DEC 02
Tom Auchterlonie

Capital One jumps on the anti-overdraft bandwagon—with options for replacement income

Article

The news: **Capital One** said that it's no longer charging consumers overdraft or non-sufficient fund (NSF) fees on their accounts.

More on this: Going forward, customers will have two options for dealing with overdrafts:

- Enroll in the bank's free overdraft protection service—participation in it requires recurring deposits, per CNBC.
- Decline enrollment and see their future overdraft transactions declined.

Capital One Founder and CEO Richard Fairbank noted that the bank **already doesn't charge monthly fees or require minimum balances on its checking accounts.**

The bank **expects to forgo $150 million worth of annual revenue** due to its decision, CNBC reported.

For its consumer-banking segment, it reported **$131 million** for the revenue category that includes overdraft fees during the first nine months of 2021.

Trendspotting: Capital One notes that it's **the first top-10 US bank to drop overdraft fees** for all of its products.

The decision also makes it the latest prominent US banking player to eschew or downplay them.

- **Ally** revealed in June that it was ditching overdraft charges after suspending them due to the pandemic.
- **Regions Bank** said in October that it was rolling out a checking account without overdraft fees in exchange for consumers paying $5 per month.
- **TD Bank** announced in June that it would offer a checking account without the fees in exchange for paying $4.95 per month.
- **Bank of America** said in September that it would reduce consumers' exposure to the fees by offering them a tool to set up a prioritized list of outside accounts that they could draw funds from.
- **PNC** launched its Low Cash Mode offering in April, letting customers control the processing timing of certain debit transactions.

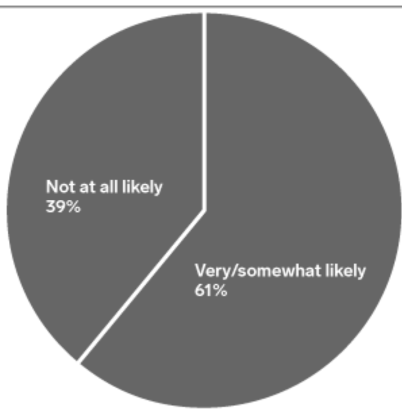
Incumbent banks have been making changes to their overdraft approaches—even as neobanks like **Chime** and **Varo** have long promoted customers' limited exposure to fees as a selling point.

What comes next? To make up its lost revenue, Capital One can choose from among several options, based on reports from Raddon and Capco:

- **Adding income via premium offerings.** This entails customer acquisition through loyalty programs and bundled products for new accounts like retail discounts. Capital One already features rewards and could easily bulk up that lineup.
- **Checking account transaction data.** The bank can review this data to generate ideas for cross-selling consumer products. The data can also tell the bank whether customers are withdrawing funds for competitors' offerings.
- **Premium personal financial management tools.** These could offer customers personalized assistance while generating subscription revenue.

Likelihood of US Adults Changing Their Primary Bank to Avoid Monthly Service, Overdraft, or Other Related Fees, Aug 2021

% of respondents



Note: n=3,072
Source: CivicScience as cited in company blog, Aug 17, 2021

268710 eMarketer | InsiderIntelligence.com