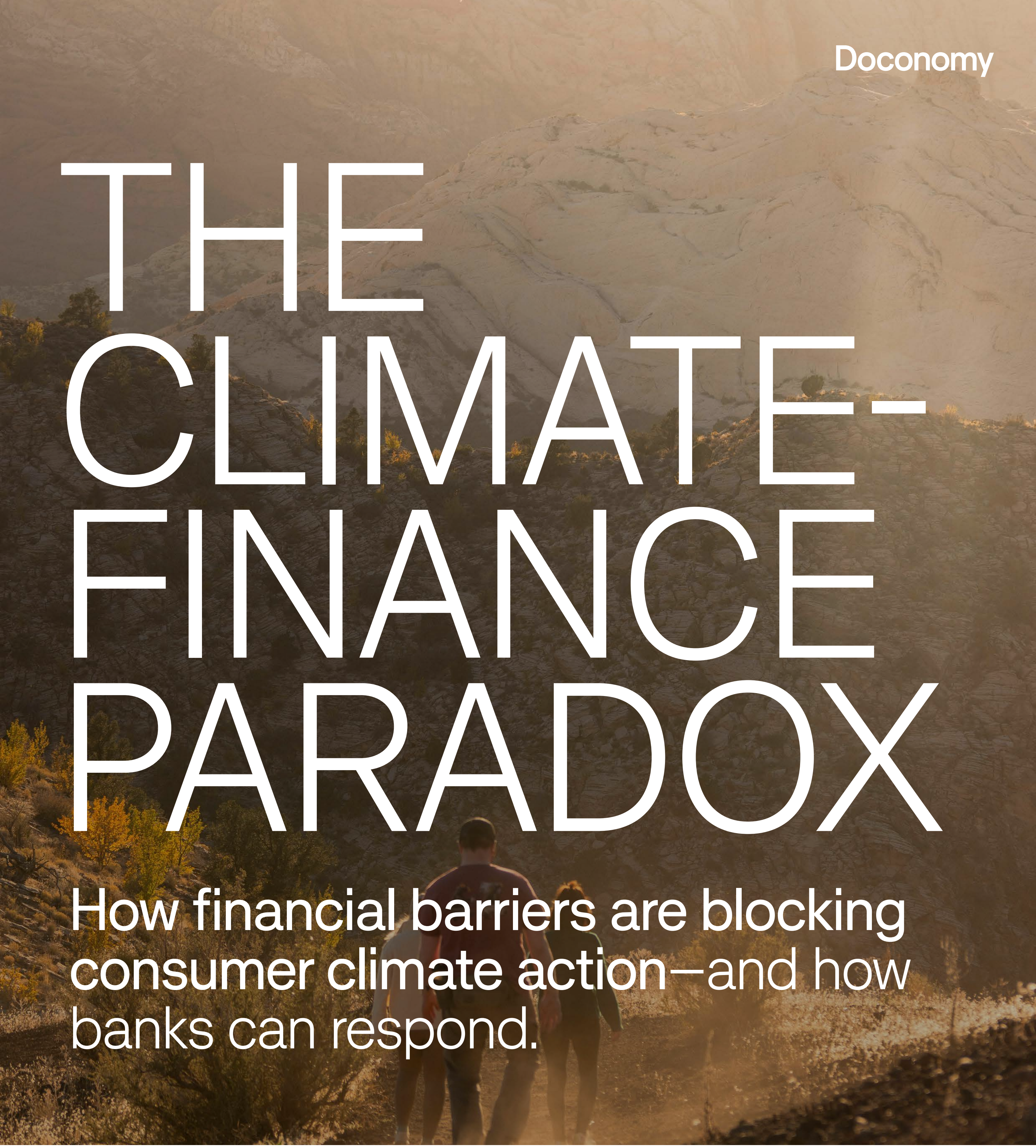


Doconomy

THE CLIMATE-FINANCE PARADOX

How financial barriers are blocking consumer climate action—and how banks can respond.

The engagement opportunity for banks leading up to 2030 and beyond

In today's competitive banking landscape, success hinges on delivering value beyond basic financial services. Banks that enhance both customer financial wellbeing and environmental sustainability will emerge as industry leaders.

LEADING THE CLIMATE BANKING (R)EVOLUTION

“As I look at the financial landscape today, I see a glaring disconnect.

On one side, we have mounting climate concerns and people’s day-to-day money struggles. On the other we have retail banks becoming more and more regarded as commoditised platforms for transactions. Between them lies a powerful opportunity for banks to drive meaningful change – **for people, the planet and profit.**

Surveying 7,000 consumers across Europe, the US, and the UK, our latest research captures a pivotal moment in banking. Consumer expectations are transforming, and the industry must respond.

The numbers speak to a deepening personal crisis. Over half of respondents are more worried about climate change than ever before, seeing immediate risks to them and their families’ wellbeing and quality of life.

