peer lending models across major platforms, several limitations should be acknowledged. First, the analysis relies exclusively on secondary data, including publicly available platform disclosures, regulatory filings, and financial news sources. Although such materials are rich and diverse, they may not capture informal supervisory interactions, internal decision-making processes, or stakeholder perspectives that would be accessible through interviews or proprietary datasets. Future research using qualitative fieldwork or platform-level data could deepen our understanding of strategic motivations and regulatory negotiation.

Second, the findings are based on developments observed up to early 2024. Given the fast-changing nature of FinTech regulation, especially in areas such as decentralized finance and AI-enabled credit scoring, it is possible that more recent shifts—such

as renewed regulatory interest or re-entry of retail-focused models—are not fully captured in this analysis.

Third, the paper focuses on a subset of prominent, internationally visible platforms that have played leading roles in their respective markets. While this selection enables cross-national comparison and institutional synthesis, it also means that the findings should be interpreted with reference to this specific segment of the industry. The conclusions drawn are therefore most applicable to mature platforms operating at scale, and should not be assumed to generalize to smaller, short-lived, or regionally confined platforms whose developmental dynamics may differ substantially.

These limitations notwithstanding, the study provides a robust and empirically grounded account of how platform fragilities and institutional pressures have jointly shaped the evolution of the P2P lending model across jurisdictions.

6.2 Interplay between internal risks and external regulatory pressures

Across the observed cases, two recurring factors emerged as decisive: internal challenges in managing platform-based credit risk and increasing regulatory constraints on investor-facing financial services. While some platforms, such as Prosper and Funding Circle, have maintained P2P features, most others have either ceased P2P operations entirely or restructured their models to limit direct peer-based intermediation. To better illustrate the dynamic interplay, Figure 1 presents a simplified feedback loop between internal platform vulnerabilities and external regulatory responses. The loop captures how operational frictions within P2P platforms often provoke regulatory scrutiny, which in turn leads to tighter compliance demands and pressures for structural adaptation—thereby reinforcing the cycle.

Internally, platforms faced increasing complexity in credit risk assessment, loan servicing, and investor communication as they scaled. For example, LendingClub and Zopa exited the P2P space in favor of digital banking structures that allowed for centralized capital management and enhanced compliance oversight. Other platforms, such as Yiren Digital and Bondora, introduced algorithmic fund allocation to reduce the operational burden of investor-level loan selection while retaining a nominal P2P model.

Externally, platforms encountered a tightening regulatory landscape. In the UK, the FCA introduced retail investment restrictions; in China, regulatory interventions led to the effective closure of the sector; in the U.S., layered federal and state oversight treated loan participations as securities. EU-based platforms adapted to MiFID II standards, while India established an NBFC-P2P category with defined prudential norms. These developments signaled a convergence of regulatory practices that raised compliance thresholds for P2P lending.

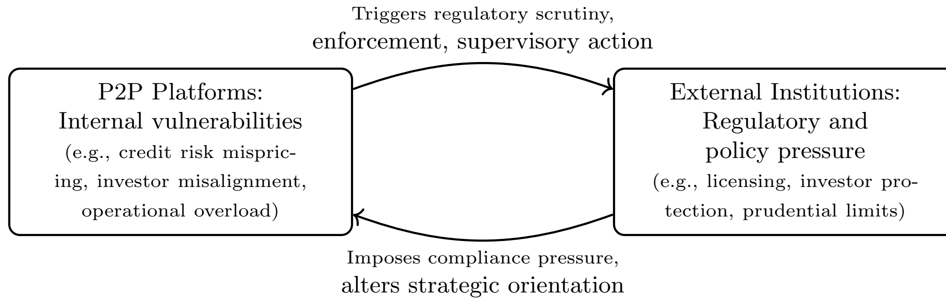

Fig. 1 Dynamic feedback loop between internal platform vulnerabilities and regulatory responses

6.3 Diverging platform strategies and the erosion of the original P2P model

Platform responses to these pressures varied by market structure, borrower profile, and strategic priorities. LendingClub and Zopa transitioned fully to banking models, while Prosper and Faircent retained simplified P2P features supported by automation and regulatory adaptation. These differences reflect variation in internal capacity to manage compliance, investor engagement, and product scalability.

Platforms with narrower borrower segments and streamlined risk models—such as Prosper—were better positioned to preserve basic P2P structures. Others, including Bondora and Faircent, shifted towards automated allocation systems that minimized investor discretion. Conversely, platforms pursuing broader service portfolios often found that the original P2P model created frictions with operational control and compliance efficiency.

