



# Banking and building society sector overview

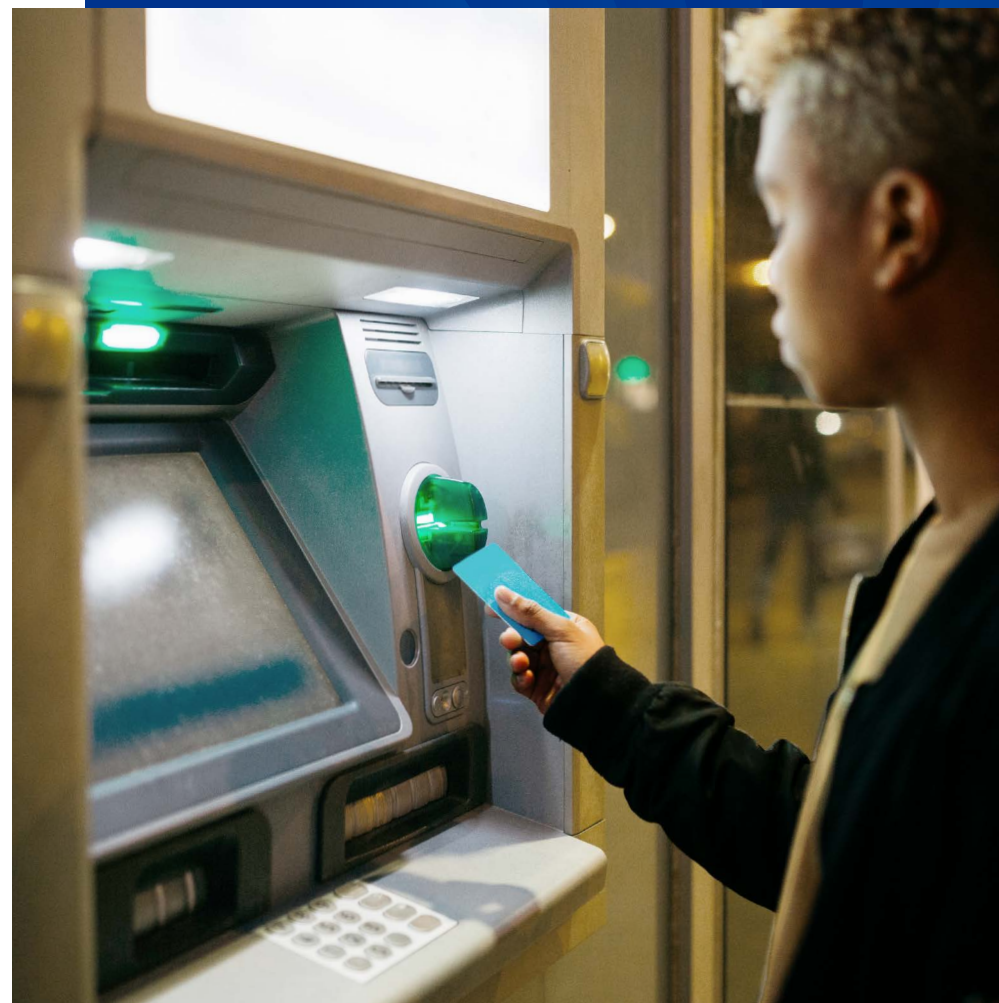
UK Customer Experience  
Excellence report  
2024/25



**Banks and building societies are discovering that Artificial Intelligence (AI) is not just a tool for improving existing processes, but a powerful enabler of customer experience (CX) and business innovation. By harnessing AI, banks can support lending and non-interest income growth, enhance customer satisfaction, and build deeper life-time relationships and value with their customers, all while navigating the challenges of customer and regulatory trust.**

Many of the UK's banks and larger building societies have made substantial investments in building out their digital infrastructure. These investments are equipping these organisations with the technology frameworks necessary to leverage advancing technologies like AI. As a result, banking service providers have not only defined large numbers of AI use cases, but they have also implemented proof of concepts and focused initiatives, leading to improvements in key areas such as customer service, fraud prevention, and cybersecurity. Generative AI is being applied to content-heavy use cases like handling queries and managing complaints, challenging traditional processes, and finding new solutions to long-standing problems.

However, the perception of AI among customers is still evolving, with varying levels of trust and comfort. Trust is paramount in financial services, and attitudes towards AI are affected by increased 'misinformation', sophisticated scams, and trends like deep fake technology, all amid an environment of banking fines related to customer mistreatment.



