



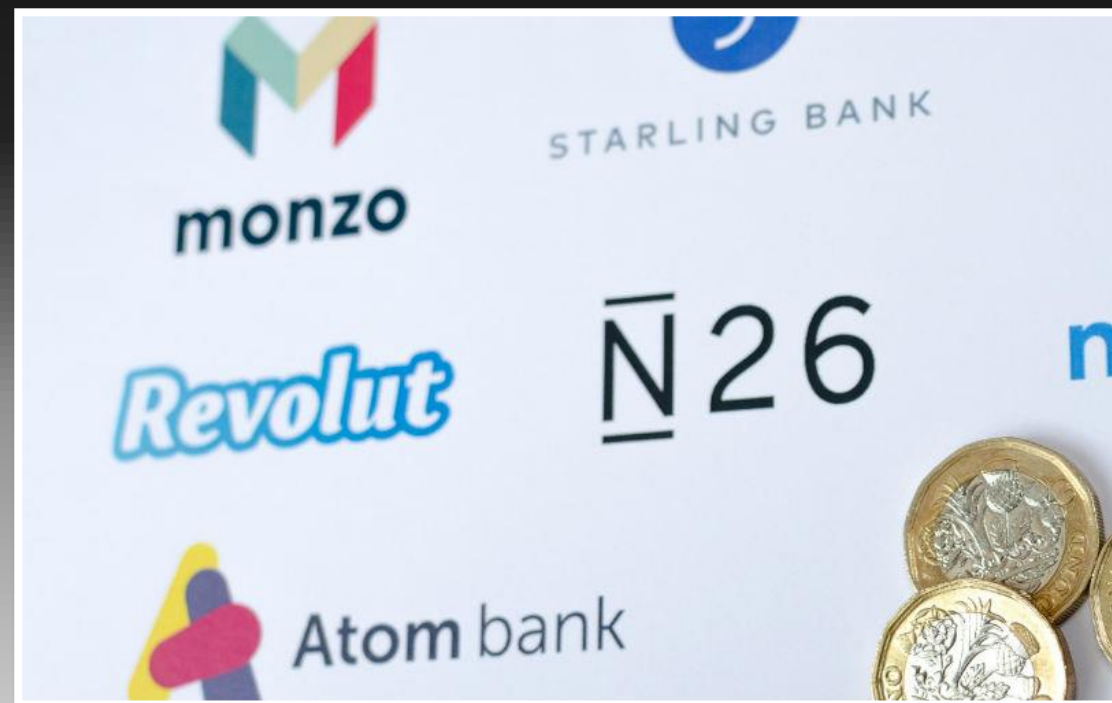
FS Club

News Events Partnerships

UK Challenger Banks: The Three C's – Core, Culture, & Challenges

Webinar

Tuesday 03 November 2020





FS Club



FS Club

News Events Partnerships

A Word From Today's Chairman



**Professor Michael
Mainelli**

Executive Chairman

Z/Yen Group



FS Club

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Personal Sponsors





FS Club

Agenda

- 11:00 – 11:05 Chairman's Introduction
- 11:05 – 11:30 Keynote Address
- 11:30 – 11:45 Questions & Answers



FS Club

News Events Partnerships



FS Club

News Events Partnerships

UK Challenger Banks: The Three C's – Core, Culture, & Challenges



Tanya Andriasyan

Managing Director &
Editor-in-Chief
FinTech Futures



Sharon Kimathi

Editor of Fintech Futures
and Banking
Technology Magazine

UK CHALLENGER BANKS

THE THREE C'S: CORE, CULTURE & CHALLENGES

A quick poll

How familiar are you with the UK challenger banks landscape?

- ▶ I know it really well
- ▶ I know it somewhat
- ▶ I am only familiar with the most commonly used names like Starling & Monzo
- ▶ I have no idea

WHAT'S THE TECH?

