

Revolut surrenders to impervious incumbents, ends its short-lived trial period in Canada

Article

The UK-based neobank is ending its operations in Canada after rolling out a beta version of its app locally a year and a half ago, [per](#) BetaKit. Revolut had plans to provide its full-fledged

products and services in the country, but never officially launched, so it's unclear how many users the app actually had. It will wind down beginning on March 29, and customers who do not use their remaining balance by May 15 will be reimbursed in full.

Revolut's retreat highlights the difficulty of competing against Canada's well-established incumbents. The country's five largest banks—Scotiabank, CIBC, TD Bank, BMO, and RBC—[dominate](#) the sector. Digital banking penetration in Canada is [forecast](#) to spike from 69.7% in 2019 to 76.5% by the end of 2021, but most digital-only account holders are concentrated between two incumbent-owned digital banks, Tangerine and Simplii. The country's current regulatory [framework](#) gives precedence to managing systemic risk over engendering a competitive environment, making it difficult for challengers to break through on their own. In fact, most fintechs need to rely on partnerships with the very incumbents they are looking to disrupt in order to offer new digital banking products to their limited customer base.

Despite Canada's tough competitive landscape, digital challengers are still eager to expand in the market. Here are two reasons why:

- **Customers are still not content with their digital options.** Even before the pandemic, mobile banking usage in the country was on the rise, but customer satisfaction with the mobile offerings declined across all age and income groups, [according to](#) J.D. Power's 2020 Canada Retail Banking Satisfaction Study. The drop was most acutely observed among Gen X customers. Future growth for banks is predicated upon creating digital products and services that cater to their younger user base, but most incumbents and their wholly owned direct banks seem to be missing the mark.
- **Challenger banks and other fintechs are positioning themselves as the go-to alternatives to digitally deficient incumbents.** Toronto-based neobank Koho may be the most visible standalone challenger and recently [raised](#) CA\$70 million (\$52.2 million) in fresh capital. Since 2019, it has nearly doubled its customer base to 350,000 and launched a litany of new features aimed at empowering its users to take control of their finances. Wealthsimple, Canada's [largest](#) robo-advisor, took its first stab at banking with Wealthsimple Cash, a peer-to-peer payment platform and is [expected](#) to expand into other areas like checking, insurance, and mortgage products. These players could see a customer bump following the close of Revolut's beta offering, and could capitalize on the fresh growth by offering products that diminish the dissatisfaction usually attributed to digital banking solutions in Canada.

Canada by the Numbers

Population (18+)	37.9 million
—% with a bank account	99.0%
—% that uses ATMs*	84.2%
—% that uses branches*	82.6%
—% that uses digital banking*	74.1%
—% that uses smartphone banking*	47.7%
—% that uses call centers*	36.2%

*Note: *Represents forecast penetration as of the end of 2020 in the event that the pandemic takes a moderate course and the Canadian economy reopens within the coming months.*

Source: World Population Review, eMarketer, Insider Intelligence estimates

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