

Press ‘account’ for control

Bridget Rosewell argues that bank customers want to feel that their preferences matter and to have the right information to make their own choices

Your main personal current account is, for most people, where your regular income goes and the place from which your transactions are made. Not so long ago, people were either paid weekly in cash, or went to the bank every week to take out the cash to make their payments. Then we invented the standing order, the direct debit, the credit card, the cheque guarantee card and, finally, the debit card. The current account became seen as a payments mechanism rather than a safe place for your money. Safety became something that people took – and take – for granted.

Next came the internet and mobile technology and the FAANGs – Facebook, Amazon, Apple, Netflix and Google. They are huge companies, using technology to facilitate, accelerate and generate expectations of even more immediate satisfaction of our wants. Their mindset unpacks the current account and could return us to an earlier world where the means of payment is not linked to the place where money is kept. Some challenger banks are going down the same road, but it is not clear that they will be able to compete with the tech giants. Telling me how much I have spent in coffee shops will not be enough.

Open banking means customers can give their bank data to other entities, but most of those entities probably will not be able to compete with the data-mining capabilities of the tech companies on the product management side. That does not mean banking will become just another “over-the-top” data service. For bankers, customer gratification is based on credit generally repaid over the longer term. They need to get that right because revenues are based on interest payments, not just on fees.

Banks remain places where your money, whether as a business or an individual, must be kept safe and where you can get advice and be sure of data privacy. While some people may not care about their privacy, most of us guard details of at least some aspects of our lives, and particularly of our longer-term interests.

As a young economist, I was taught that money has three functions: as a medium of exchange; a store of value; and a unit of account. Cards, cash and phones can provide mechanisms for exchange but it is a current account that is a store of value. The unit of account function straddles the two active uses; we then begin to think that they must share

an institutional framework. This is not necessarily the case, nor was it so in the past.

I think money is more than this. It stores information and creates information as much as it does value. This is what the tech companies are keen to exploit, but the information is richer than they think and includes more of our aspirations, our attitudes to risk, and our hopes and dreams. The ability to make long-term choices, aided by useful information, is what banks should be aiming to help us do.

“ *It is wrong to think that people these days do not want the hassle of making financial decisions* ”

Transactional information can be used by banks to hang on to frequent customer contact and the opportunity to offer additional services. This can be the ultimate opportunity to exploit customers, but it is also the opportunity to elucidate and clarify and to give real and useful information.

It has been argued that people these days do not want the hassle of making financial decisions; they want all the administration taken away. This is another confusion. Nobody likes administration, or reading the small print, but customers do want the information to make the best possible choice in an uncertain world.

They also want to feel their own preferences matter. They may want to know that there is a cheaper utility provider out there, but will also want to be able to make choices that reflect their values and preferences as fully as possible. Being customer-centric means enabling customers to make the choices that they want, and giving them the knowledge about potential consequences which may be years in the future. It is about the ability to take control of your life. ■



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