



TEMENOS

Farewell Fees - Prioritizing People In Big Bank Overdraft Policies

As fees are further removed from the revenue picture for FIs, an underlying question is “How can we make banking experiences more human, personal, and inclusive while staying profitable?”

When Capitol One, America's 6th-largest retail bank, announced that it "will completely eliminate all overdraft fees and non-sufficient fund (NSF) fees" for its consumer banking customers, people paid attention. Richard Fairbank, Capitol One's CEO, cited the move as "another step in our effort to bring ingenuity, simplicity and humanity to banking." This is a tone-setting milestone that's further fueling retail banks to humanize their approaches and act as an ally for all people trying to create a secure financial future without fear.

A 2021 Forbes Advisor article finds that overdraft banking fees cost consumers \$12.4 billion in 2020. While down from the estimated \$17 billion collected in 2018, that's still a sizeable number. This persisting impact on everyday people is bringing big questions about the future of fees to a head and compelling leader to re-examine traditional banking services through the lens of what is best for the customers who rely on them.

■ Fees in the Spotlight

The growing scrutiny over fee collection practices stems, in part, from findings that they disproportionately harm consumers with lower incomes and other financial disadvantages – harm that was exacerbated during the early part of the pandemic. While congressional crosshairs and consumer advocacy groups are driving some banks' shifts on overdrafts and NSFs, others are changing to fend off no-fee Fintech alternatives and address customer frustrations and flight.

Behind the foundational expectation of data protection and security, 2021 MorningConsult findings show that price and fees comes next in the reasons that customers switch banks – more than twice as important as the average

reason cited in their report. While these factors are fueling banks' and credit unions' appetite for change, the traditional technology that underpins many makes it difficult for them to do so.

Now, advanced cloud-native, AI, and API-first technology like Temenos is stepping in to provide FIs a turnkey path for introducing innovative products and services to its customers. These innovative offerings that are helping to further lessen the impact of fees include:

- Earlier access to direct deposits - acting as a grace period before overdraft fees are incurred
- New short-term loan products that address temporary needs
- Buy Now Pay Later programs that provide customers with financial flexibility
- Elimination of transfer fees associated with moving funds from one account to another

This technology is supporting similar actions regarding fees in other areas as well, such as payday lending. Neobank Varo notes that "Historically, payday lenders have charged exorbitant fees for consumers to borrow against their next paycheck in case of an emergency or a cashflow issue – the Varos of the world are saying if you direct deposit your paycheck with us, you can access your paycheck two days early at no cost."



Focusing on the Future of Banking – Banking Made Human

As fees are further removed from the revenue picture for FIs, an underlying question is “How can we make banking experiences more human, personal, and inclusive while staying profitable?” For some financial institutions, overdrafts and NSF fees account for only a small portion of non-interest income, while for others it can rise to nearly 40%.

In speaking about this heavy reliance on fees, CFPB Director Rohit Chopra said banks’ focuses should be “competing on quality service and attractive interest rates” as well as “transparent, upfront pricing.” Prioritizing these characteristics and reducing dependence on non-interest income triggers questions such as, “How can data be leveraged to provide customers with the information, products, and services they need most?” and “How can we give customers more control of their financial health and increase brand loyalty?”

