

# After UK incumbent banks got a stern talking-to, neobanks heeded the call for better savings rates

Article

**The prediction:** When MPs called out UK banking heads for branch closures and for failing to pass on profits to consumers via higher savings rates, we predicted neobanks would seize the moment to offer better savings rates to customers.

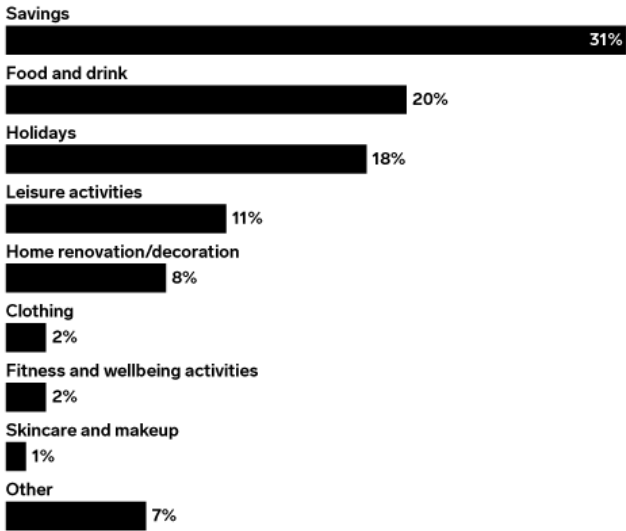
**The outcome:** Since then, a number of digital banks have stepped up to offer higher rates, not only to retail investors, but small- and medium-size enterprises (SMEs) too.

- **Monzo** announced an instant-access savings “pot” that offers customers a 3% interest rate. The new pot, which was developed based on customer feedback, has no minimum balance requirement and lets customers access their funds whenever they need them. With nearly 6 million users, Monzo’s CEO believes the digital bank will reach profitability this year.
- **JPMorgan’s** digital challenger bank **Chase** also upped its rate to 3% on its easy access savings account this week.
- After the Bank of England increased its base interest rate to 4% earlier this month, **Tandem Bank** announced an increase to its instant access savings account to 3.05%.
- **Starling Bank** also announced a one-year fixed saver account for SME customers that offers a 2.5% interest rate. This product accompanies the digital bank’s fixed personal savings account that launched in December and offers a 3.25% rate.
- Last month, UK-based digital bank **Kroo** also increased the interest rate on its current account to 3.03%.

**The bottom line:** As UK citizens struggle with the cost-of-living crisis and look for ways to save, neobanks are setting their sights on helping consumers and incumbent banks are turning a blind eye. While the incumbents’ Q4 earnings releases next week may show that strategy is working for them, the long term may reveal a different story. Neobanks are building trust with customers in hard times, when it matters most. More neobanks are knocking on profitability’s door—and a large, loyal client base will only make them stronger.

## Priorities for Family Spending Among UK Adults, April 2022

% of respondents



Note: ages 18+; spending priorities outside of fixed costs  
Source: Marks and Spencer, "The M&S Family Matters Index, July 2022" conducted by Yonder, July 2022

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