

Despite a mixed performance, Monzo keeps pace with rivals

Article



The news: The [latest annual report](#) from Monzo painted a mixed picture: On the one hand, its losses are widening and it's the subject of a regulatory probe. On the other, its revenue is strong and its deposits are growing. The UK neobank's report—covering its fiscal year that ended on February 28, 2021—reveals these pluses and minuses:

- Losses increased by **about 18%** year over year (YoY), going from **£113.8 million** (\$145.9 million) to **£129.7 million** (\$166.3 million). However, subtracting non-recurring costs shows the losses widened by only **about 1%**.
- The UK's Financial Conduct Authority (FCA) told Monzo in May that the neobank is the subject of an anti-money laundering probe. The time period under review dates back to October 2018. According to Monzo, the still-nascent probe covers both possible civil and criminal liabilities. However, Monzo's legal trouble isn't unique—the Financial Times [notes](#) that fellow banking players **N26** and **NatWest** are also under investigation.
- On the bright side, Monzo disclosed that its revenue was up **nearly 18%** YoY, rising from **£67 million** (\$85.9 million) to **£79 million** (\$101.3 million). The neobank also revealed that deposits soared **124%** YoY, climbing from **£1.4 billion** (\$1.8 billion) to **£3.1 billion** (\$3.98 billion).

More on this: Monzo presented further mixed updates in its annual report:

- In negative news, the neobank [reiterated](#) that it faces uncertainty as to whether it will be able to continue as a going concern. But it added that it still anticipates having sufficient resources to comply with regulatory requirements for at least a **12-month** period.
- On the plus side, Monzo reported that, as of March 2021, **around 25%** of its top line is backed by three paid products: **Monzo Business**, **Monzo Plus**, and **Monzo Premium**. The trio of subscription offerings brought in **over 210,000** customers. For overall users, the neobank posted **23%** YoY user growth, going from **4 million** to **5 million**. Monzo also pointed out that **92%** of its user growth happened through word of mouth.

How does Monzo compare with its UK rivals? Its up-and-down year has placed Monzo in the middle of the pack when it's compared with its rivals in its primary home market, **Revolut** and **Starling**. (Note: These neobanks' annual reports all ended on different months, and Starling used a **16-month** period due to a fiscal-year [transition](#).)

- The [increase](#) in Revolut's YoY loss was much greater than Monzo's—**nearly 93%**. Revolut also saw fast user growth, with a **45%** YoY increase. Monzo's stats on both counts show that its YoY changes were considerably less volatile, especially when non-recurring costs are backed out.
- [Starling's financials](#) were by far the strongest of the trio: Its losses were **more than halved** from the prior fiscal year, and Anne Boden, Starling's founder and CEO, [expects](#) that it will

turn its first-ever annual profit in FY 2022. On the customer side, Starling's **accounts more than doubled**, going from **about 1 million** in November 2019 to over **2.1 million** in March 2021.