

Wells Fargo axes personal credit lines in bid for product simplicity

Article

The news: Wells Fargo will eliminate its personal lines of credit as part of an initiative to streamline its product lineup, which involves unwinding some offerings over the next few weeks, [per](#) CNBC. The US banking giant notified impacted consumers that its decision could affect their credit scores, and told the news outlet that it will refocus its consumer lending on personal loans and credit cards.

More on this: The personal credit lines ranged from **\$3,000** to **\$100,000**, and were intended to help consumers avoid overdraft fees and consolidate credit card debt at lower interest rates.

Its decision to drop the loan offering also marks the bank's latest effort to simplify operations. This could help Wells Fargo get out from underneath its federally mandated asset cap, although it did not explicitly tell CNBC if the latest move is connected. Its streamlining initiatives have included:

- A series of branch closures, which **brought** its footprint under the **5,000** mark during Q1 2021. These closures coincide with a broader **shift** toward digital banking in the US.
- Divestiture of businesses deemed as less critical, like its asset management **arm**, its Canadian direct equipment finance **unit**, and its student loan **book**.
- Revamping its governance and risk management, which the Federal Reserve **approved** earlier this year.

The problem: Wells Fargo is caught between a rock and a hard place. Cutting its lineup by dumping a consumer-lending product may help the bank improve its operational focus and bring it closer to shucking the asset cap. But it risks alienating the affected customers and could turn out to be a self-inflicted hit on retention—further compounded by the possibility of negative credit-score impacts.

The bank's latest move may also give an opening to neobanks and fellow incumbents that seek to woo away Wells Fargo customers to sign up for replacement products, such as those that help clients avoid overdraft fees. Examples of such products include early paycheck access offered by challengers like **Varo** and **Chime**, and **PNC's Low Cash Mode**, which **provides** users advance warning of low balances. Competitors could also capitalize on the negative publicity by emphasizing their user-friendliness, such as how their accounts don't require minimum balances or monthly fees.