

Are the benefits of a bank charter worth the headaches of getting one?

Article

The news: US-based niche lender **Oportun** voluntarily pulled its application for a national bank charter from the **Office of the Comptroller of the Currency (OCC)**.

Trendspotting: The lender is the latest fintech in recent months to withdraw its application for a bank charter in the US:

- **Monzo** dropped its application for a US banking license last week after being informed by regulators that it was unlikely to be approved.
- In early August, **Brex** pulled back from its application for an industrial bank charter—a slightly different license that offers similar benefits to a national bank charter—to “modify and strengthen our application and resubmit at a later date,” according to a Brex spokesperson.

The charter opportunity: The allure of a bank charter lies in the autonomy and control it brings.

In July 2020, **Varo** became the first neobank to receive a charter from the OCC. Per Deloitte, the approval allowed the neobank to:

- Offer a full spectrum of banking services without paying a licensed partner.
- Avoid certain banking regulations that vary from state to state—enabling it to offer its customers more unified products.

The big takeaway: Additional product leeway may make completing the arduous application process worthwhile for neobanks. But the prospect of continued regulatory oversight following approval could leave them weighing their options.

- Varo’s transformation into a national bank was not immediate. To get there, **it spent three years and nearly \$100 million** weaving its way through **complex regulatory and capital requirements**.

Though receiving approval for a bank charter would be a momentous occasion for any fintech, it’s just the first stop on a long and winding road.

- Like any OCC-regulated bank, **a licensed neobank would face intensive compliance requirements**. For example, Varo is now subject to federal leverage ratios that could limit how much it can grow its loan book if it rolls out future lending offerings.

Increased compliance may not be the only obstacle ahead for neobanks considering becoming national banks—if President Biden’s nominee to lead the OCC is confirmed, she could bring even greater scrutiny to fintechs.

US Neobank Account Holders, by Company, 2021-2025

millions

	2021	2022	2023	2024	2025
Chime	13.1	15.4	17.8	20.3	22.7
Current	4.0	5.2	6.3	7.3	8.4
Aspiration	3.0	3.8	4.6	5.5	6.4
Varo	2.7	3.5	4.4	5.4	6.4
Other	2.5	3.2	3.8	4.4	5.1
Total	20.2	24.9	29.5	34.3	39.1

Note: individuals who hold at least one account at an independent, digitally native, digital-only bank that has either a banking license or operates on a licensed bank's platform (such as Chime or Varo in the US, Monzo in the UK, and Koho in Canada); account holders are not mutually exclusive; there is overlap between groups
Source: Insider Intelligence, May 2021

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