## Trust and integrity

Trust, in this context, operates on multiple levels. At one level, the opportunity is to maintain brand and experience consistency across all touchpoints to reinforce confidence in the brand. At another, it is demonstrating a deep understanding of individual customers, recognising their unique circumstances, and addressing their specific everyday banking, payment and lending needs. This is crucial as concerns about scams and fraud persist, as well as corresponding regulatory and legal consumer requirements. To address these issues, financial institutions are harnessing AI to enhance and promote customer protection, detecting and mitigating against potential threats, to ensure that customers feel secure when engaging with their services.



## New revenue streams

With interest rates on the path down, and the effect of this on net interest margin, banks and building societies are seeking growth through inorganic, non-interest income and embedded finance opportunities. Building AI capabilities, or point-AI acquisitions, offers an exciting catalyst for innovation at the product and proposition level with significant potential for customer and economic value. For example, intelligent analytics services are helping banks provide additional support through cost-of-living challenges, with features like subscription monitoring and alerts, or money management and wealth coaching, and partnerships within wider ecosystems related to non-financial services experiences.

AI presents an opportunity to highly personalise services and extend support into non-banking areas, thereby increasing relevance and satisfaction, allowing banking service providers to be where their customers are. Success in this area demands establishing organisational

empathy, and demonstrating genuine care and concern. It is about offering solutions based on a comprehensive understanding of the customer, and their emotional, as well as product, needs. Advanced technologies, such as real-time sentiment analysis, are enabling banks to predict and act on customer issues before they arise, and manage matters and experience well, further solidifying their role as a trusted partner in the customer's life journey.

New business models and advances in customer experiences are being influenced by human centred and inclusive design, stretching the reality of what can be designed through AI. This can include new propositions in areas like later life and retirement, with the complex financial needs related to lifelong wellness and matters such as social care. AI can make a substantial impact as we progress our understanding of wellbeing through vast and different types of consumer and personal data. With there soon to



be over 20 percent of the UK population aged over 60, there is a growing need to address the challenges and opportunities of longer life. AI is also helping to enhance CX, whether through tailored reassurance and nudges, generative insights to empower customer service specialists, digital communication aligned to neurodiverse cognition, or providing more effective and interactive non-voice engagement.



