

Joust launches a digital bank for gig-economy workers

By Penny Crosman

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The fintech startup Joust is launching a mobile banking app Tuesday designed for the 56.7 million Americans who rely on freelance income.

The product comes with a bank account, a merchant account, and a way to get quick credit. Behind it is a network of community banks that will gather the deposits the app brings in.

"In today's world freelancing has evolved into a large tranche of labor economy," said Joust CEO Lamine Zarrad. "We see freelancing as the future, for better or for worse, of labor economics."



"As a freelancer, you have to manage all aspects of business, not just what you do best," says Lamine Zarrad, founder of Joust, a digital bank for freelancers.

Zarrad argues that freelancers need special banking help. While people employed by corporations can use the services those companies provide, like collections and payments, "as

a freelancer, you have to manage all aspects of business, not just what you do best," he said.

Freelancers need a bank account that can be responsive to things like seasonal cash flows, offering occasional access to capital, the ability to collect on invoices and to accept credit cards. Joust provides access to Federal Deposit Insurance Corp.-insured bank accounts held at Nbknc and merchant accounts held by Propay (which is owned by TSYS) that accept credit cards. It also lets freelancers send invoices from their phone.

Because freelancers don't always get paid on time, Joust offers PayArmour. This feature predicts whether or not an invoice will be paid (by monitoring the small business and its customers) and if the answer is yes, it offers the user two options. For a 1% fee it will offer a guarantee the payment will be made within 30 days. For a 6% fee it will instantly fund the invoice. Users can also take out PayArmour loans when they are out of work. Eventually Joust plans to provide gap financing for those in-between times.

The Joust app for iOS is available as a free download at the Apple App Store. The Android App is scheduled for release on Feb. 1. Joust is inviting early adopters to test the service and select how much they want to pay for a monthly subscription.

Zarrad took a circuitous route to founding a challenger bank. He came to the U.S. as an immigrant after escaping an ethnic conflict in Azerbaijan. He joined the Marine Corps in "a conscious choice to serve the country that accepted us and to help integrate into the fabric of American culture." He later joined the U.S. intelligence community, then worked at Merrill Lynch, USAA and the Tudor hedge fund.

"I realized that I despise finance and banking without a purpose, without any kind of meaning; that's completely empty," he said.

He saw purpose in public service and got a job with the Office of the Comptroller of the Currency as a bank examiner. The job let him see up close the flaws in banking, especially in risk management. As a result, he founded Tokken, a developer of risk management and anti-money-laundering software called Gestalt (the name of a 19th-century Berlin school of experimental psychology that pointed out that the human mind has the ability to leap logic). Gestalt is now the technology foundation of Joust. It builds profiles and connects merchants to clients.

Joust partners with StoneCastle Partners, a company that has software called Cambr through which it stores and optimizes deposits across a digitally linked network of 856 community banks. Cambr incorporates Q2 Open's CorePro digital processing software.

"We realized smaller banks have a harder time winning this kind of business," said Josh Siegel, StoneCastle's CEO. "Even if they do win it, it becomes somewhat a situation of a dog catching a truck: It doesn't end well. A great example of that would be Customers Bancorp's BankMobile, it grew so large that it grew \$10 billion in assets and all of a sudden the economics became unattractive."

Nbkc, of Kansas City, Mo., pushes the deposits it gets through Joust out across the StoneCastle network.

"This is a way community banks are participating, without having the lift on their side, in the fintech world," Siegel said.

In the future, Zarrad would like to let Joust users choose which community banks to use based on cause or geography. For instance, one bank Joust is talking to supports Somali refugees in Minneapolis.

"If you are a freelancer who cares about refugee issues, you could select a financial institution based on their involvement in their community," Zarrad said.

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