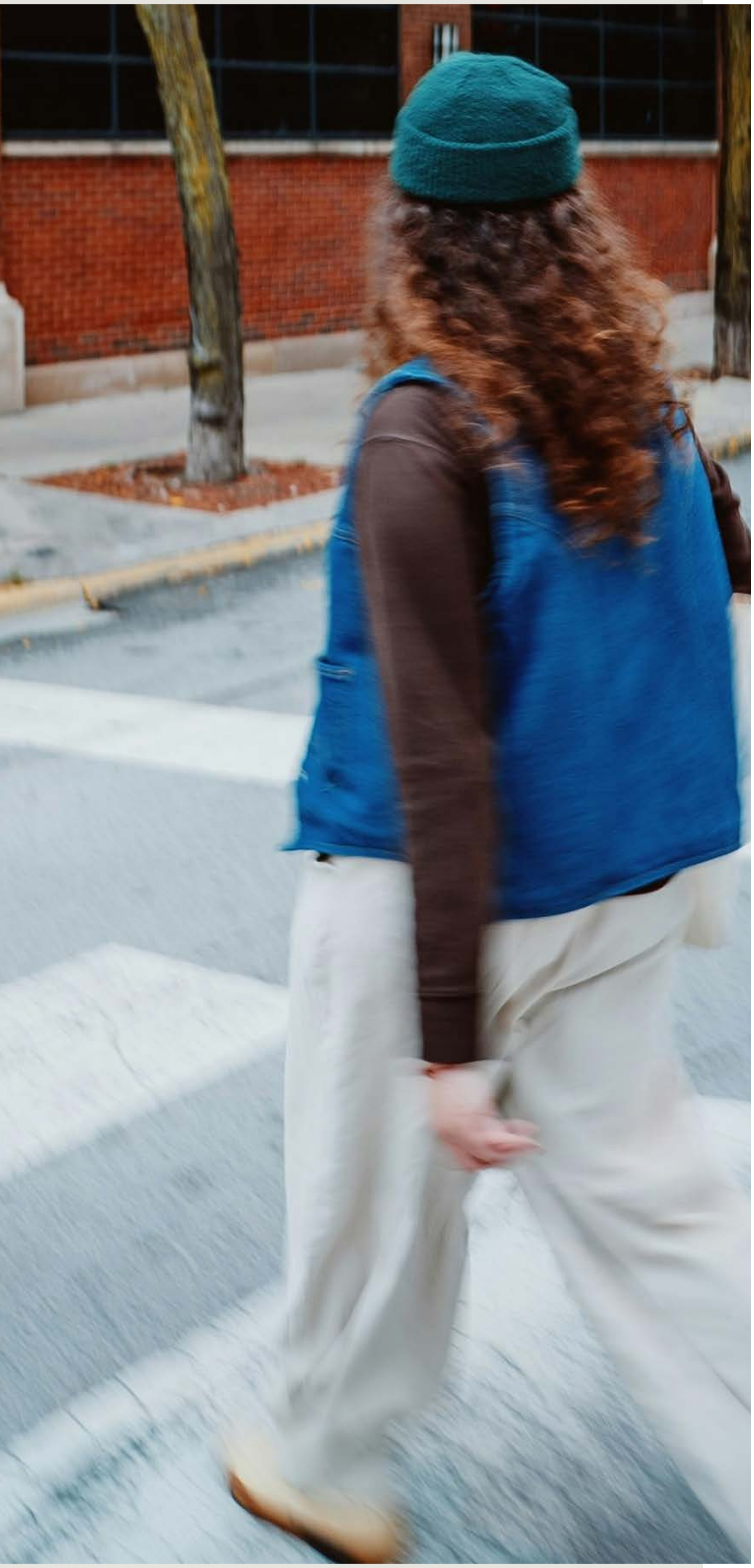
The personal impact of climate change weighs heavily on consumers’ minds.

Respondents told us they worry about how climate change will affect the wellbeing and quality of life for themselves and their loved ones.

68%
EU

63%
US

65%
UK



Read on to discover how your bank can lead this **critical transformation**.

Consumers are clearly worried, but what are they doing about it? Our data reveals financial uncertainty stands between people and sustainable action: when asked what has been preventing them from taking action, 48% of respondents said they don't know where to begin their climate journey, while 44% lack the financial tools and resources to take meaningful steps.

Looking at the full picture of our data, consumers aren't apathetic about sustainability – they're paralyzed. Caught between environmental aspirations and financial constraints, this tension is creating mounting frustration.

We see when people feel financially secure – able to plan, save, and look ahead – that they make more sustainable choices. The link between financial wellbeing and environmental action is undeniable.

This presents a clear opportunity for banks. By stepping into their role as changemakers, financial institutions can break this paralysis. They can bridge the gap between intention and action, giving their customers the tools to align their financial decisions with their environmental values.

This disconnect between climate aspirations and financial reality isn't just a consumer challenge – it's also one the financial sector must address head-on. Since 2021, the Sustainable Finance Disclosure Regulation (SFDR) has required European financial institutions to be transparent about how they handle sustainability risks and impacts in their investment decisions. Forward-thinking banks can go beyond compliance to develop solutions that make sustainable choices more accessible and financially viable for their customers.

– Mathias Wikström,
CEO and Co-Founder
Doconomy

KEY INSIGHTS

01. CLIMATE CONCERNS ARE RISING—BUT ACTION VARIES

Gen Z leads in climate concern, but across all generations, people's green lifestyle intentions aren't matching their financial behaviors.

02. TRUST IN CLIMATE LEADERSHIP IS FAILING

Public trust in climate leadership is collapsing – only a third of people believe banks or governments will step up.

03. FINANCIAL BARRIERS TO CLIMATE ACTION

Cost-of-living pressures are forcing consumers to choose between their wallets and their environmental values.

04. BANKS CAN BRIDGE THE GREEN GAP

Banks that blend sustainability with traditional services aren't just doing good – they're seeing better business results.

05. THE PATH FORWARD FOR CLIMATE-SMART BANKING

Banks already have the tools and consumer demand to bridge the climate-finance gap – now they just need to commit to action.

01. CLIMATE CONCERNS ARE RISING—BUT ACTION VARIES

Gen Z leads in climate concern, but across all generations, people's green lifestyle intentions aren't matching their financial behaviors.

02.
03.
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01. CLIMATE CONCERNS ARE RISING—BUT ACTION VARIES

The climate crisis is no longer a distant threat in consumers' minds – it's an immediate concern driving real behavioral change. Through our survey, we found that environmental concerns are increasingly personal, affecting day-to-day decisions and long-term planning.