In-house development

- ▶ Bunq
- ▶ ClearBank
- ▶ Monzo
- ▶ Starling
- ▶ Zopa

Pros:

- ▶ Modern tech
- ▶ Customised
- ▶ Flexibility & fast time to market

Cons:

- ▶ Functionality & scalability
- ▶ Tied to the development team

Cloud is the way to go



WHAT'S THE TECH?

**Third party:
incumbents**

- ▶ Alba – Temenos
- ▶ Atom – FIS
- ▶ BFC Bank – ERI Bancaire
- ▶ Cambridge & Counties Bank – Phoebus
- ▶ Hampden & Co – Oracle FSS
- ▶ PFC Bank – Temenos
- ▶ Wyelands Bank – ERI Bancaire

Pros:

- ▶ Expertise & longevity
- ▶ Resource availability in the market

Cons:

- ▶ Cost
- ▶ Being a small fish in a big pond

Cloud & outsourcing are the way to go



WHAT'S THE TECH?

Third party: newcomers

- ▶ Atom – Thought Machine
- ▶ B-North – Mambu
- ▶ Chetwood Financial – Yobota
- ▶ Monese – Thought Machine
- ▶ OakNorth – Mambu
- ▶ Recognise – Mambu
- ▶ Redwood – DPR

Pros:

- ▶ *Modern tech*
- ▶ *Extra effort & attention*

Cons:

- ▶ *Unproven solution*
- ▶ *Limited resources in the market*
- ▶ *Lack of company longevity*

Cloud is the way to go!



UK CHALLENGER BANKS: WHO'S WHO & WHAT'S THEIR TECH

For the full list of UK challenger banks and their tech, visit the FinTech Futures website:

www.fintechfutures.com/2018/05/uk-challenger-banks-whos-who-and-whats-their-tech

*The list is regularly updated. It currently features **125+** challenger banks and banking services in the UK (Nov 2020)!*



WHAT'S THE CULTURE?

- ▶ Culture and values
- ▶ Marketing vs reality
- ▶ Internal stats by race and ethnicity
- ▶ Gender diversity
- ▶ Talent pool
- ▶ Why it matters



Culture and values review

▶ Culture & values on Glassdoor ratings

From most favourable to least (out of a rating of 5):

- ▶ Atom – 4.2
- ▶ Starling – 3.8
- ▶ Monzo – 3.7
- ▶ Chetwood Financial – 3.7
- ▶ Revolut – 2.9
- ▶ OakNorth – 2.8

▶ Why is it important?

The Financial Services Skills Taskforce findings 2019 show it is literally crucial to start implementing cultural changes to personnel and behaviour.



Marketing vs reality

Firms opt to target all types of demographics, especially people of colour, but are they actually helping internally?



A collage of four advertisements. The top-left ad features a grey background with a stylized 'M' logo and the text "Telling the stories of black history in finance: Money management in the Black community". The top-right ad shows two women sitting on a teal background with the text "STARLING BANK Joint Account". The bottom-left ad shows a man in a white shirt with the text "Some bank. Others Revolut." and logos for Revolut, VISA, and G Pay. The bottom-right ad shows a woman smiling with the text "Award winning people-people" and the Metro Bank logo.

Race and ethnicity

- ▶ Office for National Statistics (ONS) data between 2004-2018 shows that out of a sample size of 40,000 survey respondents, the percentage of **Black workers employed in the banking and finance sector was only 16.7%** and only **14.6% Pakistani/Bangladeshi workers**.
- ▶ Financial Services Skills Taskforce findings 2019 show **9/10 of financial services workers are white**.

UK Challenger bank stats:

- ▶ **OakNorth: 30%** in total of people of colour as employees:
 - ▶ Black: 3%
 - ▶ Asian: 22%
 - ▶ Latinx: 1%
 - ▶ Mixed: 2%
 - ▶ Ethnic: 2%
- ▶ **Monzo: only 16% of the company are people of colour** across both technical and non-technical roles. Only **6% of its leadership team are people of colour**.
- ▶ Reluctance of transparency across the rest of the challenger banks.