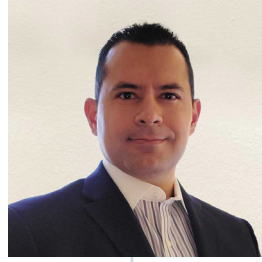
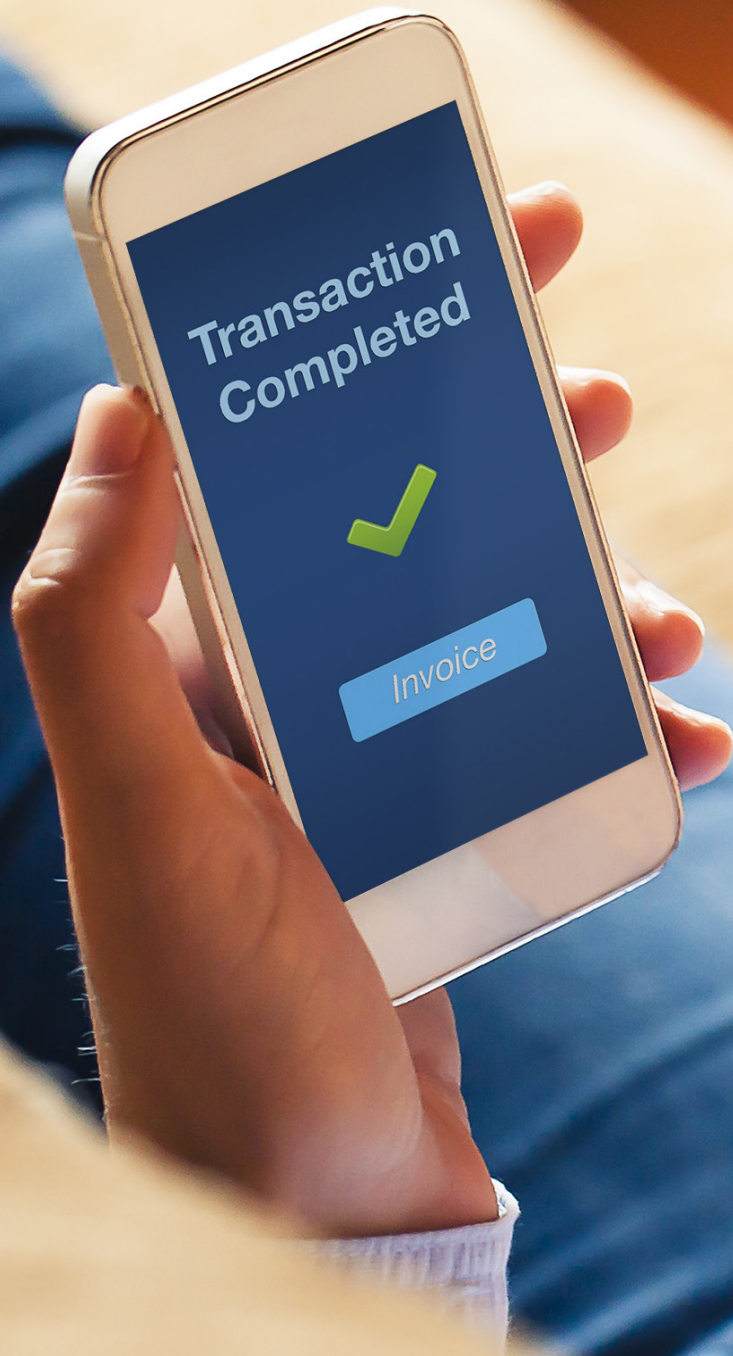
Answering and acting on questions like these are bringing people back to the center of banking. More and more banks are leveraging digital banking platforms like Temenos Infinity to compete by delivering banking experiences that match the ease and intuitiveness of great consumer experiences. By integrating digital banking services with their back-office systems, banks can now quickly and securely launch digital solutions across all sectors that:

- Use AI and smart-banking capabilities to anticipate customer needs and deliver the right mix of resources
- Connect with 3rd party systems or pre-built integrations to deliver value-added services and innovation.

- Provide personalized experiences that far outpace competitors’ ability to convert prospects to customers. Engage customers wherever they are (from the web to wearable devices) and throughout their full lifecycle (from onboarding to account closure).

The writing is on the wall. Fees should not be foundational to a bank’s success moving forward. The banks that position themselves for profitability and long-term health moving forward will be those who act and speak more like a FinTech – with modernized approaches, products, and services to make digital banking human. US banks moving away from overdraft fees is the right thing to do for consumers and the smart thing to do for the banks. FIs that have announced new policies like those noted here are acquiring customers at twice the rate of those that have not and are also experiencing significantly fewer customer complaints. Focusing on people and realizing profits are not mutually exclusive.





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Temenos AG (SIX: TEMN), con sede en Ginebra, es el software bancario líder en el mundo, el cual se asocia con bancos e instituciones financieras para transformar sus negocios y mantenerse en la vanguardia de un mercado que evoluciona. Más de 3,000 bancos alrededor del mundo, incluyendo 41 de los 50 bancos más importantes en el mundo, confían en Temenos para procesar tanto las transacciones diarias como las interacciones para más de 500 millones de clientes. Temenos ofrece un front-office y un core bancario nativo en la nube y agnóstico en la nube, soluciones de pagos, productos de software para la administración de fondos y gestión patrimonial permitiéndole a los bancos la capacidad de brindar experiencias al cliente que sean consistentes y sin fricción, adquiriendo excelencia operacional.

Se ha demostrado que el software de Temenos permite que sus clientes de mejor desempeño alcancen una relación costo-ingreso del 26.8% y una rentabilidad sobre el patrimonio del 29.0%; 3 veces mayor que el promedio de la industria. Estos clientes también invierten más del 51% de su presupuesto de TI en crecimiento e innovación vs. mantenimiento, que es 2 veces mayor que el promedio de la industria; lo que demuestra que la inversión de TI de los bancos está agregando valor tangible a su negocio. Para obtener más información, visite www.temenos.com.



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