



2022 fintech predictions with Zach Perret

Zach Perret, Plaid Co-founder & CEO, and his leadership team discuss the biggest trends in fintech including the rise of super apps, digital wallets, Web 3.0, and more.

9 in 10

Nearly 9 in 10 U.S. consumers now use digital apps and services to manage their finances.¹

2021 saw digital financial services move from the fringes of the financial system to its center, with a growing user base across every demographic. Today, nearly 9 in 10 Americans use some form of fintech to manage their finances, representing a 52% growth rate from 2020.¹ Looking ahead, here are six leading fintech trends to watch for in 2022.

FINTECH PREDICTION 1:

Unbundling, rebundling, and back again!

For many, relying on a single bank or credit union for all of their financial services used to be the norm. As users have become more comfortable with fintech, they've begun to "unbundle" their financial tools, choosing the best app for each function.

Neobanks and fintechs are picking up on this trend and beginning to widen their offerings to meet the growing needs of their consumer segments. In doing so, they're choosing to focus on the needs of their deeply-engaged customer base. Robinhood, for example, now offers cash management services and a crypto wallet in addition to trading and investing services. Mobile payment provider Venmo also added to its core service, now helping consumers pay in stores, pay with a Venmo debit card, and even purchase cryptocurrency. This is the beginning of what will be "a huge focus on rebundling around consumers' demographics," says Zach Perret, Plaid's Co-founder and CEO.

Ginger Baker, Head of Financial Access at Plaid, thinks consumer expectations will accelerate these trends in the coming months. "Financial services are going to be successful when we embed the capabilities and the functionality into the experience the person is already in. Consumers care about finishing the experience and satisfying the emotional driver that they're in the midst of."

In 2022, expect to see more financial services providers seize on this opportunity as they look to be a part of this demographic rebundling and compete against the fintech companies that are leading the way.

"Consumers are now using one, two, three applications frequently in parallel to live their financial lives. Whether that's rebundling within a given application or rebundling within a group of applications, we're starting to see more and more of this."

ZACH PERRET,
Co-Founder and
CEO, Plaid

FINTECH PREDICTION 2:

Rise of neo-super-apps

"71% of U.S. consumers say that fintech has made digital financial services a part of their daily conversations. I think it's evidence of how important these super apps have already become to people's lives."

GINGER BAKER,
Head of Financial Access,
Plaid

For Perret, the rebundling of financial services will lead to the rise of the "neo-super-app". These super apps will provide multiple financial services from a single tool such as banking products, budgeting, bill payments, or investments.

"Within lending, brokerage, and banking, super apps will emerge, adding every bit of functionality within financial services. Over time, they'll actually be able to add in things that are above and beyond financial services," Perret says. Baker thinks these super apps are already here. Amazon, Charles Schwab, and Block's Cash App "are my super apps," she said. "They play diverse roles and satisfy me in all the things I want to do."

And while super apps might be inevitable, you can expect to see some pushback from Capitol Hill according to Plaid's Global Head of Policy, John Pitts. "We are going through a deep, deep structural change in antitrust law," he says. This, plus the Justice Department and the Consumer Financial Protection Bureau's overall attitude on financial mergers may create a "hard ceiling", constraining growth for super apps in 2022.

FINTECH PREDICTION 3:

New payment types reach critical mass

Today, digital wallets are typically used as a go-between, helping connect a consumer's debit and credit card to a merchant. "I predict in the coming 12 months, digital wallets will have a niche in the middle, so that they're going to do things like actually hold balances," says Perret. "This will make them become more like financial services providers."

Pitts supports that prediction, pointing out that Europe may be accelerating that trend with their experiments with "Variable Recurring Payments". VRPs are a new lower-cost way of making payments using bank APIs and are often a more secure alternative to Direct Debits and card-on-file for recurring payments.

"Europe is a real bellwether for where the U.S. is going on this," Pitts says. "This big gap right now in the U.S. is that we don't have really deep, formal access to the bank payment rails for fintech. But despite that, you've seen everyone figuring out new ways to use the card rails and the ACH rails."

Already, wallet-linked payments are offered across almost every one of the major tech platforms including Apple, Google, and Meta. As they continue to transform, expect to see an explosion of new payments use cases including the ability to store a balance, send payments, invest in stock, and buy Bitcoin.