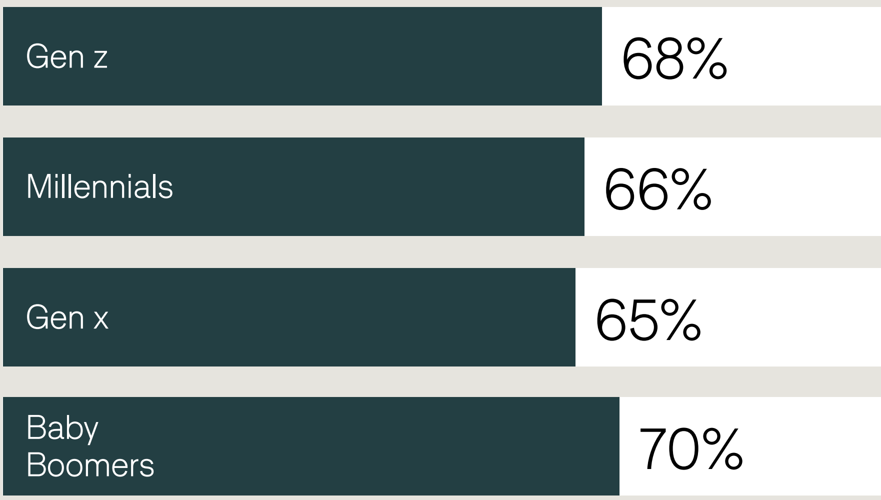
While overall awareness and concern are rising, we see distinct patterns in how different age groups perceive and act on climate issues. These insights are crucial for financial institutions seeking to understand and serve an increasingly climate-conscious customer base.

1.1 The growing climate concern

Recent UK research from New Scientist and King's College London illuminates a consistency in climate commitment across generations. When asked about their willingness to make significant lifestyle changes to reduce climate impact, the response was remarkably uniform:

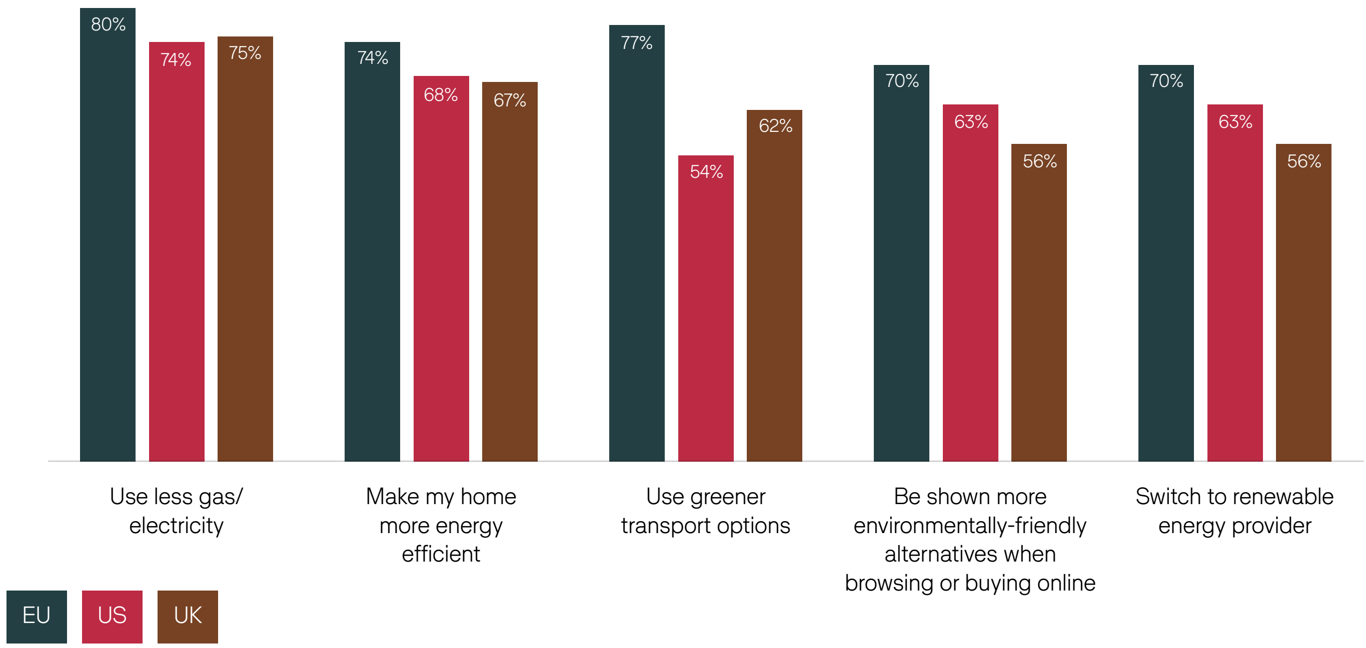
Following on from this data, we asked respondents: "Which, if any, of the following measures do you plan to take in the next 12 months, to make more sustainable choices?" To understand the full spectrum of planned actions, we examined both general lifestyle changes and specifically financial choices.

This distinction is crucial – it helps us understand not just how people plan to live more sustainably in their daily lives, but also how they intend to use their money as a force for positive change.



Building on these insights, our research sought to move beyond general willingness to understand specific, actionable commitments.

