

# Australian neobank Volt ends its banking operations

Article

**The news:** Australia's first all-digital bank, **Volt**, is exiting the banking sector and returning its banking license, [per](#) Reuters.

**More on this:** The neobank, which was founded in 2017 and gained an Australian banking license in May 2018, is closing up shop after failing to raise sufficient funds to run the business.

- The company is returning its A\$113 million (\$84.4 million) in deposits to its roughly 6,000 customers and is selling its mortgage book, comprising A\$80 million (\$60 million).
- It will also give up its banking license.

Volt had already adjusted its business plan last year by shifting to a banking-as-a service (BaaS) model and [partnering](#) with the Australian Mortgage Marketplace (AMM). Around the same time, it also raised A\$85 million (\$63.8 million) from Australian Financial Group (AFG) and offered [white-label mortgages](#) to AFG.

**Australian neobanking falters:** Volt was one of four original neobanks that Australian regulators approved after misconduct increased within Australia's financial industry. The misbehavior caused the country to loosen its rules for new banking entrants in 2018. Of the original four neobanks it licensed, only one remains in business today.

- **Xinja** [collapsed](#) in December 2020 after mishandling its spending.
- Neobank **86 400** was [scooped up](#) by National Australia Bank in February 2021.

That leaves **Judo**, which went public in 2021 and [posted](#) double-digit growth in net interest income and gross loans and advances for its fiscal H1 2022.

**The big takeaway:** The pandemic appears to have signaled the start of the neobank contraction in Australia. When home loan demand spiked and incumbent banks embraced a more digital approach, neobanks lost their digital competitive edge and the income they generated through home loans took a hit. As we've reported, neobanks already have a tough time turning a [profit](#), and with interest rates rising, capital [investment](#) is freezing up. Those two hurdles, coupled with now-stricter Australian [banking requirements](#), could signal the drying-up of neobanks within the country.

## 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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