Gender diversity

- ▶ Figures from Innovate Finance and EY's Fintech 2019 Census, show women account **for just 29.5%** of the fintech employee base in the UK. **Only 17%** of these are at the executive level, **12% of fintech founders are women**, and women founders receive **just 2% of venture capital**.
- ▶ UK Fintech State of the Nation report by the Department of International Trade 2020 found that **only 13% of senior decision makers at VCs are women** and **48% of firms have no women in their investment team**.
- ▶ McKinsey's "Women in the Workplace" report last year shows that **women are mainly found in entry level and mid-management positions** and are not seen higher up.
- ▶ According to TheCityUK, although **women make up nearly half (47%) of the overall financial services workforce**, only **a third are in senior management roles**.

Talent pool

- ▶ 2018 UCAS data noted that only **35% of STEM students in higher education in the UK are women.**
- ▶ UCAS data for students studying computer sciences related degrees, **only 19% were female, with a staggering 81% of students being male.**
- ▶ The percentage of **female students studying engineering and technology degrees made up a mere 19%** of the total students between 2017 and 2018.
- ▶ Through LinkedIn data, the World Economic Forum's Gender Gap 2020 report observes that gender gaps are evident in specific skilled roles. In particular, across the three technical frontier role clusters defined by LinkedIn, female workers make up an **estimated 26% of workers in Data and AI roles, 15% of workers in Engineering roles and 12% of workers in Cloud Computing roles.** Data and AI, the newest technology profession, is poised to see greater parity than the more established technology professions of Engineering and Cloud Computing.
- ▶ Women make **up 12% of Automation Engineers, 13% of Android Developers, 18% of Robotics Engineers and 19% of Cyber Security Specialists.**



A quick poll

Do you think your organisation handles diversity matters appropriately and demonstrates a true commitment to diversity and inclusion?

- ▶ Yes, it does
- ▶ No, it does not
- ▶ I don't know

But what does
this mean?
Why should
you care?

- ▶ The McGregor-Smith Review estimates that the **benefit of having people of colour within your team = £24 billion a year**, which represents **1.3% of UK GDP**.
- ▶ Diversity fatigue is a real problem. 2019 stats by PDT Global reveal that **60%** of the “privileged” group in an organisation – in UK fintech that’s usually white, middle-class, heterosexual men – believe they will get overlooked for their next promotion in favour of a diverse candidate.
- ▶ In the UK today, **there is a structural, historical bias that favours certain individuals**. This does not just stand in the way of ethnic minorities, but women, those with disabilities and others.
- ▶ **Leadership and culture** play a key role in creating obstacles while also providing the solutions that enable BME individuals’ success.



New opportunities

- ▶ Challengers targeting marginalised groups:
 - ▶ **Kestri, Niyah, Rizq** (Islamic & ethical banking)
 - ▶ **Atmen Bank** (for the Black community)
- ▶ The LGBTQ+ community:
 - ▶ **Pride Bank** (Brazil, the first ever LGBTI+ bank)
 - ▶ **Be Money** (US)
- ▶ Sustainability:
 - ▶ **Novus** (UK)
 - ▶ **TreeCard** (UK and US)
 - ▶ **Tickr** (UK and Europe)

WHAT ARE THE CHALLENGES?

- ▶ IT outages leading to customer complaints and fewer downloads.
- ▶ Compliance and AML procedures in place amidst rapid growth – leading to impromptu account freezes. Some leading to lawsuits.

IT outages

According to consumer group Which?, big banks suffered **265 tech outages** between October 2018 and September 2019. The figure, based on data from the Financial Conduct Authority (FCA), translates to an average of five glitches per week.

FinTech

Co-operative Bank's digital arm Smile goes down for days

Written by Ruby Hinchliffe 15th July 2020

Smile, Co-operative Bank's digital brand, experienced days of downtime last week.

The banking service, which has around 100,000 customers, announced it was having "intermittent issues" with its app and online banking on 8 July.