01. CLIMATE CONCERNS ARE RISING—BUT ACTION VARIES

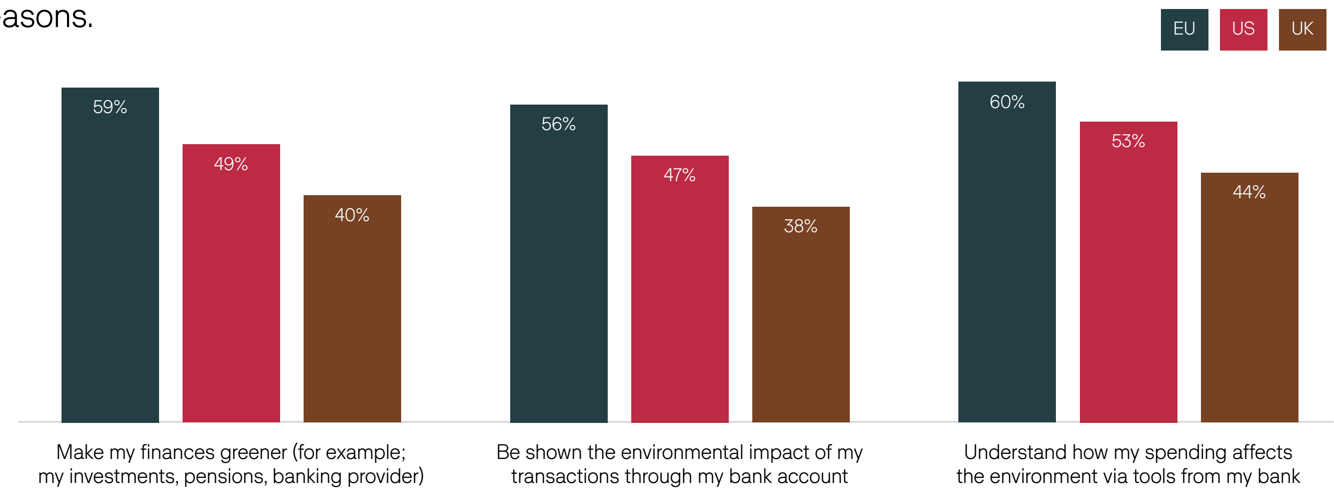


General sustainable lifestyle choices, percentage of respondents who "have already started" or "plan to start in the next 12 months":

When examining specific actions people are willing to take, a clear pattern emerges between lifestyle changes and financial decisions.

Everyday sustainable choices have strong support across regions, with the choice to use less gas and electricity leading the way. Energy conservation stands out as another widely embraced action, and this high willingness likely reflects both environmental consciousness and the practical financial benefits. Switching to a renewable energy provider follows as another priority for similar reasons.

Transport choices show marked regional variation, with Europeans demonstrating the most willingness to use greener options, followed by the UK, while Americans show notably less readiness to change their transport habits. These differences likely reflect varying levels of infrastructure development and public transport accessibility across regions. And even dietary changes, often considered more challenging to implement, see substantial support across all regions.



Financial sustainable choices, percentage of respondents who "have already started" or "plan to start in the next 12 months"

However, when we shift to looking at financial engagement with sustainability, the numbers tell a different story. The willingness to make greener financial choices is lower than many lifestyle choices across all regions. This marked difference between lifestyle and financial actions suggests a significant gap between environmental intentions and financial behavior – a complex tension that we'll explore in depth in Chapter 3.

While the percentages for sustainable financial choices may appear slightly more modest at first glance, they still represent significant potential for growth. The consumers making these choices are doing so despite current economic pressures, suggesting a real commitment to change.

Looking deeper into financial engagement across the generations uncovers fascinating patterns. Gen Z emerges as the most financially climate-conscious cohort, showing the highest engagement across all sustainable finance metrics. They expect their financial services to align with their values and provide transparency about their environmental impact.

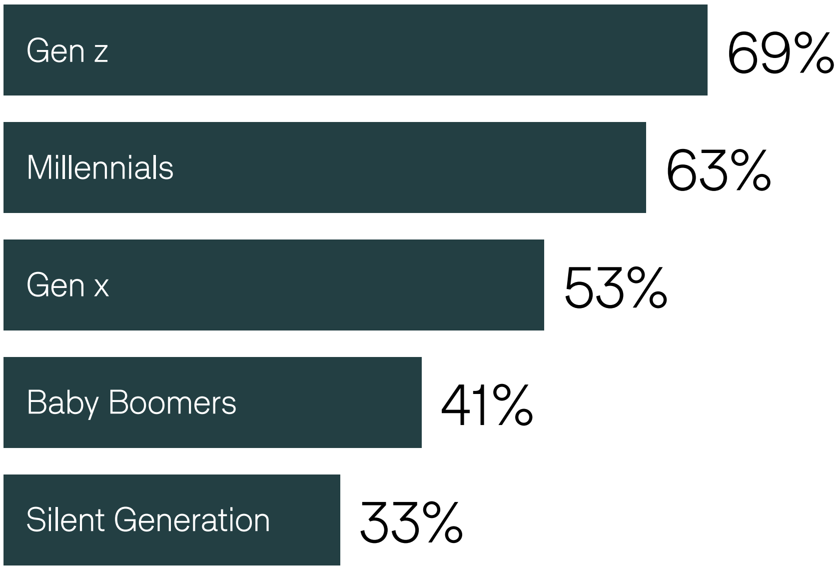
Millennials follow closely behind, now entering their prime earning years. Their significant interest in both greening their finances and understanding their impact positions them as powerful advocates for sustainable banking products as their wealth and financial influence grow.

Gen X shows a more measured but still noteworthy engagement. While their overall interest is lower than younger generations, they demonstrate particular openness to educational tools that could help them make more environmentally conscious financial decisions.

The Baby Boomer and Silent generations, while showing lower overall engagement, reveal an interesting pattern. Both groups express stronger interest in understanding the environmental impact of their spending than other sustainable finance activities. This suggests that with the right educational approach and tools, these generations could be meaningfully engaged in sustainable finance.

