

Wise expands beyond money transfers with savings accounts

Article

The news: UK-based money transfer fintech **Wise** launched an interest-bearing savings account dubbed Interest, per Bloomberg. Interest will roll out in the UK before expanding across Europe.

Funds held in the account can be spent or sent via the Wise app. Wise will offer 3.29% interest for balances in American dollars, 2.52% for balances in British pounds, and 0.88% for

balances in euros.

The opportunity: The savings accounts can help Wise compete more aggressively with remittance rivals and tighten customer loyalty.

- The solution can encourage customers to hold money in the app, which will likely increase money transfer volume for the fintech: **Wise's volume hit £76 billion** (\$89 billion) in its fiscal 2022 (ended March 31, 2022)—up from £54 billion (\$63.5 billion) the year before.
- The offering also gives customers more use cases beyond money transfers—potentially giving Wise a leg up against rivals. The UK's cost of living crisis is likely to make customers embrace the savings product: 31% of UK adults said savings are a priority, per a 2022 Marks and Spencer report.

The problem: Wise doesn't have a banking license in the UK, which means customer funds held in its savings account aren't protected by UK deposit laws.

The UK's Financial Services Compensation Scheme protects up to £85,000 (\$100,000) worth of deposits for bank and credit union customers. With an abundance of interest-earning savings accounts on the market, customers shopping around may prefer to hold their money with a traditional bank or licensed fintech.

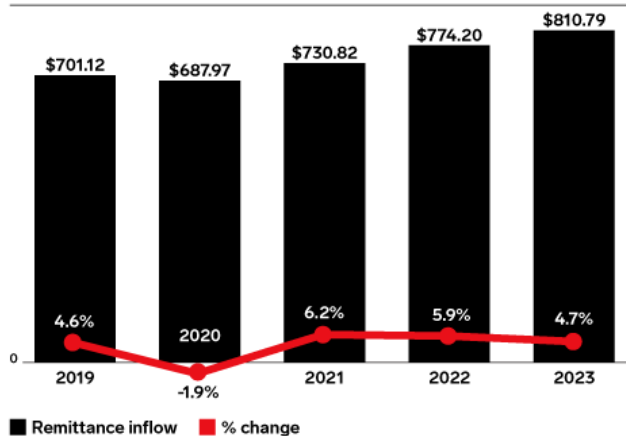
Our take: Not having a banking license might make it hard for Wise's savings accounts to enter the mainstream. But they could still be beneficial because Wise can use them for cross-sell opportunities and to help stand out in the money transfer space.

- While rival **Western Union** already offers a similar product, savings accounts aren't very common in the remittance space yet—though as providers seek to diversify, they could gain traction.
- Being one of the first to offer them might give Wise a competitive advantage that could help it capture more market share. **Worldwide remittance inflows are expected to hit \$810.79 billion** in 2023, according to Insider Intelligence forecasts.

The bigger picture: While legacy remittance firms struggle to sustain volume growth, Wise has been ramping up its product suite. The fintech plans to increase its headcount by 250 next year, in sharp contrast with the wider macroeconomic headwinds affecting the tech sector.

Remittance Inflow Worldwide, 2019-2023

billions and % change



Note: remittances are defined as the value of money sent home by citizens working abroad to their country of origin; global inflow is the value of all money sent to a citizen's home country while they are working abroad; examples include a citizen of Mexico working in the US and sending money back to Mexico through a financial institution or money transfer service, such as Western Union

Source: Insider Intelligence, Dec 2021

272432

eMarketer | InsiderIntelligence.com

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

- Are you a client? [Click here to subscribe.](#)
- Want to learn more about how you can benefit from our expert analysis? [Click here.](#)