



Interviews

Paul Pester On Tandem And The New Wave Of Online-Only 'Challenger Banks'



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Tandem Bank, one of the original online-only U.K. "challenger banks," is embracing the shift to online-only banking and encouraging sustainable finance.

The bank's strategy under Chairman Paul Pester and CEO Alex Mollart illustrates how sustainable investing priorities and technological forces like open data sharing are reshaping consumer expectations in personal finance, rewarding fintechs and digital-first players able to nimbly cater to shifting generational values.

"We want to help mainstream customers reduce their carbon footprint and save them money at the same time," said Pester in a recent "[Enter the Boardroom With Nurgle](#)" podcast interview. "So often in the green debate consumers are told that you can either save money, or you can reduce your carbon footprint, but you can't do both. If you want to reduce your carbon footprint, you pay more. We have a passion for doing both simultaneously. And that runs right through the organisation."

What Are 'Challenger Banks'?

Tandem is part of a group of challenger banks that have traded physical branch networks for digital-only platforms and aimed to win over more tech-savvy, mobile-first customers with transparent pricing, innovative money management tools, and a focus on user experience.

The roots of the [U.K. challenger bank movement](#) stretch back to the aftermath of the 2008 financial crisis. Disillusioned by the bailouts and scandals, fintech entrepreneurs saw an opening to rebuild consumer trust with a new breed of bank.

The first of these new challengers was Metro Bank, which received its banking licence in 2010 and opened its first branch three years later. A new crop of mobile-first challengers began emerging a few years later. Atom Bank was the first, receiving its licence in 2015, shortly followed by Tandem, Monzo, Starling, and Revolut in quick succession.

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Freed from legacy technology and the overhead of physical locations, these upstarts could build their banking platforms from scratch in the cloud with a lean, product-focused approach. Their selling points were seamless mobile apps, attractive tools for budgeting and savings, and a commitment to fairer fees and financial inclusivity.

"We can use technology to do the things that a branch used to do," says Paul Pester. "In the olden days, you'd walk into a branch and the branch manager would know you and know the way you spend your money. It is possible to do that with technology, and it is possible to have that good insight to a customer if the businesses, the lenders, the financial services, the banks put their mind to it and tend to use it."



Open Banking

Tandem's focus on mobile banking solutions seems to be resonating particularly strongly with younger consumers. Take, for example, Loop, a [money-sharing app founded by Pester](#) and acquired by Tandem in 2023. It was the top-ranked finance category on TikTok for a stretch of 2022.

"The insight [behind Loop] was, why don't we build something that looks like WhatsApp?" said Pester on the podcast. "Why don't we build something that looks like WhatsApp that looks at our bank balances and realises that I have 50 pounds spare, [my niece] Katherine needs 50 pounds. I set a little credit limit and she can have the money for a week and then it will be paid back automatically through open banking. And added to that, it will help her build her credit file."

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For Pester, open banking, a set of reforms that require U.K. banks to [share customer data](#) if given customer approval, is an important part of democratising access to banking. Under the open banking rules that took effect in 2018, U.K. banks must allow licensed fintechs like Loop to access data like regular payments, balances, and transactions from current accounts. This has paved the way for mobile banking products that can automatically switch you to cheaper utilities, recommend budgeting tools, or suggest more rewarding lending products. Advocates say open banking increases transparency and empowers consumers with more control over their financial data and better access to credit.

"The internet enabled price discovery, but open banking enables consumers to get even with the bank in terms of accessing information and getting better deals," argues Pester.

Bridging the 'Green Gap'

Pester, who previously led the launch of Virgin Money and guided TSB Banking Group through an approximately \$2 billion initial public offering before its sale, sees open banking and mobile banking as powerful catalysts for democratising the kind of green finance Tandem's customers are looking for.

In Tandem's 2023 [report](#) on the "green gap" between environmental intentions and measurable progress, 61% of respondents cited concerns about climate change, while 40% expressed interest in reducing their personal environmental impact.

Through green lending, savings products that fund renewable initiatives, and carbon footprint tracking tools, Tandem is aiming to provide these customers with easy, affordable ways to align spending with sustainability goals.

“As a company, you have to be really clear on what problem you’re fixing for your customers,” says Pester. “Tandem believes its customers care about transitioning to a carbon-neutral lifestyle, and it has designed products to speak to that need.”

‘As Big as the Dot-Com Boom’

In Paul Pester’s view, open banking, combined with the recent fast-advancing capabilities in generative artificial intelligence, could set the stage for an “innovation in competition and technology in financial services as big as the dot-com boom.”

The early internet spurred price comparison tools to help consumers find the best rates. Next came mobile apps reinventing easy access to banking interfaces. Now, says Pester, technologies like AI-powered financial advisers could potentially integrate open banking data to provide holistic financial advice and optimization tailored to each user.

“I think we’re going to see AI-driven advisers looking across the consumer’s behaviour and accounts and actively managing their money for them,” Pester said.

No longer would tailored financial insight and investment strategies be reserved for the wealthy able to afford human experts. Powered by large language models and nuanced personal finance data, this emerging crop of AI advisers could fundamentally democratise access to money coaching and customised money management.

“Generation Zs and millennials appear much more interested [in investing], but they don’t have a lot of money to invest,” notes Pester, highlighting the need for accessible, technology-enabled solutions. “It’s why technology is so important, because they can’t pay to have an individual adviser sitting down with them, talking them through what’s right. It’s all technology-based, but it is [democratising access to investments](#), and I think that’s a really positive and interesting trend.”

Tandem’s strategic direction could offer clues on what’s to come in banking technology. If the relatively young challenger bank is able to gain meaningful traction with environmentally minded digital natives as it pioneers green banking products and embraces AI, it would validate the premise of sustainable, open banking as the future growth vector for retail finance in the U.K.

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