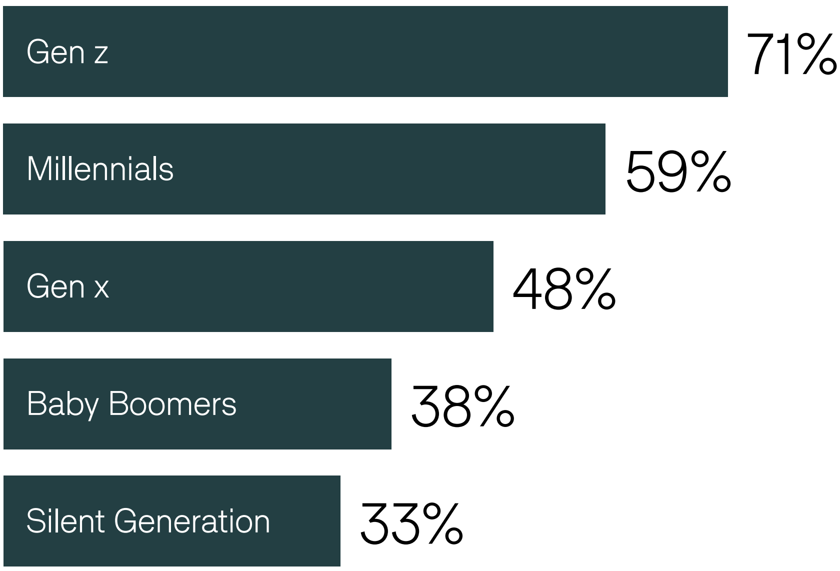
Make my finances greener

For example; my investments, pensions, banking provider



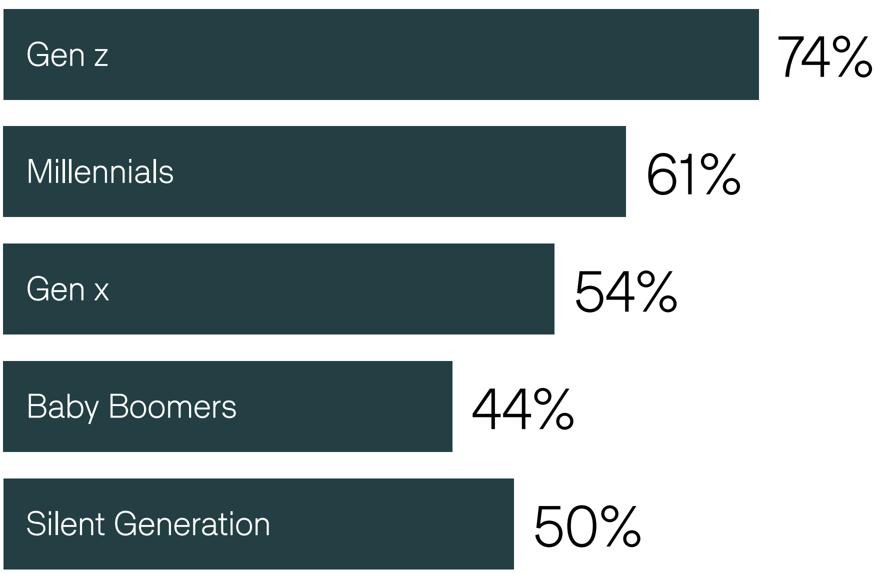
Be shown the environmental impact of my transactions

through my bank account



Take time to understand how my spending affects the enviroment

via tools from my bank



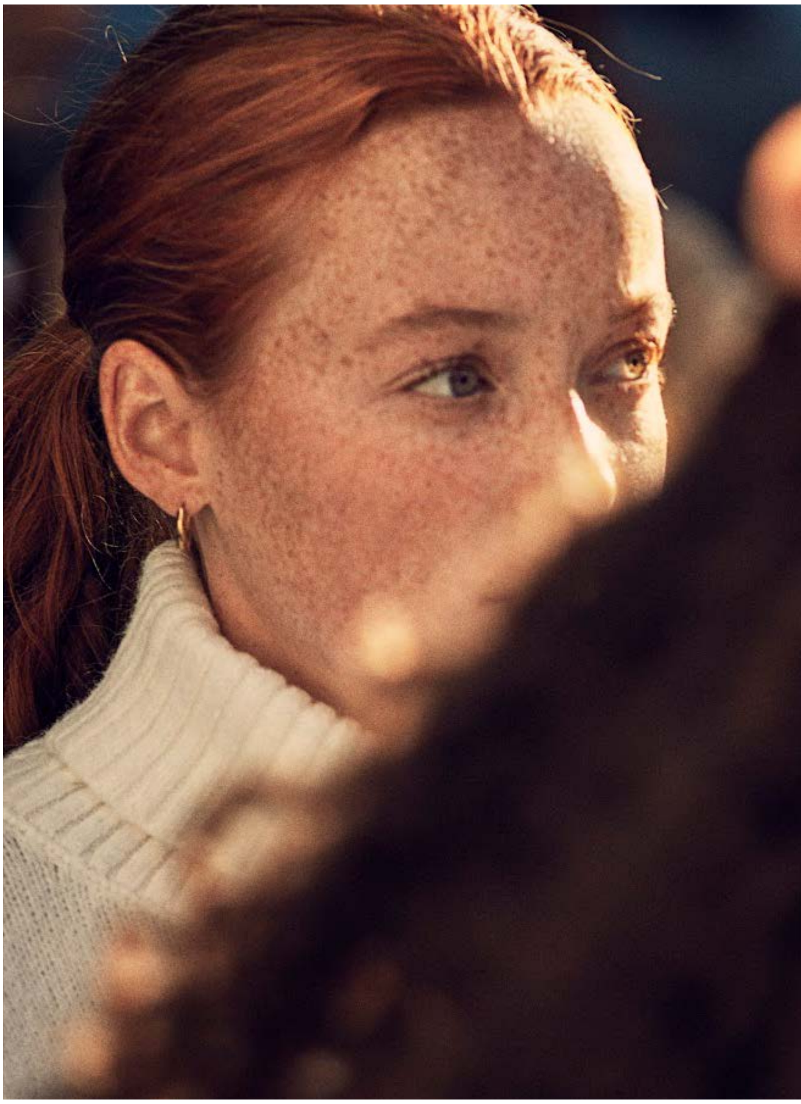
This generational analysis reveals not just a simple age-based decline in interest, but rather nuanced patterns of engagement that could inform how financial institutions approach different age groups.

While younger generations show higher overall engagement, the consistent interest in understanding environmental impact across all age groups suggests a universal entry point for sustainable banking initiatives. This insight could be particularly valuable for financial institutions looking to develop targeted, generation-specific approaches to sustainable banking products and services.

Climate change impacts are becoming more visible and immediate, likely driving increased action in the coming years. The strong climate consciousness we see across all generations indicates sustained interest in sustainable finance options. And as younger generations gain more financial independence and decision-making power, we expect this interest to accelerate.

