

Tough competition and regulations blunt N26's US ambitions

Article

The news: N26 co-CEO, Max Tayenthal, [acknowledged](#) to Insider that “not as much management attention is going to the US for the time being.”

More on this: The neobank entered the US market in 2019 with big [plans](#). It [invested](#) \$29.9 million at the launch of its US operations, and [claims](#) to have amassed over 500,000 customers across the region—with 250,000 still on a waitlist.

But those plans have met with muted success and face an uncertain future:

- Its US-based CEO left the company within a year of its introduction, and the neobank was forced to lay off 10% of its New York workforce shortly after.
- It's currently seeking a relationship with a new sponsor bank to help navigate the US regulatory environment and enable its products after its partnership with **Axos Bank** [ran](#) its course over the summer.

The bigger picture: N26's soft retreat echoes the obstacles other Europe-based neobanks have faced in the US:

- **Monzo** [withdrew](#) its bid to become a licensed bank in the US last month. The neobank made this decision after regulators informed it that its application was unlikely to be accepted.
- Facing stiff competition, **Revolut** [broadened](#) its free offerings in hopes of attracting new US customers. The change runs opposite its UK strategy, which is focused on boosting fees, and driving paid subscriptions—ultimately increasing the bottom line.

The big takeaway: Steep costs will limit a foreign neobank's ability to grow in the US.

Customer acquisition costs (CAC) are high in a mature market like the US. Neobanks can no longer exploit the digital inequalities that once enabled them to pick off customers disgruntled with the traditional banking experience, [according to](#) A16z.

- Incumbents have not faced the digital onslaught sitting down—legacy banks across the board have [modernized](#) their own digital experiences, and [introduced](#) features that challengers have historically used to sweeten the pot for prospective customers.
- The neobank market is also quite saturated in the states, leaving non-domestic players drawing from a limited pool. On top of all this, foreign entrants have the added cost of educating consumers on who they are and what they actually do.

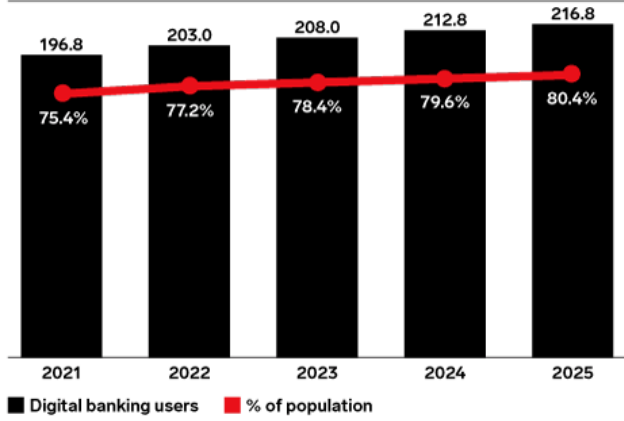
The US regulatory landscape could prove complex and expensive for new competitors—especially those from outside the country.

- **Robert Le, a senior emerging technology analyst at Pitchbook**, noted to Insider that such complexity forced N26 to rely on its partner bank, which restricted its ability to tap into retail revenue sources like net interest.

- A national banking charter could provide more independence, but the road to regulatory approval carries a high price tag: **Varo** spent nearly **\$100 million** to get there.

US Digital Banking Users and Penetration, 2021-2025

millions and % of population



Source: eMarketer, March 2021

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