

M&S in talks to create banking and loyalty 'superapp'

Marks & Spencer (M&S) is nearing a deal with one of Britain's biggest high street lenders to overhaul its banking arm as a financial services and loyalty 'superapp'.

Sky News has learnt that M&S and HSBC, whose UK arm owns M&S Bank, are close to announcing a new long-term relationship agreement that will pave the way for an overhaul of the business.

M&S Bank has more than 3m customers, offering personal loans, travel insurance, store payment cards and a buy now pay later credit product.

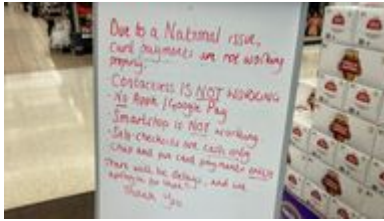
Sources said the long-running talks between M&S and HSBC had focused on concluding a deal before the expiry of their current contract in the coming weeks.

One added that a public announcement was expected to be made about elements of the revised partnership next month.

M&S's long-term aim, they said, was to establish a 'superapp' encompassing payments, financial services and the retailer's Sparks loyalty programme.

One possibility could involve it taking an ownership position in due course, although the likelihood of that was unclear this weekend.

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Fenchurch Advisory Partners, the investment banking boutique, has been advising M&S on the talks.

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The new deal, which is expected to run for seven years, will dispel any suggestion that M&S plans to follow rival grocers J Sainsbury and Tesco by exiting the financial services

business.

Under the existing agreement, M&S is entitled to a 50% share of the bank's profits, subject to certain deductions.

It was unclear on Saturday whether the profit-share arrangement would be amended as part of the new contract.

Sainsbury's announced in January that it would quit the banking business after nearly 30 years, with advisers now seeking to offload parts of the division on the supermarket chain's behalf.

Meanwhile, Tesco said last month it would sell its bank to Barclays in a deal worth an initial £600m.

The major grocers struggled

M&S's announcement of a new long-term commitment to its bank will come just weeks after the revitalised retailer confirmed that Katie Bickerstaffe, its co-CEO, is to leave the company after just two years in the role.

Ms Bickerstaffe will depart from M&S this year, handing over the sole reins to Stuart Machin.

Shares in M&S have surged by 50% over the last year, reflecting investors' confidence in the strategy of its board, led by the retail veteran Archie Norman.

Mr Norman is himself expected to step down in the next couple of years.

Steve Rowe, the previous CEO, laid many of the foundations for the company's turnaround, shrinking its store footprint in the wake of the pandemic and reinvigorating its clothing business.

M&S's food operations have continued to perform strongly during the period, even as continued inflationary pressures have squeezed grocers' margins.

Mr Machin launched a fierce attack on the government's economic policy prior to the Budget, saying that doing business in Britain was "like running up a downwards escalator with a rucksack on your back".

Shares in M&S closed the week at 245.9, giving it a market capitalisation of close to £5bn.

M&S and HSBC declined to comment this weekend.