Financial institutions that recognize and respond to this growing demand now will be better positioned to serve the sustainable finance needs of tomorrow. This is particularly relevant given that younger generations will inherit and generate substantial wealth in the coming decades, bringing this increased climate consciousness to their financial decisions.

Recognizing the challenge of engaging younger customers with traditional banking tools, a leading European bank partnered with Doconomy to integrate financial education features into their mobile app. The integration included a specialized kids' savings module that enables users to set personalized "dreams" or financial goals, track their progress, and learn saving habits through interactive features and behavioral nudges.



Three months after launch, young customers created almost 27,000 personal financial goals with an average value of €4,700, and successfully saved an average of €998 each. This shows that financial institutions can effectively engage the next generation through a combination of education and practical, digital-first solutions.

1.2 The next generation of climate banking

Our data shows significant generational patterns in climate attitudes that signal important shifts for the financial sector. Almost two-thirds of Gen Z told us they are more worried about the climate crisis than ever before, compared to Gen X, where only about only half share the same level of concern.

62%

Gen Z's facing climate anxiety

53%

Gen X's facing climate anxiety

The generational divide can be used to give us a glimpse into the future of finance. As Gen Z's economic clout grows, their heightened climate awareness will increasingly drive market trends.

However, this heightened awareness among younger generations comes with a concerning contradiction. The same research by New Scientist found that 33% of Gen Z and 32% of Millennials in the UK believe there's no point changing their behavior because it won't make a difference.

This sentiment uncovers a critical gap between awareness and empowerment – young people feel the weight of climate change most acutely, yet many feel powerless to affect change.

This disconnect presents a clear mandate for financial institutions. Young consumers need more than just sustainable banking products – they need clear demonstration of how their financial choices can create meaningful impact. Banks that can effectively communicate and quantify the environmental impact of financial decisions will be better positioned to engage these climate-conscious, but often discouraged, younger generations.

Financial institutions that recognize and act on this generational shift will secure their relevance for decades to come. As tomorrow's dominant consumer base, Gen Z combines unprecedented climate awareness with a deep desire for practical impact. Their expectations will reshape banking – the only question is which institutions will lead the transformation.

Meeting this need isn't just about offering green products – it's about empowering younger generations to understand and act on their climate convictions through their financial choices.

01.

02. TRUST IN CLIMATE LEADERSHIP IS FAILING

Public trust in climate leadership is collapsing – only a third of people believe banks or governments will step up.

03.
04.
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02. CLIMATE CONCERNS ARE RISING—BUT ACTION VARIES

Public trust in institutions has reached a critical juncture. From government bodies to financial institutions, traditional centers of power are facing unprecedented scrutiny over their climate commitments and actions. This chapter explores how this eroding trust is reshaping consumer expectations, particularly in how they want organizations managing their money to respond to environmental challenges.

2.1 Government climate action– a crisis of confidence

The data uncovers widespread skepticism about government climate initiatives across major economies. Less than half of respondents believe their governments are taking meaningful steps to address climate change. This sentiment runs deeper, with approximately two-thirds of citizens surveyed pointing to insufficient climate leadership from their national governments.

The broader context is equally telling. Beyond climate policy, trust in governments continues to decline – OECD data shows that 44% of citizens across OECD countries report low or no trust in their national governments overall. This widespread erosion of confidence is fundamentally changing how people view climate action.

We've identified two emerging trends from this institutional vacuum. People are increasingly motivated to take personal climate action precisely because of government inaction. At the same time, they're looking to the private sector for leadership, with a clear majority across all regions expecting businesses to take a more prominent role in addressing climate change.

40%

believe their governments are taking meaningful steps to address climate change.

61%

believe the private sector should play more of a role in addressing the climate crisis.

44%

say the lack of action from national governments makes them want to take their own steps to address the climate crisis.

62%

of citizens across the EU, US, and UK believe there is a lack of climate leadership from their national governments.

These findings suggest a critical realignment is needed in how society approaches climate challenges. As faith in government action wanes, consumers are increasingly looking to businesses and their own actions to drive change. The financial sector stands at the center of this transformation, uniquely positioned to convert this public demand into measurable climate progress.

2.2 Banking's trust problem

The financial sector currently faces its own crisis of confidence when it comes to climate action. We see consistently low levels of trust across regions in financial institutions' ability to address the climate crisis.

Trust in financial institutions remains concerningly low.

Just over a third of respondents told us they trust financial institutions to take steps to address the climate crisis:

38%

EU

37%

US

28%

UK

These numbers represent an opportunity for banks to step into and fill the leadership void. In a market hungry for authentic climate leadership, those who take decisive action can dramatically differentiate themselves from competitors. While banks conducting business as usual risk losing relevance with an increasingly climate-conscious consumer base, those who act now have the chance to capture significant market share and customer loyalty.

This trust gap presents perhaps the biggest strategic opening for banks in years. Forward-thinking institutions can transform their position from being perceived as part of the climate problem to becoming a central force in its solution, capturing the loyalty of an increasingly climate-conscious market in the process.

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03. FINANCIAL BARRIERS TO CLIMATE ACTION

Cost-of-living pressures are forcing consumers to choose between their wallets and their environmental values.

04.

05.

