

# RETAIL BANKER

## INTERNATIONAL

**F**intech innovators have set a new standard in focusing on customer control and experience in their products, and now the established banks are starting to follow suit.

After previous reports by UK charity the Fairbanking Foundation identified 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 that now include more features that put customers in control of their money.

Overall, fintech challengers achieved the best ratings in three of the eight product categories: U Account was crowned as the top current account with no overdraft, Squirrel won top regular savings account and Osper topped children's savings account.

But established banks also ranked highly by introducing new fintech features to their products, such as Clydesdale Bank's B current account, and Barclays.

- The boom in tech disruption has shown bigger financial institutions the opportunities to be seized by increasing customer control of finances. Features such as spending and savings trackers, balance reminders and critical-level alerts, are increasingly being embraced;
- 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 category – eating out, petrol or groceries;
- Customers can set their own budgets for different categories with more than a third of analysed accounts;
- 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 do not

send a reminder that customers are near their credit limits;

- No analysed credit card has a function that easily shows how long it will take someone to pay off their debts, and
- Only one credit card analysed allows customers to set a budget for different spending categories.

Capital One is the highest-rated provider in this area, with a four-star rating, following assessment and certification in 2015. RBS/NatWest also has a product with many new features, and has been granted a three-star Fairbanking Mark following assessment.

In the regular savings product category Squirrel has taken over from RBS/NatWest as the provider of the highest-potential-rated product. Barclays launched many new features at the end of 2016, and its account has the potential for a five-star Fairbanking Mark.

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 student overdrafts and mortgages available to first-time buyers.

All are particularly important for less affluent customers – and all have the potential for significant improvement.

The report finds that 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 from a young age.

For the moment, established product providers are lagging behind new fintech-based entrants like Osper and goHenry. It is particularly disappointing, says the report, that the transition from a children's account to an adult account is still not treated as an educational opportunity by providers.

Antony Elliott, chief executive of the Fairbanking Foundation tells *RBI*: "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 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."

Alex Letts, CEO of U, tells *RBI*: "Fairness in banking is largely down to transparency in pricing. The fact that those struggling financially subsidise wealthier customers to get truly free banking is undemocratic.

"This report recognises we are giving people an opportunity to improve their financial

well-being. U's transparently priced account, where you pay for what you use, can become a flagship for a new type banking in the UK," he adds.

Overall, the report is upbeat, and Elliott says that a tipping point has been reached in the provision of retail banking services: "A combination of financial technology, regulation, competition and insight from behavioural economics means that customers now have the right to expect better products and services. That applies as much to less sophisticated or less affluent customers as it does to those who are wealthier or better informed.

"Fortunately, there are signs that this message is now being taken seriously."

He concludes: "This is an exciting time. Although there have been significant improvements in the quality of the financial products on offer, with more on the way, there is still much to do.

"More innovation to assist those that are not so technologically savvy is needed, interlinked with overcoming some customers concerns about the security of online accounts." ■