

Revolut pushes further into the US with banking charter application

Article

The UK-based neobank filed a draft application for a US banking charter as part of its broader expansion in the market, [per](#) Insider. The announcement comes nearly a year after Revolut officially [launched](#) its US operations, and coincides with the rollout of its business offering across all 50 states. Currently, the challenger partners with Metropolitan Commercial Bank to administer its savings accounts and cards, but a banking license would give it more

flexibility to bolster its deposit solutions and expand into lending products for a fraction of the cost.

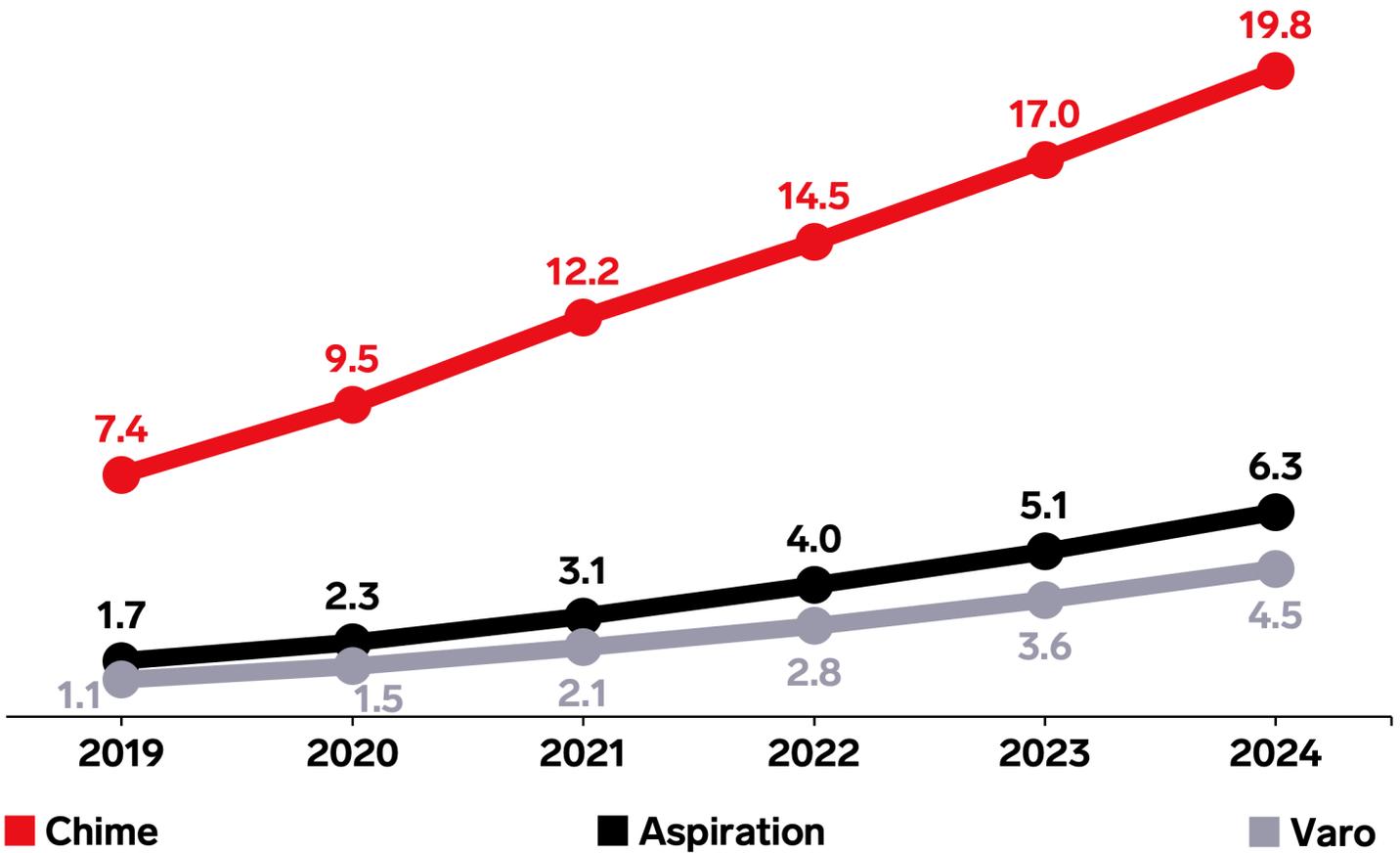
Revolut is up against significant competition from consumer-facing and business-focused neobanks vying for market share in the US.

- **It faces an uphill battle against established, retail-oriented challengers.** Some of the most visible US neobanks—like Chime and Varo—have been operating in the country for the better part of the last decade. Operating exclusively in North America, Chime has an [estimated](#) 12 million+ US customers and has [indicated](#) it would consider a national banking charter. Meanwhile, in August, Varo became the first US neobank to [receive](#) a charter, and it more than [doubled](#) its base to nearly 2 million accounts over the course of 2020. By contrast, Revolut currently only has around 200,000 US customers.
- **Revolut could struggle to penetrate small and medium-sized businesses (SMBs).** Square, which [introduced](#) its small business bank earlier this month, has built out a product suite that allows customers to centralize their operations with the neobank. It already [supports](#) at least 2 million merchants globally to which it can directly upsell its banking services. Brex, a corporate card and rewards fintech, serves a specialized customer base—mainly tech and life sciences companies—and it recently [applied](#) to establish its own industrial bank. Beyond the international payment and card products it announced earlier this week, Revolut's vision for its US business banking solution is unclear. Without a specialized or more differentiated option, the neobank could have trouble gaining share in the increasingly competitive part of the market.

The road to a banking charter is arduous and expensive, and Revolut may already be late to the party. It took three years and cost \$100 million for Varo to receive approval for its banking charter. US fintechs like [LendingClub](#) and [SoFi](#) took a different approach, with each acquiring an already licensed bank that allows them to transfer control of the charter. This strategy enabled a faster journey, but still cost each neobank well over \$100 million. On top of the steep price tag for becoming a chartered bank, Revolut will also need to build awareness among an unfamiliar customer base, which could add additional obstacles to scaling its business within the US. Given its current user count in the country is only a fraction of competitors', this could be an equally difficult and expensive task on its own.

US Neobank Account Holders, by Company

millions



Note: Individuals who have at least one account at an FDIC-backed, digital-only full-service bank that's open to all consumers and includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps, or over the phone.

Source: eMarketer, June 2020

Methodology: Estimates are based on the analysis of data from respective bank corporate disclosures, reported and estimated noninterest expenses from major banks, estimates from other research firms, historical trends, GDP trends, technology expense trends, and macro-level economic conditions.

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