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Lloyds buys fintech Embark to make a wealth push

Article

The news: Lloyds Banking Group purchased UK-based fintech **Embark Group** for **£390 million** ($500.1 million), subject to regulatory approval, per Finextra. The deal excludes Embark's Rowanmoor SIPP and SSAS administration business, which will be retained by existing shareholders.

What does Embark Group do? Embark offers a range of direct-to-consumer and white-label retirement and savings products, like digitized retirement accounts and access to about **6,000** mutual funds.

It also offers a host of digital tools through its advisor platform, like automatic rebalancing. In the eight years since launching, Embark has grown its assets under administration to more than **£40 billion** ($51.3 billion) and its direct customers to roughly **415,000**. It counts **Coutts** and other major players as white-label clients.

Why did Lloyds purchase Embark? The UK banking giant will use Embark's digital solutions and products to advance its position in the retirement and wealth management space.

- **Retirement.** Lloyds will give its retirement and life insurance arm, **Scottish Widows**, a boost by both optimizing its distribution channel and digitizing its retirement accounts. Scottish Widows will tap into Embark's platform to arm its independent financial advisors with sales tools and seamless digital onboarding.
- **Wealth management**. The purchase of Embark will also enhance Lloyd's joint venture with **Schroders**, Schroders Personal Wealth, to make a further push into the mass-affluent and high-net-worth market. Embark's platform will help Lloyds meet the more complex financial planning and investment requirements of these two wealth brackets with simple digital tools that let them manage their own portfolios.

Analyst take: The deal is a prime example of how incumbent banks are getting their hands on innovative capabilities through acquisitions and strategic investments following a series of failed attempts to build their own digital offshoots.

- Some incumbents, likely spurred by the success of several neobanks, tried to build their own standalone offerings, new entities purportedly unencumbered by legacy systems that would give incumbents a chance to tap into new markets. But there's a catalog of unsuccessful ventures, like **JP Morgan Chase's** Finn and **NatWest's** Bó. Recent failures suggest banks that fail to roll out differentiated offshoots struggle to convince customers to open a new account, and these prove to be costly failures.
- Acquiring advanced capabilities through acquisitions has benefits over a build strategy, like speed-to-market. Banks can also tap into hotbeds of fintech innovation and build out their own ecosystems of acquired companies to roll out new products and services and keep abreast of evolving customer demands. JPMorgan has been on a fintech shopping spree and

recently closed a deal to buy UK robo advisor **Nutmeg** for about **$900 million** and also bought ESG specialist **OpenInvest** for an undisclosed fee.

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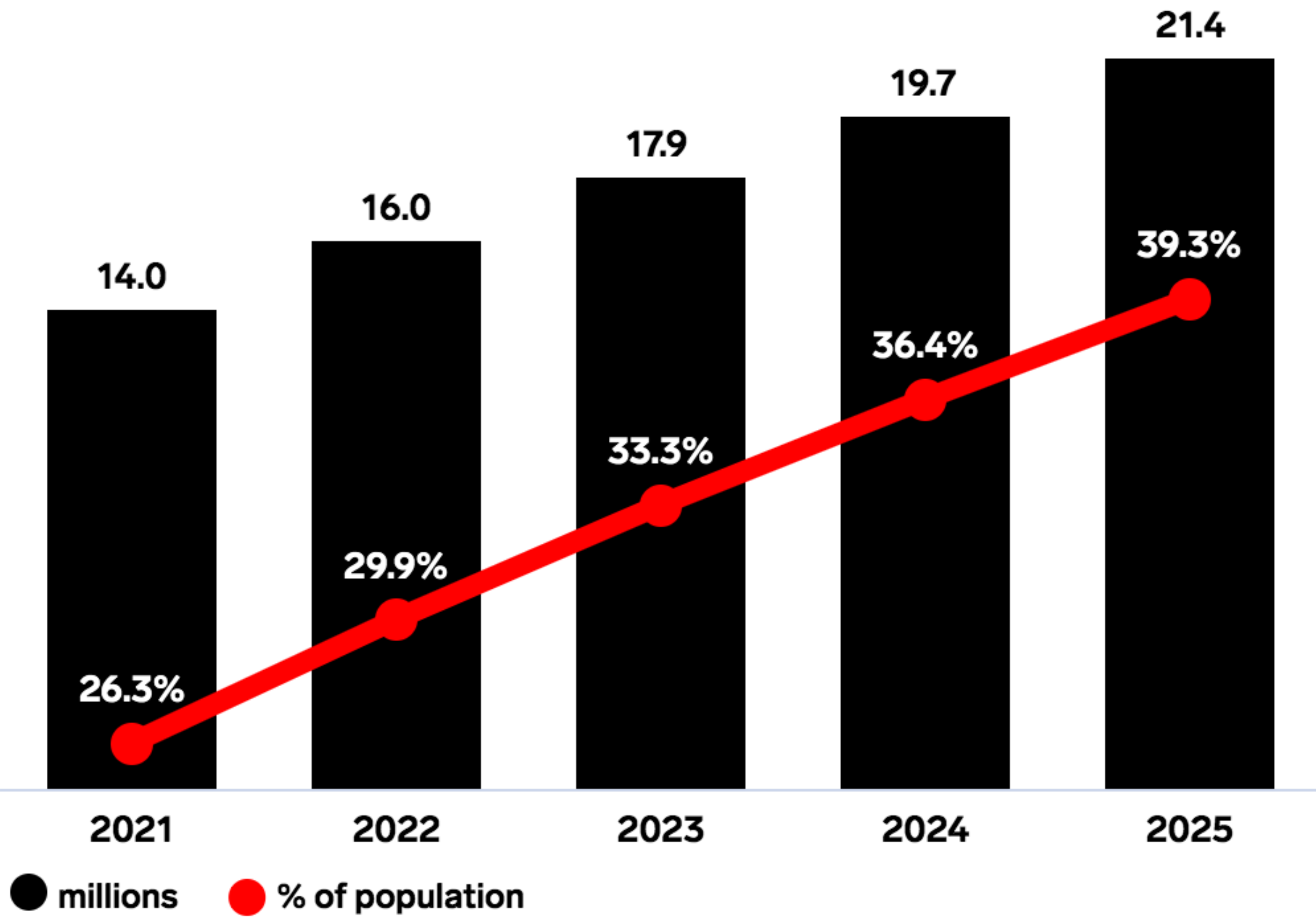

Source: eMarketer, May 2021

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