

# Monzo's BNPL plunge gives it opening to foster loyalty

## Article

**The news:** Monzo is planning to launch its own buy now, pay later (BNPL) product and could unveil it soon, per the Evening Standard. BNPL is a credit card alternative that lets customers make installment payments for their purchases.

The UK neobank's version will be differentiated from the growing number of players in the space by offering affordability checks for users and reporting repayment histories to credit-

checking agencies.

**Trendspotting:** Monzo is set to join a slew of companies that are in both banking and BNPL, including:

- **Revolut:** The fellow UK neobank's CEO, **Nikolay Storonsky**, disclosed the company's BNPL plans in an Evening Standard interview just four days before the publication reported on Monzo's plans.
- **Square:** The US-based fintech and business neobank said in August 2021 that it's seeking to acquire Australian BNPL company **Afterpay** in a deal worth **around \$29 billion**.
- **Goldman Sachs:** The banking giant is teaming up with **Apple** on an upcoming BNPL offering internally called **Apple Pay Later**.
- **Klarna:** The Swedish BNPL company has savings accounts in its product mix in its home market and Germany.

**The big takeaway:** If Monzo can roll out a BNPL arm that garners a good reputation, it could build loyalty among its large customer base, which **stood at 5 million** as of its most recent annual report.

Cross-promotion among existing customers can help the neobank quickly build a following for the product.

- This can strengthen engagement and attract customers to spend more time in its ecosystem.
- It may also appeal more to prospective users seeking to build or repair their credit because Monzo reports repayment histories to credit bureaus.

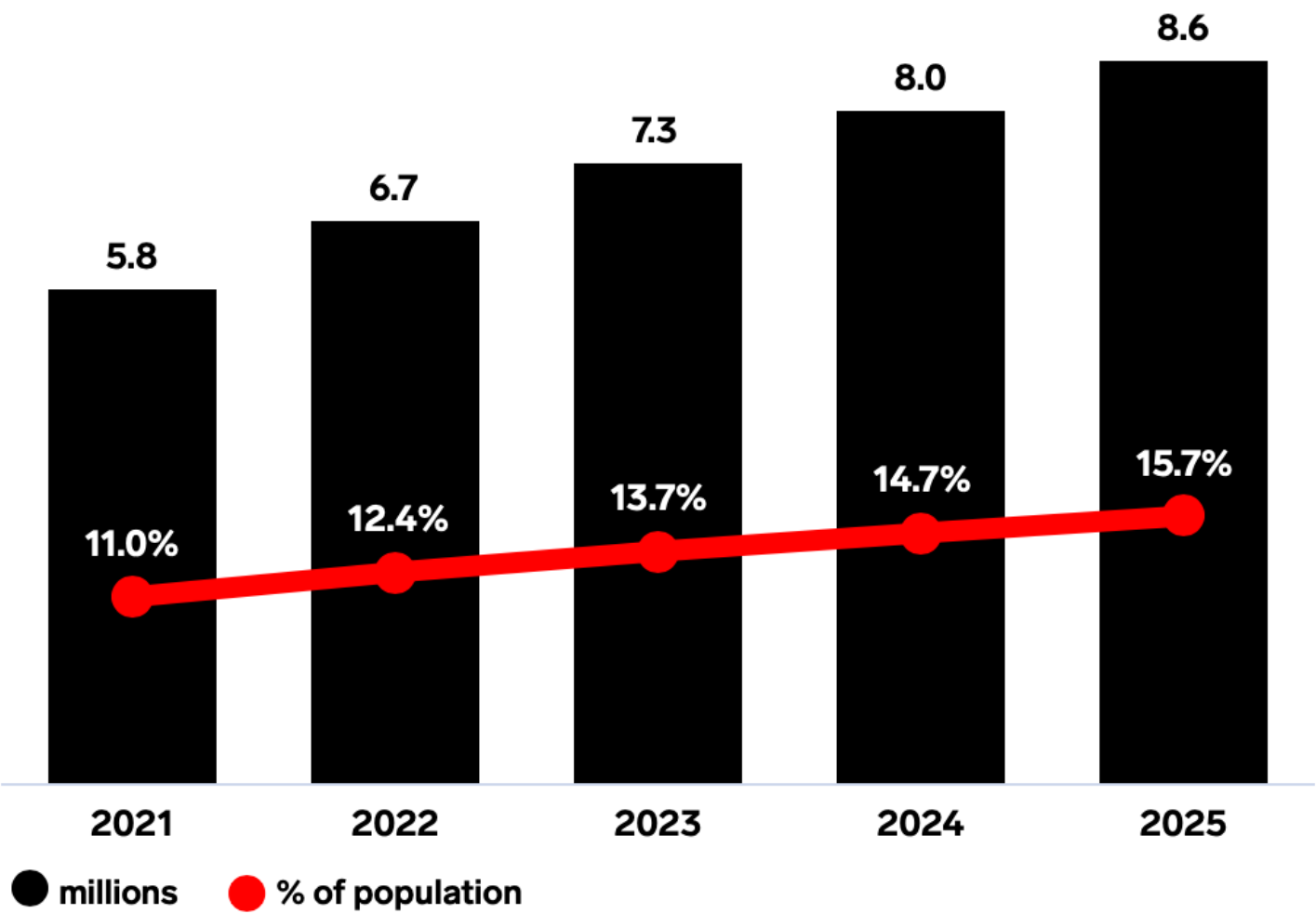
Data suggests that Monzo has a market opening:

- **46% of UK BNPL users said it's their preferred form of credit.**
- **45% said they would like BNPL to be integrated into their current account**—akin to a US checking account—or their credit card, per a 2020 Capco survey.

The neobank's affordability and credit reporting—particularly, its affordability oversight for borrowers—may also enhance the reputation of its BNPL arm. Of late, the product type has been raising concerns that it could stick borrowers with too much debt.

# Monzo Bank Account Holders and Penetration

UK, 2021-2025



Source: eMarketer, May 2021

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