

Monzo's projected \$385M raise demonstrates growing confidence in neobanks

Article

The news: The UK neobank is in talks to raise at least **£300 million (\$384.7 million)** at a **£3 billion (\$3.85 billion) valuation**, Sky News reports. Approximately two-thirds of the new

funding is expected to come from new investors, with existing shareholders making up the rest.

More on this: The fundraise may elicit a sigh of relief from Monzo. Its last fundraise was a down round, per the Financial Times, and its most recent annual report painted a [mixed picture](#). The neobank has previously expressed uncertainty over whether it could “continue as a going concern.” One of its most recent actions—the withdrawal of its application for a US banking license—seemed to reflect its shaky state of affairs, with the FT reporting that Monzo may reinvest the savings in its UK arm.

The big takeaway: In addition to the major fundraise being fantastic news for Monzo, it also seems indicative of increasingly positive investor sentiment toward neobanks.

This is far from the first huge funding round a prominent neobank has enjoyed this year:

- Brazilian neobank **Nubank** raised \$400 million in a Series G round in [January](#), then extended that round by another \$750 million in [June](#) for a staggering total of \$1.15 billion.
- Germany’s **N26** [raised](#) more than \$900 million earlier this month, carrying its valuation to more than \$9 billion.
- UK neobank **Revolut** closed an \$800 million Series E funding round in [July](#) that valued the company at \$33 billion.
- US neobank **Chime** raised \$750 million in [August](#), achieving a \$25 billion valuation.

But Monzo’s fundraise in particular may be excellent news for other neobanks because it represents a strong vote of investor confidence in a neobank that is not the biggest in its market (as Chime and Revolut are in the US and the UK, respectively, as measured by customer count) and has yet to show that it can effectively monetize its business model (unlike Nubank, which recently reported its first profitable half year).

Investors’ willingness to hand over hundreds of millions of dollars to struggling Monzo may be a sign that they have confidence in the digital-first neobank business model and in neobanks’ ability to become major players in their financial services markets.

Trust in Established Banks vs. Neobanks According to Adults in Europe and Australia, May 2021

% of respondents in each group

	Established banks	Neobanks
Finland	72%	11%
Norway	62%	28%
UK	61%	17%
Austria	60%	17%
Netherlands	53%	14%
Australia	53%	13%
Germany	52%	14%
Sweden	40%	24%

Note: ages 18+

Source: Klarna, "Money management pulse: UK" in collaboration with Nepa, June 2021

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