The Banks and the Fintechs: Creating Better Banking Together

How partnerships between banks and fintechs will benefit consumers
In recent years, fintech has emerged as a highly innovative and empowering sector for consumers. Companies with solutions built from scratch on next-generation technologies have developed the expertise, agility, and dynamism to transform personal finance.

In response, banks have updated their own digital journeys; adding new, customer-centric features that were once only offered by digital challengers. However, most banks have been relatively slow to update their core offerings and new apps tend to be overlaid on legacy products and IT infrastructures. In addition, their services do not cater to the needs of all their customers, many of whom are left with no choice but to go elsewhere.

Fintechs are focused on high growth and establishing their brands whereas banks already have large customer bases and high levels of trust. The logical next step for banks is to make greater use of fintech technology and data. Not only will this help them offer a broader range of services to more of their customers, but they will also acquire the functionality to tailor those services to the individual. Attempting to do this alone comes with high cost and risk, and is one of the various reasons a more established partnership model between the two sectors makes for such a powerful case.

Bank and fintech partnerships are still at an early stage but deeper collaboration appears inevitable as more and more opportunities are identified and customer expectations evolve. This will allow banks to maintain their position at the heart of personal financial management while offering a host of new and innovative services.

Right now, the stage is set for one of the most radical transformations the banking world has ever seen. All we are waiting for are the pioneers to drive it.
Better partnerships for better banking

As the demand for personal finance continues to accelerate rapidly, it is becoming clear that partnering with fintechs represents the best way for banks to provide their customers with more diverse, inclusive and personalised financial products and services.

This report highlights how banks can adapt to the challenges of a fast-changing world and seize the opportunities it presents by forging such partnerships.

We highlight the new and evolving financial landscape and show how deeper collaboration between banks and fintechs can deliver compelling wins for all.

Ultimately, this will provide banks with the ability to offer consumers an array of innovative financial solutions, which deliver exceptional customer experiences and improve financial health.

Banks can use the agility and innovation of fintechs to enhance their service offering, without distracting from day-to-day operations.

There is an opportunity for banks to use their established position to offer greater choice and guidance to customers.

Fintech partnerships offer banks a low-cost high-return alternative to in-house digital transformation projects and get new products to market faster.

By working together banks and fintechs can offer more intuitive products and personalised services to more of their customers.

Fintechs can help banks give their customers access to a broader range of products and services and ultimately deliver better outcomes.

Using expert insights from a range of finance industry leaders alongside real-world examples of successful collaborations, we hope to show why partnerships between banks and fintechs will result in a brighter future for consumer banking.
Consumer expectations of personal finance are changing

“It’s all about how well you can serve your customers, how you can perfect their end-to-end journey. And that it’s the little things, the basics that people want from digital.”

Atul Choudrie, Chief Commercial Officer, Monese

Evolutions in financial technology and its adoption by consumers are both on an unstoppable upward trajectory.

Customers have come to expect the same standard of digital experience from their banks that they get from other retailers. But until recently, banks have been slow to adapt. Though many have improved their digital experience, services remain largely unchanged.

“Consumers are looking for better digital services, yet banks continue to operate on a traditional branch distribution model with weak digital offerings.”

Tim Waterman, Chief Commercial Officer, Zopa

Customers have increasingly become accustomed to shopping around for financial solutions, particularly those who have been declined by their banks, and this has created opportunities for new entrants. However, it has also put customers at risk of being drawn towards substandard deals.

While high street banks delay as Personal Financial Management (PFM) improves, challenger banks and digital apps are quickly filling the gaps left open by slower moving incumbents. Nonetheless, Fintechs - some even viewed as competitors to the banks - can offer a lifeline. By moving towards a partnership model, banks can consolidate their status by incorporating fintech offerings, rather than investing in attempts to match them.
Combining the substantial trust and customer base of the banks with fintechs’ innovative use of technology and data, customer needs can be better served. In time, this could even mean banks becoming digital hubs where customers manage their finances while browsing and being advised on innovative products and services that are tailored to them.

