

Fintech Pledge initiative aims to provide financial guidance during UK cost of living crisis

Article

The news: Digital challenger **Zopa Bank** and credit marketplace **ClearScore** partnered to launch the **Fintech Pledge**, an initiative designed to help UK citizens with their financial lives

during the cost of living crisis, [per](#) AltFi.

More on the initiative: The goal of the program is to drive 10 million positive financial actions by UK citizens by 2025.

- The actions have been divided into four different categories: savings, credit building, debt consolidation, and utility marketplaces.
- Examples of positive actions include switching money from low-interest savings accounts to high-interest savings accounts, establishing savings pods dedicated to specific financial goals, and using tools to help monitor and build credit scores.

The pledge is industry wide, and more partners and programs will be added over time. **It aims to unite the fintech industry and has set a goal to reach about 20% of the UK population.**

Lots of options: Savers in the UK are flush with [options](#) for savings accounts offering higher interest rates.

- JPMorgan's digital bank **Chase** offers a 1.5% interest [savings account](#).
- UK-based **Tally** offers [gold-backed](#) savings accounts with a guaranteed 2% annual return.
- Zopa offers a hybrid savings account with increasing interest rates based on how long customers keep their funds deposited. The savings can be distributed across several savings "pots."
- This week, **Santander UK** [announced](#) it will offer a savings account with a 3.1% interest rate.

What consumers want: For quite some time, consumers have been demanding more personalization from their banks. A [study](#) from Sinch, a Stockholm-based provider of telecom and cloud communications platform as a service solutions, revealed that **by personalization, consumers mean relevant financial advice that fits their current [situation](#).**

- Situational advice is an indication that consumers are looking for their banks to tell them what to do. The Fintech Pledge provides customers with distinct actions they can take to improve their financial health.
- Additionally, **our [forecast](#) shows a dramatic increase in the use of personal financial management (PFM) tools in 2022** as inflation and the cost of living [soar](#). Growth of PFM users in the UK will reach 17% this year, an increase of our previous estimate of 9.6%.

What's in it for the banks? While banks and fintechs are messaging their concern for customers through programs such as the Fintech Pledge, it's not hard to see how they benefit from these programs.

- Because consumers are looking to their financial institution to tell them what to do during this difficult time, FIs have significant influence over consumers. They'll be better able to entice them to use their products. And if they already have consumers' trust, it won't be hard to upsell and cross-sell more costly products.
- Incentivized offerings, like high interest rates, are an easy way to bring new customers through the door. The simple [account switching](#) process in the UK means that all a bank needs to do is offer a better rate than competitors.

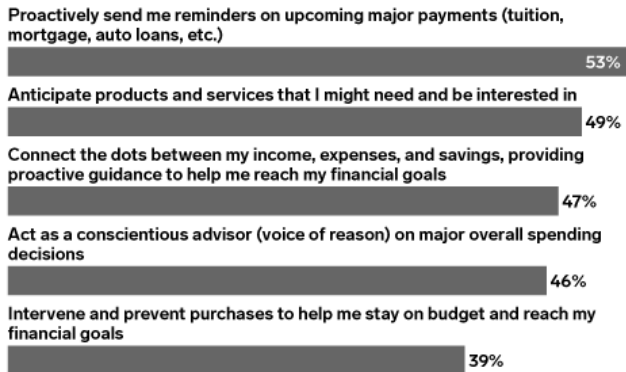
Our take: Programs like the Fintech Pledge offer citizens a sense of community during a crisis. But for FIs, a crisis is a good time to capitalize on their marketing strategy for customer acquisition and retention. Consumers must not be too snowed by promises to help, and FIs must be aware that customer trust hinges on kept promises.

- Many banks are offering higher interest rates as introductory promotions, and drop their rates after a promotional campaign ends.
- Banks are also trying to keep their heads above water, especially as [capital reserve](#) requirements come under scrutiny.

FIs are showing sympathy to consumers to bolster their reputation through the crisis, but they must maintain their efforts to lift up UK citizens afterward, too.

What Banking Customers Worldwide Would Like Financial Institutions to Provide, Q4 2020

% of respondents



Source: NTT Data, "Get Personal: Banking on AI to Help Customers Reach Their Hopes and Dreams," Feb 1, 2021

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