

# Digital banking in the UK yields profits for Monzo and Chip—for now

Article

**The news:** Two UK-based digital finance apps, **Monzo** and **Chip**, reported profitability in the first half of this year, and both foresee full-year profitability by the end of 2024.

**'Profitability was a choice':** Monzo's annual report for the year ending February 2023 revealed [impressive growth in income](#), but also significant losses for the year.

- **Its net operating income nearly doubled YoY** from £114 million (\$134.1 million) to £214.5 million (\$252.3 million).
- **But Monzo reported a net loss of £116.3 million (\$136.8 million)**, similar to the previous year's £119 million (\$140 million).
- Despite the losses, the neobank attributes its first months of profitability—January and February—to its **substantial personal and business user base and new revenue streams like lending and paid subscriptions**.
- **Monzo's lending volume almost tripled YoY** to £759.7 million (\$893.5 million) through consumers' usage of the digital bank's overdrafts, unsecured personal loans, and its proprietary buy now, pay later (BNPL) feature.

Monzo's CEO, TS Anil, said the bank's profitability was a choice. For several quarters, the neobank chose to reinvest in further growth rather than report profitability. Monzo currently claims to have 7.4 million UK customers and £6 billion (\$7.1 billion) in total deposits.

**Launch pad for growth:** Savings and investing app Chip also reported its first ever profitable month this May.

- The financial startup reported **171% QoQ growth in revenue at the end of May** and touts **£2 billion (\$2.4 billion) in deposits**.
- Chip said **its savings products, specifically its Instant Access Account, were a launch pad for standout growth this year**. The Instant Access Account currently offers 3.82% interest on deposits.
- The app also claims to have obtained over 27,000 investors through a series of **crowdfunding campaigns**.

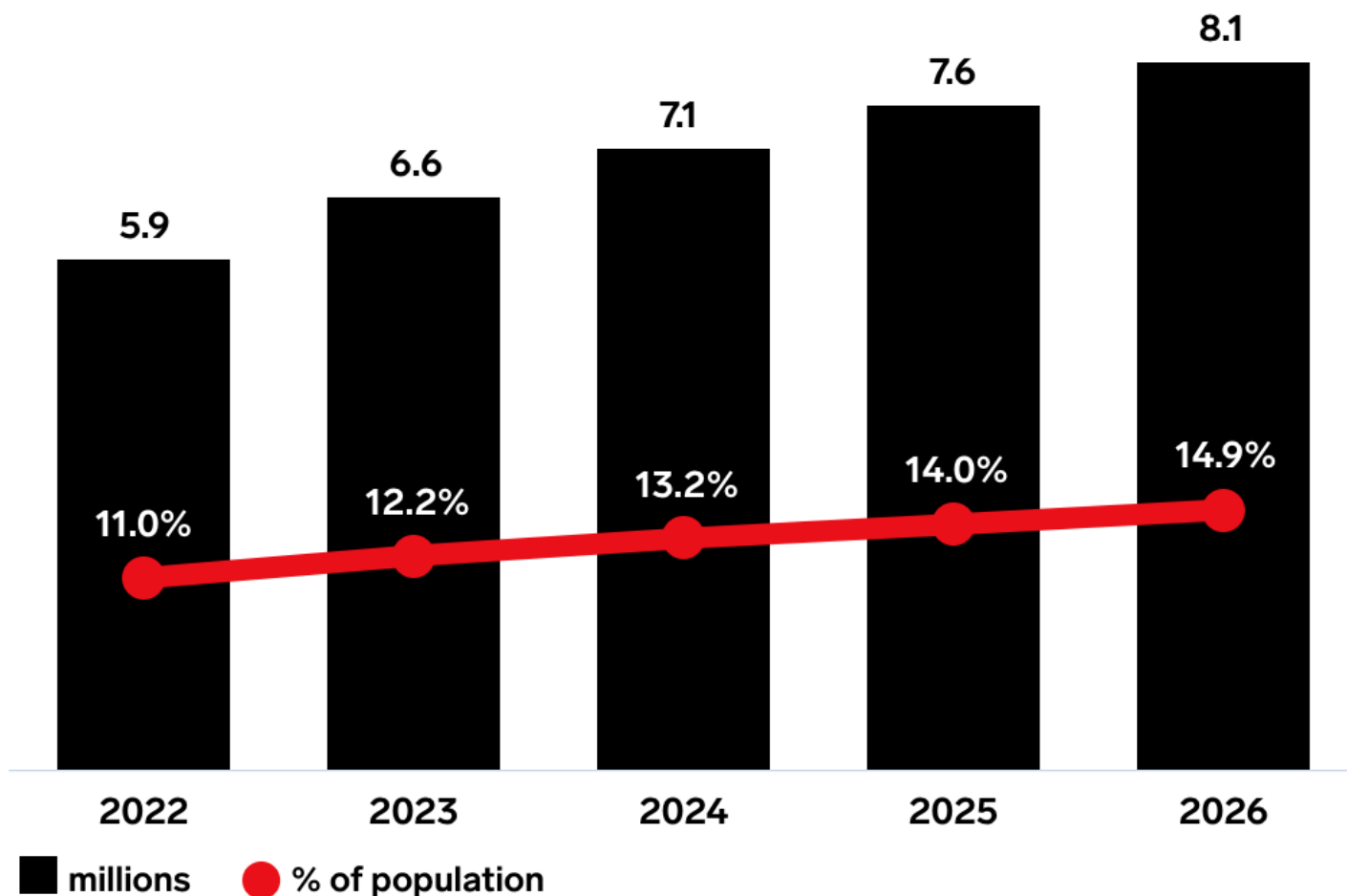
**The state of digital banking in the UK:** The flurry of profitable digital finance apps in the UK may be an indicator of the strained status of UK consumers. But the economic and political environment could put an end to these fintechs' success.

- UK consumers are struggling through a major cost-of-living crisis that's causing them to rely more heavily on unsecured borrowing. Monzo said its increase in lending is a testament to the usefulness of the neobank's products. Anil also pointed to consumers' greater use of the bank's savings pots and savings tools. But Monzo is preparing for an uptick in loan defaults—it set aside significant funds to account for potential credit losses.

- The digital apps may also face innovation challenges as the fintech sector comes under fire in the UK. Once a technology leader, the UK is now in danger of losing its powerhouse status as fintechs and digital banks point out [slower tech rollouts](#) and [increasing bureaucracy surrounding bank licensing approvals](#). Chip may also face hurdles involving its [Prize Savings Accounts](#), as UK lawmakers investigate [gamification in financial services](#).

# Monzo Bank Account Holders and Penetration

UK, 2022-2026



Note: individuals who have at least one account at an FSCS-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps or over the phone; account holders are not mutually exclusive; there is overlap between groups

Source: eMarketer, June 2022

[InsiderIntelligence.com](https://www.insiderintelligence.com)

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking 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.](#)*