

Alphabet fund spells bumper valuation for UK digital bank Monzo

Alphabet, the \$1.7trn (£1.4trn) technology behemoth which owns Google, is in talks to take a stake in Monzo, one of Britain's biggest digital retail banks.

Sky News has learnt that Capital G, an investment fund which deploys capital into fast-growing tech companies, is close to an agreement to lead a funding round that will raise well in excess of £300m for Monzo.

City sources said this weekend that Monzo was at an advanced stage of discussions with Capital G and other new and existing investors, and was hoping to conclude the fundraising before the end of the year.

If completed, the deal will represent a notable boost not only for the digital lender, but also for Britain's wider fintech sector.

Capital G has invested roughly \$4bn (£3.2bn) into 55 companies, including Airbnb, Stripe and SurveyMonkey.

More than a dozen of the businesses it has invested in have subsequently gone public – a path that Monzo is also expected to pursue in the next couple of years.

Insiders said the funding round was likely to value Monzo at more than £4bn, including the newly raised capital.

Precise terms, including the valuation and the amount of money it raises within a range of between £300m and £500m, are still to be finalised.

A valuation of about £4bn would represent a significant

achievement for Monzo's board, particularly given the current backdrop for tech company fundraisings.

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It would also cement its status as the most highly valued digital bank in Britain.



Image:

The company is among a new generation of banks to emerge. Pic: Monzo

Monzo was founded in 2015 and now boasts 8.5 million customers, spanning a broad range of digital products and services which now include investments, through a partnership with BlackRock, the world's largest asset manager.

It last secured capital from Abu Dhabi Growth Fund in late 2021.

The company is among a new generation of banks which have emerged since the last financial crisis and begun to accumulate a significant aggregate share of the UK retail banking market.

Rivals include Starling Bank, which is currently seeking a new

permanent chief executive after founder Anne Boden stepped back from the role.

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Revolut, which was valued at \$33bn (£26.5bn) in a funding round in 2021, has yet to receive a UK banking licence despite months of talks with regulators.

Monzo has recovered spectacularly from a difficult period two years ago, when it emerged that the City watchdog was investigating it for potential breaches of anti-money laundering and financial crime rules.

It has historically been loss-making in common with most start-ups, reporting a loss of £116m in the year to the end of February, but is expected to be profitable this year – a major milestone for a standalone digital bank.

Its latest fundraising is expected to be positioned as the final round before Monzo unveils an initial public offering, in which it would sell shares to the public.

It recently revamped its corporate structure as it pursues an international expansion strategy that will serve as the prelude to a stock market listing.

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Monzo Bank Holding Group was established to avoid the company facing punitive capital treatment by British regulators as it launches in new overseas markets.

Existing Monzo investors include the Chinese group Tencent, Passion Capital, Accel and General Catalyst.

Some of the bank's current shareholders are also understood to be keen to invest more money at the new, higher valuation.

It is now the UK's seventh-biggest bank by customer numbers, and has a small presence in the US..

One person close to the fundraising effort said the raise was opportunistic in that the new capital would be used to accelerate its growth.

Monzo is run by TS Anil, its chief executive, and chaired by Gary Hoffman, one of Britain's most prominent bank executives.

On Saturday, Monzo declined to comment, while Capital G did not respond to emailed requests for comment.