03. FINANCIAL BARRIERS TO CLIMATE ACTION

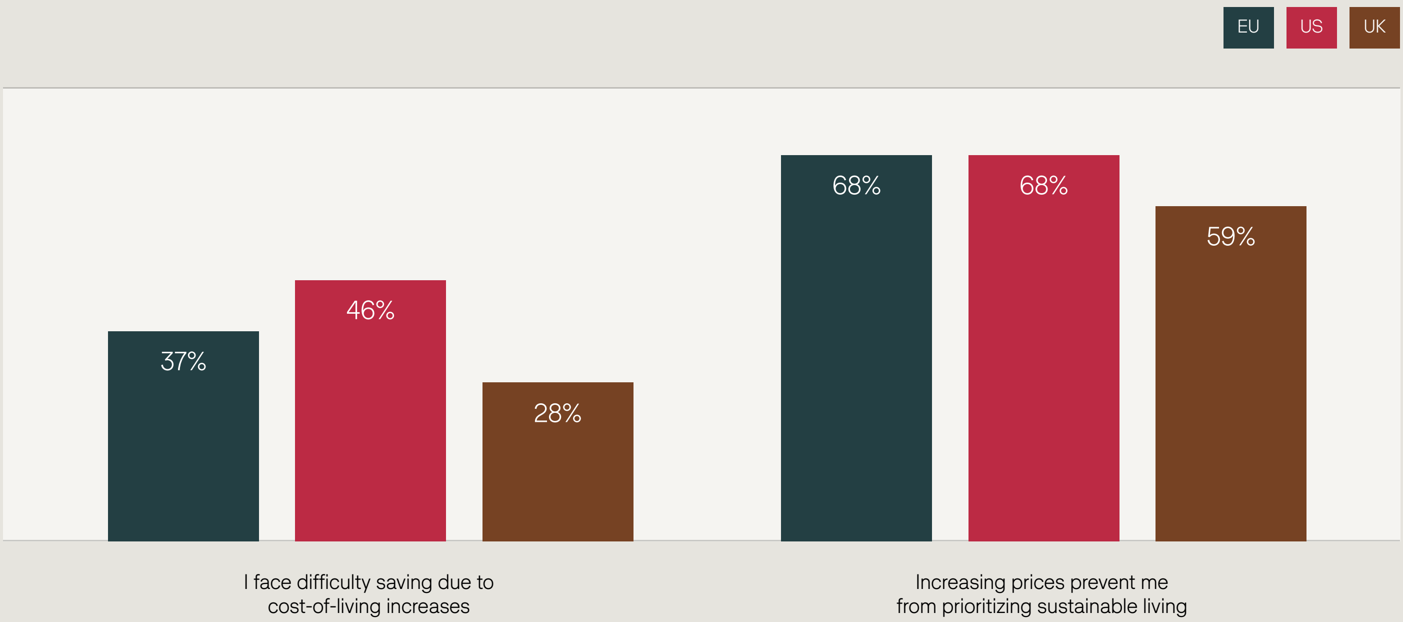
The relationship between financial wellbeing and environmental action uncovers a complex dynamic that financial institutions must navigate. Our research exposes how financial pressures are creating a widening gap between consumers' environmental aspirations and their ability to act on them.

3.1 Cost-of-living vs climate action

The current economic environment presents a troubling paradox. Even as climate consciousness grows, financial constraints are forcing consumers to prioritize their immediate needs over making sustainable choices.

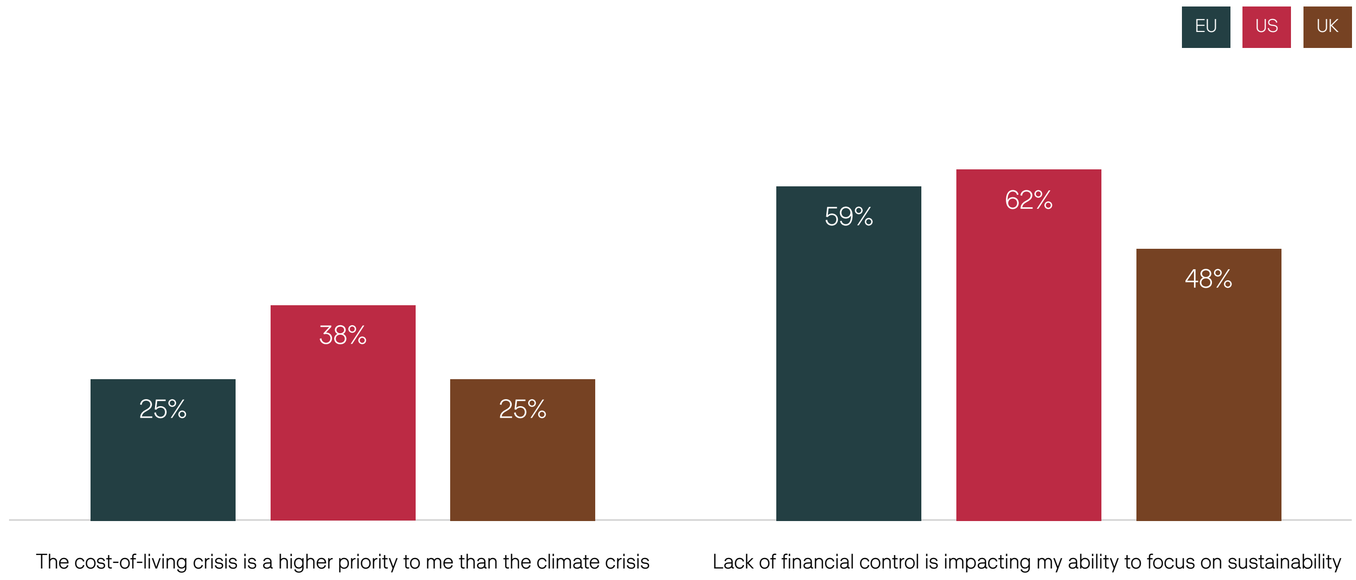
Across regions, consumers are struggling with basic savings because of cost-of-living increases. This financial pressure isn't just affecting savings, though — it's actively preventing sustainable living choices.

When everyday prices increase, consumers are forced to choose between their environmental values and their immediate financial stability. This creates a frustrating cycle where those motivated to make changes often have the least capacity to do so.