**Lloyds Bank and Minna Technologies**

Lloyds Bank has partnered with Swedish fintech, Minna Technologies, to offer its customers an app which allows them to view, manage, and amend their debit card subscriptions.

**If you can’t beat them, join them**

“Given the fact that banks will find it very difficult to learn from and emulate fintech operations, the best and really only way for traditional banks to innovate and develop, is to partner with fintechs.”

*Mark Walker, Co-founder and Chief Operating Officer, The Fintech Power 50*

Banks are spending more on marketing to attract and retain customers. Recent findings indicate that in the last three years marketing budgets across the banking sector have doubled as a percentage of overall spend (Active Win).

Moreover, it is common for banks to struggle to match the speed and agility of digital alternatives, hindered as they are by legacy IT systems and the cost and time required to develop them.
As online and app-based PFM becomes more normalised and digital technologies more available, banks have started adding the best fintech solutions to their own services to give their customers the solutions they want and expect.

**NatWest and Tink**

Customers using the NatWest app are now able to easily see where their money is going with the new ‘spending' tab built on technology provided by the European PFM provider, Tink.

**Digital transformation without the pain**

“Through fintech partnerships, banks avoid significant investments and better serve their customers by removing operational burdens, creating new revenue streams, and positioning themselves at the centre of the modern financial marketplace.

Joakim Sjoblom, Chief Executive Officer, Minna Technologies"

We know banks want to innovate and invest in their customers, but cost and competing priorities are often an obstacle to quick and comprehensive digital transformation.

Fintechs on the other hand are built on modern, agile infrastructures allowing for scale of product variety and delivery. By using a Fintech-as-a-Service model, banks can bypass the need to undertake expensive and lengthy digital transformation projects.

And with more demands being placed on banks to support economic recovery post-pandemic, fintechs can provide compelling contributions to help meet more stringent cost reduction objectives.
Rather than inventing products and services, the quickest and cheapest option for banks is to help customers find the right ones through a fintech partnership.

**Atul Choudrie, Chief Commercial Officer, Monese**

**Funding Circle and Santander**

Funding Circle recently teamed up with Santander to give thousands of small British businesses greater access to finance.

“The arrangement will see Santander refer small businesses looking for a loan to Funding Circle. In return, we will signpost borrowers to Santander where they require day-to-day banking services.” *(Funding Circle)*

**Achieve better customer understanding**

Banks are missing integrated AI, machine learning, and algorithms to interrogate customer data and cross reference it with their existing products and services. The information this would generate could allow better solutions to be developed.

**Andy Townsend, Head of Personal Loans, Shawbrook Bank**

Using platforms designed to integrate leading-edge AI and machine learning technology, fintechs can complete sophisticated analyses of a bank’s customer data.

This functionality allows banks to build a clearer picture of their customers and create offerings more closely aligned to their needs and preferences. As a result, banks can move towards a more proactive model; pre-empting changes in customers’ situations and offering services to improve their financial positions at the right time.

As customer understanding improves, banks could use their newly acquired knowledge to produce even more innovative services.
A traditional bank that embraces a partnership with a fintech will be able to offer benefits and features to its customers that its competitors cannot. This will build trust and brand loyalty at the same time.

Mark Walker, Co-founder and Chief Operating Officer, The Fintech Power 50

Provide next-generation customer support

The future of banking is for banks to become orchestrators, finding the right fintech partners and products for their customers.

Atul Choudrie, Chief Commercial Officer, Monese

With the emergence of Open Banking quietly ushering in the most dramatic evolution of personal finance in decades, the rationale for bank and fintech partnership becomes even more powerful. As demographics shift and advance to become more technologically capable, demand for Open Banking products and services will spread.

Banks have the opportunity to begin educating their customers now on this new world of personal finance and be the first to introduce them to it.

Open Banking has the potential to be a real game-changer. With better access to data and the profiling capabilities this gives to banks, fintechs will be able to bring some transformational services to the market.

Lee Stretton, Chief Information Officer, Monevo

Open Banking is also part of a wider move towards a Banking-as-a-Service (BaaS) model. In the same way a plug-and-play approach has proved so profitable for software providers, the banking equivalent looks set to emulate similar success.
At its core, BaaS enables users to access financial services over the internet, on demand. Typically, this is done by banks integrating fintech retail-banking services using APIs - at times referred to as the ‘API-fication’ of banking.