As platforms grew, the burden of maintaining transparency and effective risk-sharing increased. While default risk formally remained with investors, the complexity of credit servicing and investor communication led to increased expectations that platforms assume implicit responsibility, thereby undermining the decentralized premise of P2P lending.

6.4 Implications for platform evolution and policy design

The evidence suggests that sustaining a retail-focused, investor-driven P2P model is increasingly difficult under conditions of regulatory maturity and market expansion. Platforms have either internalized risk through licensing and balance sheet lending or outsourced funding to institutional capital providers.

For regulators, the findings highlight the need to design proportional and forward-looking oversight frameworks. Jurisdictions that imposed early supervisory structures—such as the UK and India—saw gradual formalization, whereas loosely regulated markets experienced rapid growth followed by abrupt collapse. These trajectories underscore the value of early-stage regulation aligned with long-term financial stability goals.

Overall, the transformation from P2P lending reflects a reconfiguration of financial intermediation models in response to both operational challenges and institutional

expectations. As platforms evolve, the functional boundaries between FinTech platforms and traditional intermediaries continue to blur, raising new questions about how innovation can coexist with regulatory consistency and investor protection.

7 Conclusion

This study addresses a novel research gap by integrating the analysis of platform-level risk structures with cross-national regulatory change to explain platform exit decisions. While existing literature has examined these aspects in isolation, our comparative approach highlights their joint influence on the structural transformation of the P2P lending sector.

This study examined the widespread transformation from P2P lending models by major global platforms. Through a comparative analysis of eight cases across multiple jurisdictions, we explored how internal operational limitations and external regulatory developments jointly influenced platform strategies.

The findings indicate that the original P2P model, based on decentralized risk allocation and retail participation, has become difficult to sustain as platforms mature and regulatory obligations intensify. In response, many platforms transitioned to hybrid or centralized structures that prioritize operational control, institutional capital, or full banking integration. This pattern suggests that decentralized financial intermediation, while initially disruptive, faces mounting pressures to institutionalize when scaled within formal regulatory systems. These insights may also hold implications for emerging decentralized finance (DeFi) ecosystems, which similarly rely on disintermediation but are only beginning to confront large-scale regulatory scrutiny.

These developments reflect how FinTech models must evolve alongside regulatory environments and operational demands. Rather than viewing the retreat from P2P as a failure, it may be more accurate to interpret it as a shift toward institutional compatibility under conditions of market expansion and policy convergence. From a theoretical perspective, this study contributes to the understanding of platform evolution under institutional pressure. By linking internal fragilities to external rule changes, it moves beyond static categorizations of business models and highlights the adaptive dynamics of organizational restructuring. It also extends existing research on FinTech regulation by showing how platforms do not merely comply with regulatory change but actively reshape their strategic orientation in response. These insights contribute to broader debates on how digital financial intermediaries negotiate sustainability within increasingly formalized market environments.

This study relied on publicly available platform and regulatory data, which may not capture informal supervisory interactions or unreported internal considerations. Further research could investigate platform governance structures, investor composition shifts, and funding model transitions using longitudinal methods and direct stakeholder engagement. Comparative work on decentralized finance and other FinTech lending models may also reveal whether similar pressures apply across different intermediation architectures.

Looking ahead, future research could extend this study along both substantive and methodological dimensions. Substantively, scholars may investigate the post-2024

trajectories of major P2P platforms—especially those that have adopted hybrid or institutional models—to assess whether their current configurations yield greater stability, regulatory acceptance, or market reach. Additionally, researchers could examine how different governance mechanisms, trust-building strategies, and investor engagement practices shape platform resilience in varied institutional environments. For instance, cross-national comparisons could further clarify why certain platforms exited the P2P model entirely while others persisted under modified structures. Methodologically, future work could complement our document-based analysis by incorporating interviews with platform executives, investors, and regulators, or by conducting in-depth case studies. Such approaches may uncover informal supervisory interactions, unreported operational challenges, or strategic considerations not reflected in public data. These techniques would help produce a more granular understanding of platform governance and transformation, thereby enhancing the explanatory depth of research on FinTech intermediation under institutional pressure.

Taken together, the results suggest that the long-term viability of disintermediated finance models depends not only on technological capacity but also on the ability to adapt to changing regulatory and operational conditions.

