

Klarna's banking ambitions underscore the threat of established fintechs in the banking space

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The Sweden-based buy now, pay later (BNPL) fintech is piloting a bank account in Germany, with plans to roll out the offering more broadly in the coming months, TechCrunch [reports](#). The account allows customers to receive money, set up direct deposit, and use an Apple Pay- and Google Pay-compatible debit card. Customers can also track their spending and upcoming payments within the Klarna app, while budgeting tools and savings accounts are in the works. This is not Klarna's first banking push: It operates savings accounts in Sweden, after [securing](#) a full banking license in 2017. And in June 2020, it [debuted](#) a savings account in Germany exclusively for customers of digital savings marketplace Raisin.

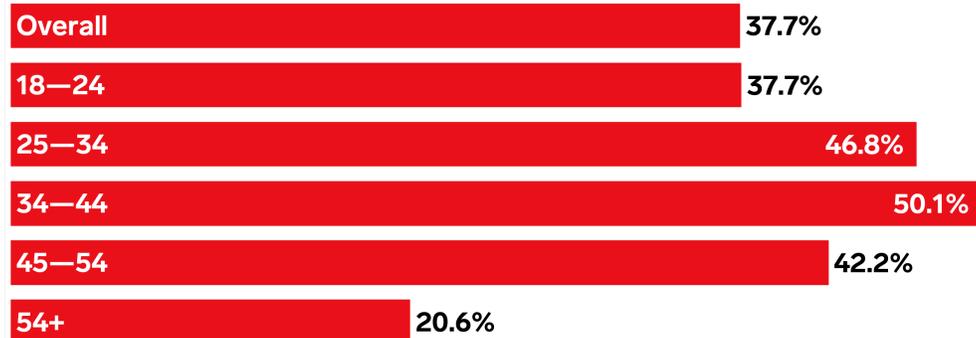
The addition of money management tools in particular will make Klarna's banking product consistent with its flagship product, which promotes smarter spending. Its BNPL product [enables](#) customers to pay for ecommerce purchases in installments, track past purchases and upcoming payments, access a marketplace of stores that accept it as a payment method, track deliveries, and track price changes, among other features.

Customers who already use Klarna as a means to spend responsibly without racking up credit card debt might be even more inclined to try its banking product if it also boasts tools meant to give users greater control over their finances.

Klarna has ambitions of building a financial “super app,” which, given its scale, poses a direct threat to neobanks.

- **Klarna has a massive global reach that it could leverage to launch banking features in more markets.** Klarna raised \$650 million in September 2020, giving it ample funds to build out the business, as well as the title of Europe’s most valuable fintech. Moreover, its network includes 90 million consumers and over 200,000 merchants across the markets it operates in, affording it a huge addressable base. Given its size and available resources, Klarna’s push into banking could pose an immediate threat to European neobanks, specifically Germany-based N26. US neobanks should be on notice too, as Klarna’s record growth in the market make it a prime candidate for banking services expansion: The fintech counts 15 million US users, with more than 1 million joining each month since October 2020.
- **The competitive threat of fintechs from other areas of financial services is mounting against neobanks.** Established fintechs with banking ambitions can build upon their loyal user bases from their flagship products, whereas neobanks typically launch banking services as their main product from the ground up. BNPL players globally are pursuing banking products: Last year, Affirm launched its own high-yield savings account in the US, and Australian BNPL player Afterpay rolled out savings accounts to its customers. And this specific category typically targets younger consumers—the same demographic to which neobanks typically cater. While a BNPL player may not be top-of-mind for a savings account, customers who regularly transact via their services could more willingly become engaged users of their banking services, versus choosing to open an account with a separate neobank altogether.

Share of US Consumers Who Have Used a BNPL Service



Source: *The Motley Fool, 2020*

Methodology: The Ascent distributed the survey via Pollfish to 1,862 US consumers ages 18+ on July 7, 2020. Efforts were made to create a representative sample, but no strict statistical testing was performed.

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