The BaaS model will play an important role in the future of financial services such as credit. Through fintech partnerships, banks will acquire the ability to offer cutting-edge, easily integrated financial products and services at low cost.

**Thought Machine and the Banking-as-a-Service (BaaS) model**

Thought Machine’s Vault core banking platform is a single software solution that banks can configure to provide any product, user experience, operating model, or data analysis capability via the cloud. It has forged high-profile partnerships with IBM, Atom Bank and Lloyds Banking Group.

> Consumers today have higher expectations. They want instant decisioning, transparency of rates, and better propositions within app and web servicing.

*Tim Waterman, Chief Commercial Officer, Zopa*

**An inclusive Financial Services marketplace**

> Many digital services such as savings and budgeting tools are related but key to their success is implementation. Banks can learn from fintechs here because proper implementation is just as important as the services themselves.

*Alexandra Rowbottom, Head of Communications, Monese*

Bringing new products and services to market with a fintech can be almost instant; maximising ROI and allowing for quicker responses to changing market trends.
Together, banks and fintechs could create an inclusive marketplace ecosystem of diverse financial services providers and digital disrupters, collaborating to deliver numerous customer-centric solutions.

Such partnerships also have the potential to deliver additional, attractive revenue streams to banks through commissions paid by fintechs for customer introductions.

“Commission payments are paid to the banks when they introduce a customer to a fintech, and they produce much higher returns than lending from the bank’s own balance sheet. Effectively, it is immediate ROI without having to invest in digital infrastructures or new products.”

Tim Waterman, Chief Commercial Officer, Zopa

Starling and Habito

Starling Bank has incorporated Habito, a digital mortgage broker that searches over 90 lenders, into its Mortgage Solutions marketplace. The partnership allows Starling to offer a broader range of mortgages including the ‘Habito Go’ first-time buyer service to its customers. In time, they also plan to allow Habito to use Starling customer current account data to identify when they can save customers money on their mortgage.
Improve access to credit for better customer outcomes

“Banks need to provide more sophisticated product innovation that adapts to a customer’s changes in financial circumstances, both positive and negative.”

Andy Townsend, Head of Personal Loans, Shawbrook Bank

Monevo estimates that more than 3 in 5 of those who apply for a personal loan from their bank are declined.

And, according to Aire, around a third of people applying for subprime products, such as payday loans, did so because they were initially rejected by mainstream lenders.
Even when a bank decides not to offer credit to a customer, it still has a responsibility to ensure that customer is appropriately supported and protected from avoidable risk.

By declining customers for loans without providing an alternative, banks miss an opportunity to meet CSR objectives of inclusivity and help safeguard their customers’ financial health. If an application for a loan is unsuccessful with their primary bank, that customer’s need for support remains but their search will continue in other, less familiar environments.

Banks which work with fintechs like Monevo, give their customers access to and advice on the wider credit market within an ecosystem they know and trust. They improve customer experience and financial health by giving their declined customers access to alternative loans from an approved panel of trusted lenders. As a result, the bank is more financially inclusive and their customers better off.

“Banks are in a unique and trusted position and are best placed to be offering alternative products to customers. Where they can’t offer their own products, they leave customers to fend for themselves in a highly fragmented marketplace, often believing that they are less creditworthy due to their banks declining them.”

Greg Cox, Group Chief Executive Officer & Founder, Monevo

Lloyds and Evolution Funding

Evolution Funding is a B2B, tech-first car finance broker. Their market-leading technology is being used by Lloyds to offer more of their customers competitive rates on motor finance, with rapid online decisions that ensure the best customer outcomes, even when the applicant does not meet Lloyds lending criteria.
Help more customers without adjusting risk appetite

“Banks generally offer better rates but have much tighter lending criteria.

Lee Stretton, Chief Information Officer, Monevo”

To meet the needs of a more diverse customer base would typically require banks to adjust their own risk appetite. However, in a sector where regulatory and risk frameworks are notoriously rigid, such developments are difficult to engineer.

