

## The fintech effect: Banks buy in to benefits of boosting financial well-being

- *Industry-wide report illustrates changing attitudes to customer needs through fintech adoption*
- *Fintech challenger U Account and Clydesdale's B Account rated as top current accounts*
- *Increase of over 50% in ratings for current and savings accounts since 2013*
- *Despite widespread improvements, credit card issuers proved slower to embrace opportunities to improve financial well-being*

**London, 15 February 2017** - For the first time since the financial crisis, the banking sector is showing signs of putting the financial well-being of customers at the heart of its products according to the new industry-wide Ratings Report by the Fairbanking Foundation. The charity has been responsible for reviewing and rating products on how well they promote financial well-being for almost a decade.

The report has found evidence that fintech innovators have set a new standard in focussing on customer control and experience in their products, and that the industry has reached a tipping point in this regard, with large banks now also beginning to follow suit. After previous reports by the Foundation identified alarmingly low levels of customer focus, over the last three years, it has recorded an increase of 57% in its ratings of current and savings accounts; products which now include more features that put customers in control of their money.

Overall, fintech challengers U Account, Squirrel and Osper achieved the best ratings in 3 of the 8 product categories analysed in the report. However, established banks also ranked highly through introducing new fintech features to their products, such as current accounts from Clydesdale and Barclays.

### The top rated products for each category

Current account (with overdraft)	Current account (no overdraft)	Credit Cards	Regular Savings
Clydesdale Bank (B Account)	U Account (by Ffrees)	Capital One	Squirrel
Personal Loans (excl. Credit Unions)	Children's Savings	Student current accounts	Mortgages
Santander	Osper	Barclays	Coventry Building Society

The boom in tech disruption has shown bigger financial institutions the opportunities to be seized through increasing customer control of finances. Features such as spending and savings trackers, balance reminders and critical-level alerts, are all increasingly being embraced across the sector:

- Almost all current accounts analysed now alert customers when the balance is near the overdraft limit
- Almost half of analysed savings accounts now let customers set their individual savings goals
- 45% of analysed current accounts can tag expenditure according to different categories such as eating out, petrol or groceries
- Customers can set their own budgets for different categories with more than a third of analysed accounts<sup>1</sup>

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<sup>1</sup> A full overview of how single features improved (including examples) can be found in the appendix of this release.

Despite the many improvements, progress amongst credit card issuers has slowed in the last three years, due in part to the fact that many providers are not embracing the technology available as readily as the rest of the industry:

- 40% of analysed credit cards don't send a reminder that customers are near their credit limit
- No analysed credit card has a function that easily shows how long it will take someone to pay off their debts
- Only one credit card analysed allows customers to set a budget for different categories of spending

New products analysed for the first time by the Fairbanking Foundation included student current accounts, children's savings accounts and mortgages. The Fairbanking Foundation found that there are serious pitfalls in many of these products, especially when it comes to overdrafts that banks offer students and the mortgages available to first time buyers.

The report finds that the sector is also still missing a big chance to raise a new generation of financially-sound customers, as many children's savings accounts do not make the most of the extensive technology available on the market to support features that encourage saving habits and planning from a young age.

**Antony Elliott, Chief Executive of the Fairbanking Foundation comments:**

"The evidence shows a dramatic shift in the way that providers, large and small, are focussing on the financial well-being of their customers. In 2008, banking could have been compared to a cocktail bar, pushing drinks at customers who'd already had enough. Since then, fintech has managed to bring many in the sector around to focus on the needs of customers. It's time now for all providers to join the party and use the momentum behind this positive change for the good of their customers. In the meantime, the Fairbanking Mark will continue to guide people to those financial products that are best designed to actively help their financial control and, ultimately, their well-being."

**- Ends -**

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## Appendix

How products have improved since 2013

	Regular Savings (excl. Credit Unions)	Current accounts (no overdraft)	Current accounts (with overdraft)	Credit Cards
<b>Overall improvement in ratings for top products</b>	Very high improvement (80%)	High improvement (50%)	High improvement (40%)	Relatively low overall improvement
<b>Most improved feature</b>	Helping customers create 'Rainy Day' savings funds	Account balance and alerts	Allowing customers to set budgets for different categories	Helping customers plan to pay off their debts
<b>Most improved feature – notable products</b>	<p><b>Squirrel:</b> Sends prompts to highlight the importance of 'rainy day' savings for everyday emergencies</p> <p><b>Barclays:</b> Alerts for customers when funds have gone down by 50%</p>	<p><b>U Account:</b> Good with further plans for a feature to 'nudge' customers into taking action for example by highlighting if customers are spending more than others on utility bills</p>	<p><b>Clydesdale:</b> Tracking of expenditure, flagging if it is increasing and suggesting budgeting tools to help customers manage their money</p> <p><b>RBS/NatWest:</b> When customers have additional funds in their account they are prompted to save</p>	<p><b>Capital One:</b> Debt repayment plan feature</p>
<b>2<sup>nd</sup> most improved feature</b>	Setting savings goals and tracking progress	Allowing customers to set budgets for different categories	Helping customers keep track of their spending and know what they spend their money on	Helping customers keep track of their spending and know what they spend their money on
<b>2<sup>nd</sup> most improved feature – notable products</b>	<p><b>Squirrel:</b> Visual tracking if someone is on course to reach their savings goals</p>	<p><b>Loot:</b> Dividing weekly spend into a daily allowance</p>	<p><b>Clydesdale:</b> Putting expenses into different categories (such as eating out or petrol)</p>	<p><b>Santander and Nationwide:</b> Expenditure tracking in different categories over time (such as monthly spend on eating out or grocery shopping)</p>

### About the Ratings Report 2017

First published in 2010 by the Fairbanking Foundation, the Ratings Report regularly assesses products right across the sector to rate them on how well they prioritise customer financial well-being. The new Ratings Report "A tipping point in UK banking culture" follows the last iteration in 2013 and analyses financial products in 8 categories: current accounts with overdraft, current accounts without overdraft, regular savings, personal loans and credit cards. Included for the first time are also student current accounts, children's savings accounts and mortgages. Overall the report analysed 76 products. For each product, key features are identified which are likely to improve the financial well-being of customers when used. Adding the proprietary score for each feature arrives at an aggregate score. The features do not carry equal weight.

### About the Fairbanking Foundation

The Fairbanking Foundation is a charity (no. 1125769) whose sole purpose is to make financial products fairer for consumers. It has been working alongside banks, building societies and other financial institutions since 2008 to help shape products that actively put consumers first. Where products achieve this, they can be granted the "Fairbanking Mark"; 24m UK consumers currently use products that are certified by the Fairbanking Mark. The Fairbanking Foundation's work is underpinned by extensive research into consumer financial well-being.