INDEPENDENT

Support us [Donate](#) [Subscribe](#)

HOME [CORRUPTION](#) [INVESTING](#) [POLITICS](#) [BUSINESS](#) [VOICES](#) [SPORT](#) [CULTURE](#) [LIFE](#) [HEALTH](#) [MONEY](#) [LEADERS](#) [FOCUS](#)

MONZO DOWN: CARDS STOP WORKING AS APP-POWERED BANK HIT BY TECHNICAL PROBLEMS

Revolut Is Down For Android Users: Online Bank Confirms Outages

By Marty - 1st November 2020

Compliance issues

Monzo bank 'freezing accounts for no apparent reason'

Its app has been a runaway success, but some users say they have been shut out after apparent fraud

Revolut faces lawsuit in Romania over blocked account

Written by [Sharon Kimathi](#) 22nd September 2020



Digital bank, Revolut, is facing a lawsuit after blocking a customer's account in Romania.

Florin Hrituliac, a Revolut personal account customer in Romania, tried to transfer RON 20,000 (\$4,832.68) from his company's bank account to his Revolut account on 9 September 2020, but was unable to access these funds. Hrituliac tells *FinTech Futures* that his account was blocked for five days "without any clarifications from their chat agents". The fintech unblocked the customer's account on 15 September.



A quick poll

How confident are you with challenger bank internal compliance procedures?

- ▶ Confident
- ▶ Somewhat confident
- ▶ Not confident

WHAT ARE THE CHALLENGES?

- ▶ Public inertia

What's the incentive?

N26 and **Holvi** left the UK

RBS/Natwest shut down **Bó**

- ▶ Not enough differentiation

Same products, same services

Find your niche!

Atmen – for the Black community

ClearBank – agency/clearing bank

Longevity – healthy lifestyle

MoneeMint – ethical bank

Monese – for expats

Neuros – for the neurodiverse population

Oxbury – for farmers

- ▶ Increased competition from other start-ups as well as the incumbents.

Unicredit launched **Fineco Bank** (investment, trading & banking services)

RBS/Natwest → **Mettle** (SMEs)

Goldman Sachs → **Marcus** (savings)

Monzo → ex-Starling

B-North → ex-Atom

Recognise → ex-Metro Bank



WHAT ARE THE CHALLENGES?

- ▶ Is being mobile-only enough?

The UK audience still favours website & branches

Starling has launched a **desktop website**, **branch** coming soon

- ▶ What's the profitability path?

The UK population is used to free current accounts

Accounts are expensive to run & maintain

Advertising is a money pit

Premium paid-for accounts are yet to gain wide adoption

Starling: revenue – £14.2m; loss – £52m

Monzo: revenue – £56m; loss – £113.6m



A quick poll

Do you currently use a challenger bank or plan to?

- ▶ I have my main account with a challenger bank
- ▶ I have an auxiliary account with a challenger bank
- ▶ I don't have an account with a challenger bank, but I'm likely to get one
- ▶ I don't have any dealings with a challenger bank and no plans to do so



THANK YOU

WWW.FINTECHFUTURES.COM

TANYA ANDREASYAN TANYA.ANDREASYAN@FINTECHFUTURES.COM

SHARON KIMATHI SHARON.KIMATHI@FINTECHFUTURES.COM

QUESTIONS & DISCUSSION, ANSWERS?



FS Club

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Personal Sponsors





THANK YOU FOR WATCHING

Forthcoming Webinars

- Thursday 05 November (10:00) [CommunityZ Chest: Ekhosuehi Iyehen, Secretary General, Insurance Development Forum: Closing the Protection Gap through Public Private Partnerships](#)
- Friday 06 November (11:00) [Lessons From Lockdown: Re-Assessing How You Manage Share Plans In A Digital Way](#)
- Tuesday 10 November (11:00) [From Paper Tape To Low Latency Data – A Lifetime In Market Data](#)

Visit <https://fsclub.zyen.com/events/webinars/>