Fintechs, like Monevo, provide a complementary service to banks as they operate in their own, closely monitored, well-established but more flexible regulatory environments.

Banks can confidently direct their customers to alternative lenders knowing reputational risk is low and regulatory obligations to the FCA can be met. Credit platforms are flexible, simple, easy to set up, and can be live within a matter of weeks with just one relationship and integration.

“We partner with some of the world’s biggest financial services brands to give customers the best personal loan rates, from the largest panel of lenders in the market. All via a platform that is fully authorised and non-advised. Enabling banks to also offer this service to their customers will ensure a customer gets the best offers available to them regardless of their entry point into the consumer credit market, giving a fair outcome for all.”

Dawn Wood, UK Territory Director, Monevo
Accelerate your own credit innovation

“Don’t worry about losing customers, worry about making something so good they don’t leave.”

Andy Townsend, Head of Personal Loans, Shawbrook Bank

For banks, partnering with a fintech confers greater capability than simply increasing access to consumer credit.

The rich data that comes from such a partnership allows the bank to acquire a deeper understanding of its customers, its competitors, and the wider market. This intelligence can be used by banks to expand and improve their own products and services alongside a panel of lenders, allowing them to evolve their appetite for risk and, over time, to become more inclusive themselves.

“Between us and Monevo we do a lot of data sharing. We understand the customer better and it allows us to offer a much better product to the end customer.”

Atul Choudrie, Chief Commercial Officer, Monese
Seize the opportunity for change

“Mere insight into financial wellness is no longer sufficient, customers now expect the ability to act in a seamless, integrated way. By partnering with fintechs, banks can redefine their strategic objectives and put more emphasis on consumer experience.

Joakim Sjoblom, Chief Executive Officer, Minna Technologies”

Today, high street banks find themselves standing on the brink of one of the greatest transformations the industry has ever seen. They hold captive audiences increasingly hungry for it, but most banks don’t have the necessary products and services. Meanwhile, fintechs have the products and services, but lack the scale of audience. The solution to meet the challenges of each could scarcely be more obvious.

As the world finally emerges from the grip of Covid-19, many more customers find themselves in precarious financial positions and more still are ready to adopt new digital solutions. Banks can play a critical role in facilitating greater access to appropriate credit functions, in both physical and digital environments, thereby empowering customers to make better decisions and achieve more positive outcomes.

Rather than taking on the financial, operational and security risks of overhauling enormous technology infrastructures, banks can leverage the products and services of fintechs that are regulated, customer-centric and market-ready today.
I believe that when a customer looks for credit in this day and age, they should be able to choose from the best options the market has to offer them. At Monevo we are building a centralised credit infrastructure that allows customers to get that true market picture, wherever they are searching, in what is currently a highly fragmented marketplace.

If banks engage and partner with fintechs wisely, they can bring more choice and a wider product offering to their customers. Solutions will be delivered quicker, customers will get better products, better outcomes, and improve their financial health. The banks will of course build stronger relationships with their customers as well as creating new revenue streams.

Banks have a unique opportunity given their position. If a fintech wants to help millions of people, they need to spend years building up that customer base. Banks have a captive audience right now. If they do the right thing and build the right partnerships, they can have a huge influence on customer outcomes.

There will be some work for the banks to do in forging these relationships, but fintechs are making it easier and easier for banks to partner & integrate and will bear the main burden of work. If the motivation is there, the route to a partnership that is beneficial for bank, fintech and customer alike, really is very straightforward.

Greg Cox, Group Chief Executive Officer & Founder, Monevo
ABOUT MONEVO

Monevo is a multi-award winning fintech focused on improving access to credit. Monevo’s decisioning and integration layer empowers over 150 credit providers and banks globally to efficiently distribute their products through our partner network. Monevo operates as a credit intermediary as well as making its platform available on a CAAS (Credit-As-A-Service) basis to partners and credit providers.

Monevo’s platform currently sees over 1 million customers a month globally looking for credit.

If you would like to understand more about how Monevo’s bespoke lending marketplace services could help your business, please contact us on partnerships@monevo.com.