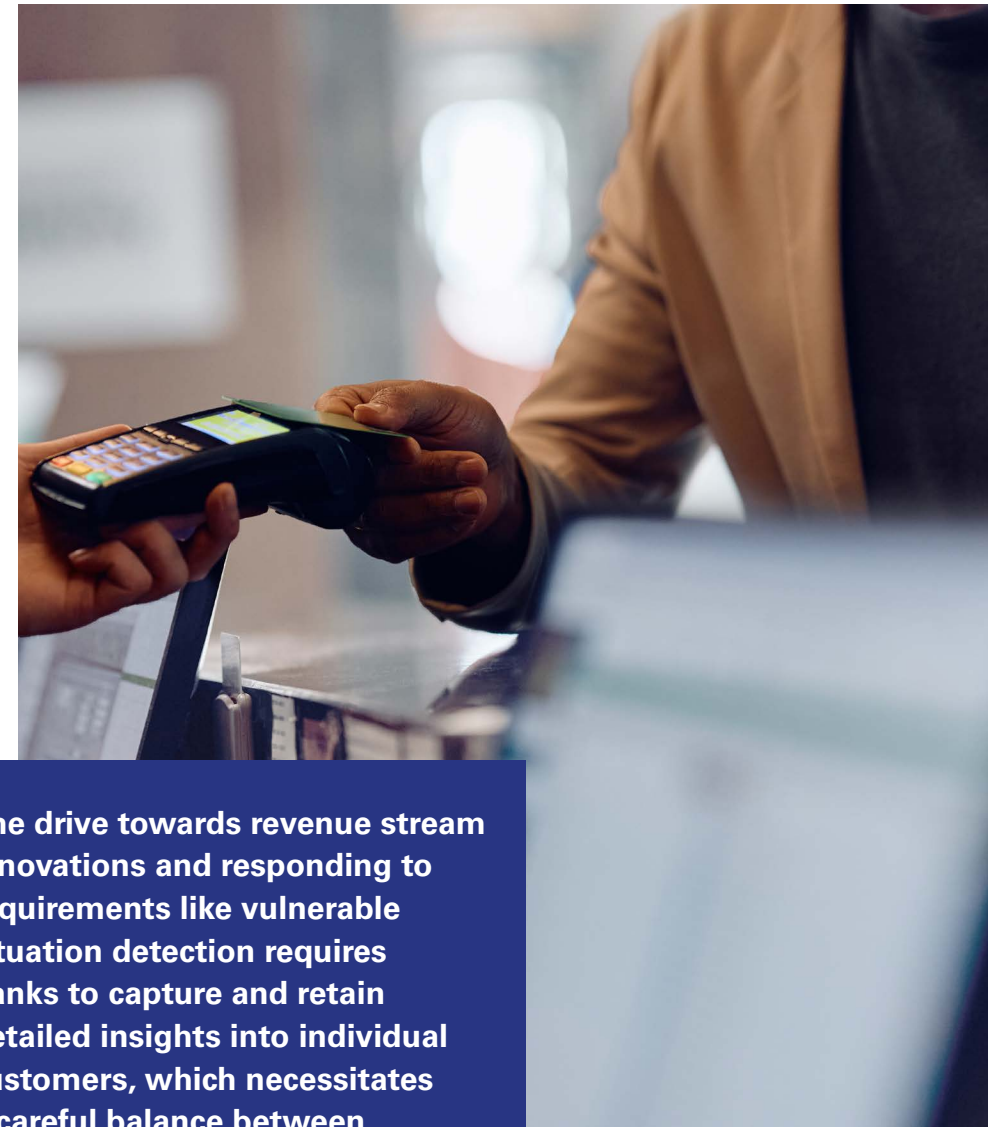
## Customer vulnerability

Regulatory bodies have encouraged banks to focus on customer vulnerability, with AI playing a pivotal role in identifying and acting on indicators of vulnerability. AI-powered chatbots, for instance, are being trained to detect signs of vulnerability within interactions and initiate appropriate interventions, ensuring that customers receive the support they need. Additionally, high-emotion, low-frequency interactions – such as those related to life events like job loss, divorce, or bereavement – are coming under scrutiny, and they are critical moments that affect a lifetime customer relationship and a source of market advocacy, or detraction. These are opportunities for banks to extend their care for customers, embedding themselves more deeply into their lives as trusted partners.

The drive towards revenue stream innovations and responding to requirements like vulnerable situation detection requires banks to capture and retain detailed insights into individual customers, which necessitates a careful balance between

personalisation and data privacy. While the ability to offer tailored services can build customer loyalty and satisfaction, it also demands stringent measures to protect customer data and maintain trust, and legal obligations, with the right levels of transparency to avoid customer intrusion and the erosion of trust.

We anticipate that by using AI as an enabler for business model innovation, banks can diversify their revenue streams beyond traditional income, reduce dependency on interest rate sensitivity, and strengthen their relationships with customers by becoming more embedded in their everyday lives, across a lifetime. AI allows banks to offer personalised, data-driven services that meet the needs of customers today, as well as across the future horizon as customers live longer and require more support and protection, whether in navigating the inflationary impact of global supply chain shocks; financial needs within hybrid augmented reality environments; facing malicious AI campaigns; or climate adaptation.



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## Top 10 banks in the Customer Experience Excellence Report 2024/25

1. first direct
2. Nationwide
3. Coventry Building Society
4. Starling Bank
5. Chase
6. Lloyds Bank
7. Leeds Building Society
8. Atom Bank
9. Marcus by Goldman Sachs
10. Skipton Building Society

### first direct

first direct is a good example of an organisation that has focused on high-emotion low-frequency events. In a KPMG interview with Chris Pitt, CEO, first direct, he outlined the bank's approach to examining life events such as losing a job, bereavement, and divorce:

"We know that these are particularly difficult for customers and want to help them as empathetically as we can, we have worked hard to make these as easy for customers to navigate as possible. We have recently scrutinised how we can improve Power of Attorney for vulnerable customers where proving identity can be problematic and have implemented a set of improvements. Vulnerable customers are a group who are hugely important to us, we have a team of over 90 people available to help them."



## Starling Bank

Starling Bank rejoins the top 10, with its Marketplace a key driver of non-interest revenue. It allows customers to access a range of third-party financial services directly through the Starling app, such as insurance, investment platforms, and accounting software. By integrating these services into its platform, Starling earns referral fees and commissions from the partners for every customer that signs up or transacts through the Marketplace.

AI helps Starling recommend relevant third-party services to customers based on their financial behaviour and needs. This personalised approach increases the likelihood of customers engaging with Marketplace offerings, thereby boosting referral revenue.

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Starling Bank uses AI to provide customers with insights into their spending habits and offers prompts to encourage the use of their Starling card over others. By driving more card usage, Starling increases the interchange fees it earns on every card transaction.

Starling offers its digital banking infrastructure to other businesses as a white-label service, allowing companies to offer banking services under their own brand. This Banking-as-a-Service (BaaS) model generates significant non-interest revenue through service fees, with AI playing a crucial role in managing these platforms efficiently.



**Trust is critical to facilitate value creation for retail and affluent banking customers. AI is presenting new opportunities to enhance trust, empathy and relevance to how banks support customers' lives through new, enhanced and broader propositions and offerings, and tailored, proactive and lower-cost servicing."**

John Middlemiss, Partner.  
Financial Services, Customer Strategy.



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