

## Deposit Insurance could disrupt SA banking dramatically, says Bank Zero

The Corporation for Deposit Insurance (CODI) finally aligns South Africa with the rest of the G20. By guaranteeing cash deposits up to R100 000 per qualifying depositor in the event of a bank collapse, this innovative new scheme has the potential to change South Africa's banking landscape, currently dominated by the Big Five (FNB, Nedbank, Standard, Absa and Capitec), says Yatin Narsai, CEO of Bank Zero. The Reserve Bank estimates that the R100 000 cap means that [more than 90% of depositors](#) will be fully covered even though the total rand value covered represents less than 23% of total deposits.

"In the past three decades [13 banks have failed in South Africa](#), with VBS the most recent. Because there was no explicit deposit insurance scheme in this country, depositors either lost their money or had to rely on the state coming to their rescue. We can never forget how many ordinary South Africans lost their life savings in the VBS implosion," Yatin says. "Now that CODI is in place and covers all banks, including mutual banks as well as local branches of foreign banks, depositors' money is safe."

Yatin says that CODI has been a long time coming, with the decision to proceed having been made in 2014 and the relevant legislation only promulgated in 2022. He suggests there is good reason for thinking that much of this delay could be attributed to delaying tactics from the Systemically Important Financial Institutions, the banks considered too big to fail. In an environment with no deposit protection these big banks enjoyed a "trust advantage" among depositors, who could feel relatively confident that, in the event of a liquidity problem, the government would intervene.

"Pre-CODI, many depositors decided to put up with the high bank fees and poor service of the big banks to have peace of mind. Thanks to CODI, they can now switch to the more customer-focused, innovative and cost-effective banks like Bank Zero."

"The banking oligopoly is dead; long live the new age of powerful, customised banking for everybody," he says.

Deposit insurance came into effect in April and the first data set of covered depositors has been submitted to the CODI regulator. Yatin says there are two unique Bank Zero differentiators that benefit depositors now that CODI's live.

Firstly, minors having their own profiles on Bank Zero ensures that their funds are individually protected by CODI, up to R100 000 each, separate from their parents' protected amount of R100 000. This stands in stark contrast to most other banks which typically require minors' accounts to be linked under a parent's name, where the minor's money would not be independently safeguarded. Since CODI covers only R100 000 across all accounts within a single profile, parents assisting their children with saving under their own profiles, will view this distinction as a substantial advantage, according to Yatin.

Additionally, the way that Bank Zero treats club accounts like stokvels and any other group savings accounts, creates automatic cover under CODI for those individuals in the club who also bank with Bank Zero. Unlike other banks, a Bank Zero club account has separate profiles for each member of the club, thus providing R100 000 of total cover for each member across their club contributions and other Bank Zero accounts. Given that one of the popular types of clubs - stokvels - represent a [R45-billion market](#), the potential protection of these deposits in the hands of individual members is good news for the South African economy.

Yatin adds that Bank Zero's club account allows each member to see exactly what flows in and out of the account, and this transparency builds trust amongst the members.

Another benefit of CODI, Yatin says, is that each business banking profile an individual opens is protected up to R100 000. This will encourage smaller businesses to conduct proper trading through their various business profiles rather than combining everything under their personal names. Since each separate profile is protected up to R100 000 at each bank, customers will also be encouraged to spread their money across several banks, knowing that each profile is safeguarded up to the limit of R100 000.

"Deposit insurance will mean that more people are protected against bank failures while still being able to benefit from the huge advantages offered by new, mobile-first banks like Bank Zero," says Yatin. "A business or club can now confidently use our powerful business banking capability at a fraction of the cost, and with infinitely greater convenience and usability."