References

Bavoso, V. (2020). The promise and perils of alternative market-based finance: the case of P2P lending in the UK. *Journal of Banking Regulation*, *21*(4), 395 – 409, https://doi.org/10.1057/s41261-019-00118-9 (Type: Article tex.author_keywords: Credit risk; Financial conduct authority; Financial intermediation; FinTech; Market-based finance; P2P lending; P2P securitisation; Systemic risk tex.publication_stage: Final tex.source: Scopus)

Bednorz, J. (2023, June). *The History of Peer-to-Peer Lending | P2PMarketData.* Retrieved 2024-06-30, from https://p2pmarketdata.com/articles/p2p-lending-history

Ben-Yashar, R., & Krausz, M. (2024). A collective decision-making model of p2p lending platforms compared to bank lending. *Studies in Economics and Finance*, *41*(4), 939 – 952, https://doi.org/10.1108/SEF-05-2023-0260 (Type: Article tex.author_keywords: Bank; Decision-making; Loan approval; p2p lending platform tex.publication_stage: Final tex.source: Scopus)

Berger, S.C., & Gleisner, F. (2009). Emergence of financial intermediaries in electronic markets: The case of online P2P lending. *Business Research*, *2*(1), 39 – 65, https://doi.org/10.1007/BF03343528 (Type: Article tex.author_keywords: Asymmetric information; electronic markets; intermediation; social lending tex.publication_stage: Final tex.source: Scopus)

Bone-Winkel, G.F., & Reichenbach, F. (2024, September). Improving credit risk assessment in P2P lending with explainable machine learning survival analysis. *Digital Finance*, *6*(3), 501–542, https://doi.org/10.1007/s42521-024-00114-3 Retrieved 2025-03-26, from https://link.springer.com/article/10.1007/s42521-024-00114-3 (Company: Springer Distributor: Springer Institution: Springer Label: Springer Number: 3 Publisher: Springer International Publishing)

CFPB (2023). *Supervision & Examinations.* Retrieved 2024-06-30, from https://www.consumerfinance.gov/compliance/supervision-examinations/

Chen, D., Deakin, S., Johnston, A., Wang, B. (2021). Too much technology and too little regulation? The spectacular demise of P2P lending in china. *Accounting, Economics and Law: A Convivium*, , https://doi.org/10.1515/ael-2021-0056 (Type: Article tex.author_keywords: China; fintech; informality; P2P lending; regulation tex.publication_stage: Article in press tex.source: Scopus)

Chen, X., Hu, X., Ben, S. (2021). How do reputation, structure design and FinTech ecosystem affect the net cash inflow of P2P lending platforms? Evidence from China. *Electronic Commerce Research*, *21*(4), 1055 – 1082, (Type: Article tex.author_keywords: Cash flow; Ecosystem; P2P lending; Reputation; Structure design tex.publication_stage: Final tex.source: Scopus)

Cheng, W.G., Leite, R.d.O., Caldieraro, F. (2022). Financial contagion in internet lending platforms: Who pays the price? *Finance Research Letters*, *45*, , https://doi.org/10.1016/j.frl.2021.102187 (Type: Article tex.author_keywords: E-Finance marketplaces; Information contagion; P2P lending; Systemic risk tex.publication_stage: Final tex.source: Scopus)

Dömötör, B., & Ölvedi, T. (2021). *The financial intermediary role of peer-to-peer lenders.* (Pages: 391 – 413 Type: Book chapter tex.author_keywords: Alternative finance; Disruptive financing; Financial intermediation; Peer-to-peer lending; Platform lending tex.publication_stage: Final tex.source: Scopus)

ECONOMIC DAILY (2015, December). *P2P supervision will define 12 prohibited behaviors.* Retrieved 2024-06-27, from https://www.gov.cn/xinwen/2015-12/29/content_5028669.htm

Eid, N., Yang, J., Duygun, M. (2024, November). Bridging the credit gap: The influence of regional bank structure on the expansion of peer-to-peer lending. *The British Accounting Review*, *56*(6), 101448, https://doi.org/10.1016/j.bar.2024.101448 Retrieved 2025-03-26, from https://www.sciencedirect.com/science/article/pii/S0890838924002129

European Securities and Markets Authority (2014). *MiFID II | European Securities and Markets Authority.* Retrieved 2025-04-01, from https://www.esma.europa.eu/publications-and-data/interactive-single-rulebook/mifid-ii

FCA (2018, July). *PS19/14: Loan-based ('peer-to-peer') and investment-based crowdfunding platforms: Feedback to CP18/20 and final rules.* Retrieved 2024-06-30, from https://www.fca.org.uk/publications/policy-statements/ps19-14-loan-based-peer-to-peer-investment-based-crowdfunding-platforms-feedback-final-rules

FCA (2019, June). *FCA confirms new rules for P2P platforms.* Retrieved 2024-06-27, from https://www.fca.org.uk/news/press-releases/fca-confirms-new-rules-p2p-platforms

FCA (2023). *Home - FCA Handbook.* Retrieved 2024-06-30, from https://www.handbook.fca.org.uk/