50%

Approximately 50% of U.S. smartphone users are expected to use their mobile devices to make payments by 2025.²

45 million

45 million Americans don't have a credit score.

"Our traditional model of credit underwriting has left millions of people behind and they are systematically left out of the financial services ecosystem. We've hit a point where technology now allows them access in a way that was way too high friction before, but that friction has been eliminated and the regulators have seen that."

JOHN PITTS,
Global Head of Policy,
Plaid

FINTECH PREDICTION 4:

Real-time credit decisioning revolutionizes consumer credit

Expect consumers to have an easier time accessing credit, often with real-time credit decisioning in 2022. Perret says this is because of an intersection of better data processing, machine learning, and new lending models that make it possible to improve consumer-credit decision making.

"Over the coming 12 months, this will revolutionize the way consumer credit is issued," says Perret. "We've already seen this in the emergence of things like buy now, pay later. But I expect this is going to change much more," potentially leading to new credit products.

Pitts is just as optimistic, saying that the "regulatory tailwinds" in Washington, at least in the case of credit availability, will only accelerate this trend in 2022. This is good news for consumers in general but especially the 45 million Americans who don't have a credit score.³ Sometimes known as "credit invisibles", these consumers have been excluded because they don't have access to the traditional sources of credit used in underwriting: payment history for home mortgages, student debt, or credit card balances.

FINTECH PREDICTION 5:

ClimateTech <3 fintech

Environmental issues will continue to be acknowledged as a form of risk that traditional financial companies must address. Some banks, like Bank of the West, with their 1% for the Planet Checking Account are already making environmental issues a central part of their messaging. Perret thinks more will join them in the coming months.

"Many banks are analyzing their lending portfolios to understand the climate impact of all the loans they make and all the customers they bank," says Perret.

People concerned about the environment want tools to determine their carbon footprint. In some cases, they need access to merchant-level data to track the ecological impact of their spending and consumption.

Pitts agrees, referencing one bank that "is collecting the VIN numbers of every car whose loan they originate in order to determine the carbon footprint of that specific vehicle and to calculate its impact."

In 2022, expect to see ClimateTech and Fintech continue to converge, providing consumers and financial services providers with more ways to calculate their impact on the environment.

\$30B

Venture capitalists have invested over \$30 billion in Web 3.0 startups in 2021.

Web2 > Web3 via Web2.5

Web 3.0, also known as Web3, refers to a decentralized online ecosystem based on blockchain. Apps and services built on Web3 are owned by its users, rather than a central gatekeeper. And while it's generating lots of excitement from venture capitalists who invested over \$30 billion in this technology in 2021,⁴ its potential impact on financial services is yet to be determined.

According to Perret, one essential feature that needs to be addressed is the ability to validate people's identity. Building an interim stage, or Web 2.5, can help fill that gap. "Over the coming 12 months, there's going to be a big push to create this middle ground," says Perret, which will eventually lead to more decentralized finance options.

Baker says Web 2.5 is already showing up with more companies enabling consumers to turn cash into cryptocurrency and vice versa but still rely on financial services providers, like Coinbase, to store and secure their financial data.

In principle, decentralization is not something regulators are thrilled about but a Web 2.5 may help them warm up to the idea as long as consumer privacy and protection remain at the forefront.

Conclusion

2022 brings a host of new opportunities for financial services providers to innovate, broaden their service offerings, and engage consumers in new ways. Ultimately, consumer expectations will truly dictate how financial services will be offered in the future and the products that will win will be the ones that take a consumer-first approach. At Plaid, our mission is to unlock financial freedom for everyone and we're excited to see how technology will continue to deliver better and more equitable financial services for everyone.

To learn more about Plaid's predictions for the new year, watch [2022 fintech predictions with Zach Perret](#).

¹ [2021 Fintech impact survey \(The Harris Poll\)](#)

² [Insider Intelligence](#)

³ [Consumer Financial Protection Bureau](#)

⁴ [Forbes](#)

Note: This article references Plaid's [recent Tech Talk](#).

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Plaid builds digital infrastructure that allows people to securely connect their financial accounts to the apps they want to use. We power more than 5,500+ financial apps and services, as well as more than 12,000+ financial institutions in the US, Canada, UK, and Europe.

Ready to build the future of fintech? Reach out to our sales team at info@plaid.com