Finextra (2016, November). *P2P pioneer Zopa applies for banking license.* Retrieved 2024-06-30, from https://www.finextra.com/newsarticle/29780/p2p-pioneer-zopa-applies-for-banking-license

Frankel, M. (2020, October). *LendingClub Is Ending Its P2P Lending Platform – Now What? | Nasdaq.* Retrieved 2025-03-26, from https://www.fool.com/the-ascent/personal-loans/articles/lendingclub-ending-its-p2p-lending-platform-now-what/

Freedman, S., & Jin, G.Z. (2017, March). The information value of online social networks: Lessons from peer-to-peer lending. *International Journal of Industrial Organization*, *51*, 185–222, https://doi.org/10.1016/j.ijindorg.2016.09.002 Retrieved 2024-06-27, from https://www.sciencedirect.com/science/article/pii/S0167718716302776

Georgiev, L. (2024). Fintechs, banks, and financial re-intermediation. *Economic Alternatives*, *30*(3), 587 – 608, https://doi.org/10.37075/EA.2024.3.08 (Type: Article tex.author_keywords: banks; digital innovations; fintechs; models of financial intermediation; P2P lending tex.publication_stage: Final tex.source: Scopus)

Havrylchyk, O., & Verdier, M. (2018). The financial intermediation role of the P2P lending platforms. *Comparative Economic Studies*, *60*(1), 115 – 130, https://doi.org/10.1057/s41294-017-0045-1 (Type: Article tex.author_keywords: Access to finance; Financial crisis; Information and communication technologies; Internet; Market structure; Online lenders; Peer-to-peer lending tex.publication_stage: Final tex.source: Scopus)

HM Treasury (2024, March). *Improving the effectiveness of the Money Laundering Regulations.* Retrieved 2024-06-30, from https://www.gov.uk/government/consultations/improving-the-effectiveness-of-the-money-laundering-regulations

Huang, R.H. (2018, March). Online P2P Lending and Regulatory Responses in China: Opportunities and Challenges. *European Business Organization Law Review*, *19*(1), 63–92, https://doi.org/10.1007/s40804-018-0100-z Retrieved 2024-06-27, from https://doi.org/10.1007/s40804-018-0100-z

Klafft, M. (2008, March). *Peer to Peer Lending: Auctioning Microcredits over the Internet* [SSRN Scholarly Paper]. Rochester, NY. Retrieved 2024-06-27, from https://papers.ssrn.com/abstract=1352383

Knowledge at Wharton (2014). *Peer-to-Peer Lending: Ready to Grow, Despite a Few Red Flags.* Retrieved 2024-06-30, from https://knowledge.wharton.upenn.edu/article/peer-peer-lending-ready-grow-despite-red-flags/

Lee, J., & Darbellay, A. (2022). *Data governance in AI, FinTech and LegalTech: Law and regulation in the financial sector.* (Pages: 1 – 302 Type: Book tex.publication_stage: Final tex.source: Scopus)

Li, C. (2022). Quantitative measurement and analysis of FinTech risk in China. *Economic Research-Ekonomska Istrazivanja*, *35*(1), 2596 – 2614, https://doi.org/10.1080/1331677X.2021.1970606 (Type: Article tex.author_keywords: Conditional value at risk; conditional value at risk method; FinTech; P2P; peer-to-peer; risk tex.publication_stage: Final tex.source: Scopus)

Li, Y., Hao, A., Zhang, X., Xiong, X. (2018). Network topology and systemic risk in Peer-to-Peer lending market. *Physica A: Statistical Mechanics and its Applications*, *508*, 118 – 130, https://doi.org/10.1016/j.physa.2018.05.083 (Type: Article tex.author_keywords: Factor analysis; Network topology; Peer-to-Peer lending market; Stability; Systemic risk tex.publication_stage: Final tex.source: Scopus)

Lin, M., Prabhala, N.R., Viswanathan, S. (2013, January). Judging Borrowers by the Company They Keep: Friendship Networks and Information Asymmetry in Online Peer-to-Peer Lending. *Management Science*, *59*(1), 17–35, https://doi.org/10.1287/mnsc.1120.1560 (Publisher: INFORMS)

Liu, Y., Baals, L.J., Osterrieder, J., Hadji-Misheva, B. (2024, October). Leveraging network topology for credit risk assessment in P2P lending: A comparative study under the lens of machine learning. *Expert Systems with Applications*, *252*, 124100, https://doi.org/10.1016/j.eswa.2024.124100 Retrieved 2025-03-26, from https://www.sciencedirect.com/science/article/pii/S0957417424009667

Lu, S., Xu, X., Wang, H., Zhao, J., Wu, Z. (2018). Detecting systemically important platforms in P2P market of china.. (Type: Conference paper tex.author_keywords: network modelling; P2P lending; systemic risk tex.publication_stage: Final tex.source: Scopus)

Ma, L., Li, M., Xia, F. (2022). Can policy intervention induce a flight to quality: an analysis of the closing of the Chinese P2P market. *Applied Economics Letters*, *29*(18), 1726–1729, https://doi.org/10.1080/13504851.2021.1959892

Morse, A. (2015). Peer-to-peer crowdfunding: Information and the potential for disruption in consumer lending. *Annual Review of Financial Economics*, *7*, 463 – 482, https://doi.org/10.1146/annurev-financial-111914-041939 (Type: Article tex.author_keywords: Crowdfunding; Disintermediation; Marketplace finance; Peer-to-peer lending; Screening; Social finance tex.publication_stage: Final tex.source: Scopus)

Nemoto, N., Storey, D., Huang, B. (2019, January). Optimal Regulation of P2P Lending for Small and Medium-Sized Enterprises. (912), , Retrieved 2024-06-27, from https://www.adb.org/publications/optimal-regulation-p2p-lending-small-and-medium-sized-enterprises (Accepted: 2019-01-02 Last Modified: 2020-07-22T18:39+08:00 Publisher: Asian Development Bank)

Official Journal L 084 (1997). *Directive - 97/9 - EN - EUR-Lex.* Retrieved 2024-06-30, from https://eur-lex.europa.eu/eli/dir/1997/9/oj (Doc ID: 31997L0009 Doc Sector: 3 Doc Title: Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes Doc Type: L Usr_lan: en)

RBI (2017). *Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017.* Retrieved 2024-06-30, from https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11137

Shen, L.H., Khan, H.U., Hammami, H. (2021, March). An Empirical Study of Lenders' Perception of Chinese Online Peer-to-Peer (P2P) Lending Platforms. *The Journal of Alternative Investments*, *23*(4), 152–175, https://doi.org/10.3905/jai.2021.1.128 Retrieved 2025-03-26, from http://www.pm-research.com/lookup/doi/10.3905/jai.2021.1.128

Thakor, A.V. (2020). Fintech and banking: What do we know? *Journal of Financial Intermediation*, *41*, , https://doi.org/10.1016/j.jfi.2019.100833 (Type: Article tex.author_keywords: Banking; Cryptocurrencies; Fintech; P2P lending; Systemic risk tex.publication_stage: Final tex.source: Scopus)

Tiwana, A. (2014, January). Chapter 6 - Platform Governance. A. Tiwana (Ed.), *Platform Ecosystems* (pp. 117–151). Boston: Morgan Kaufmann. Retrieved 2025-07-02, from https://www.sciencedirect.com/science/article/pii/B9780124080669000060

Wang, Q., Liu, X., Zhang, C. (2022). Evolutionary game analysis of FinTech transformation: A social co-governance pattern of peer-to-peer lending market in China. *Frontiers in Psychology*, *13*, , https://doi.org/10.3389/fpsyg.2022.954132

(Type: Article tex.author_keywords: Financial Technology (FinTech); peer-to-peer lending; social co-governance; transformation; tripartite evolutionary game tex.publication_stage: Final tex.source: Scopus)

Wei, S. (2016). *Shadow banking in China: Risk, regulation and policy.* (Pages: 1 – 455 Type: Book tex.publication_stage: Final tex.source: Scopus)

Xia, H., Lu, D., Lin, B., Nord, J.H., Zhang, J.Z. (2023). Trust in fintech: Risk, governance, and continuance intention. *Journal of Computer Information Systems*, *63*(3), 648 – 662, (Type: Article tex.author_keywords: fintech platform; information systems continuous use model; platform governance; risk perception; Trust perception tex.publication_stage: Final tex.source: Scopus)

Zhou, Z.-L., Ma, B.-J., Hu, F.-Y. (2019). Bilateral auction mechanism design in online peer-to-peer lending market. *Kongzhi yu Juece/Control and Decision*, *34*(3), 628–636, https://doi.org/10.13195/j.kzyjc.2017.1163

Zopa Bank Limited (n.d.). *About.* Retrieved 2025-03-31, from https://www.zopa.com/about

Zopa Bank Limited (2021). *Zopa peer-to-peer investments.* Retrieved 2025-03-26, from https://www.zopa.com/invest

Zopa Bank Limited (2023, February). *Our story.* Retrieved 2025-03-26, from https://www.zopa.com/about/our-story

Click here to access/download
Supplementary Material
Response to reviewers.docx