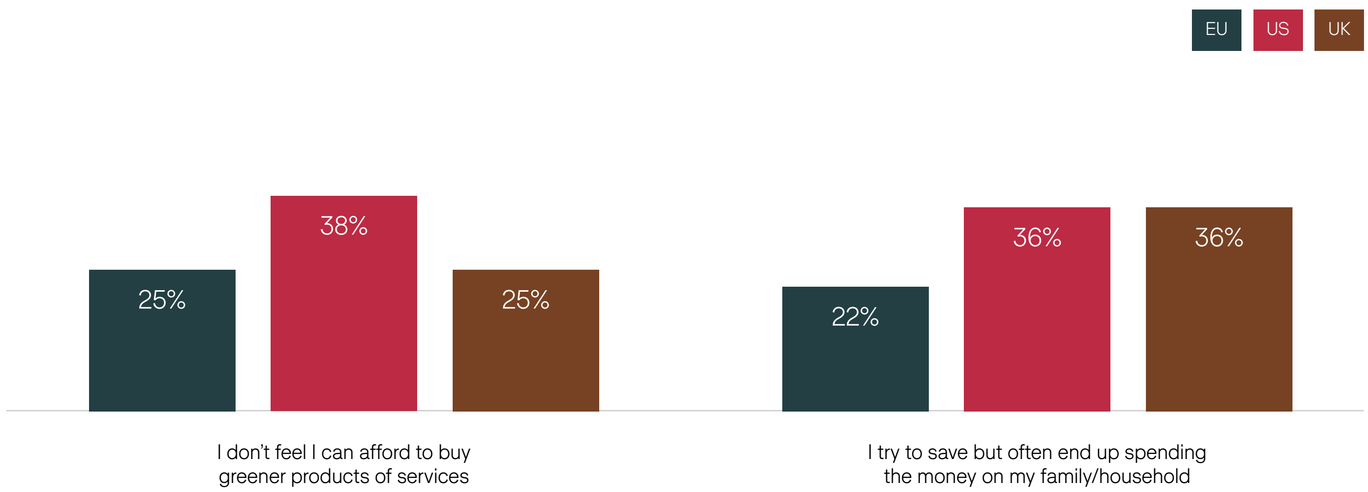
3.2 When basic needs trump climate action

When faced with competing priorities, immediate financial stability often trumps longer-term environmental considerations. A substantial portion of consumers across all regions report that the immediacy of the cost-of-living crisis takes precedence over climate concerns. This lack of financial control directly impacts people's ability to focus on sustainability, creating a cycle where financial stress inhibits environmental action.



The data uncovers another consistent pattern across regions: while many consumers express desire to make sustainable choices, the perceived cost premium of green products and services often proves prohibitive. This challenge is compounded by competing financial priorities – our data shows that many consumers intend to save but find their resources diverted to immediate family and household needs.

This gap between sustainable aspirations and financial reality represents a significant challenge, but also an opportunity for financial institutions to develop solutions that bridge this divide.



These findings point to three key insights:

These insights point to a clear opportunity for banks, they can create significant value by developing tools and services that help customers incorporate sustainability into their financial goals. By addressing these barriers effectively, banks can not only drive positive environmental impact, but also improve customer acquisition and retention. How they can achieve this is the focus of our next section.

Cost of living and immediate financial concerns create significant barriers, outweighing long-term climate considerations.

Those most motivated to make changes often have the least capacity to do so.

There's a perception that sustainable options are unaffordable.

01.

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04. BANKS CAN BRIDGE THE GREEN GAP

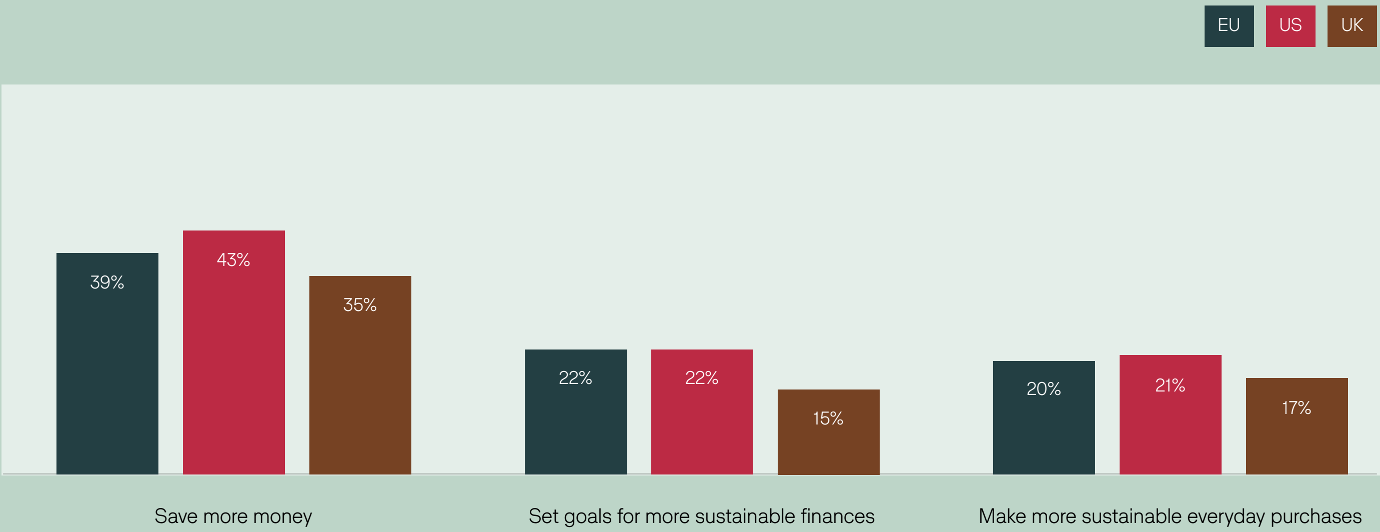
Banks that blend sustainability with traditional services aren't just doing good – they're seeing better business results.

05.

04. BANKS CAN BRIDGE THE GREEN GAP

As consumers struggle to balance their environmental aspirations with financial realities, banks have a remarkable opportunity to reshape their role in their customers' lives. This chapter explores not only what consumers want from their banks, but how meeting these evolving needs can drive measurable business value.

I want my bank to help me...



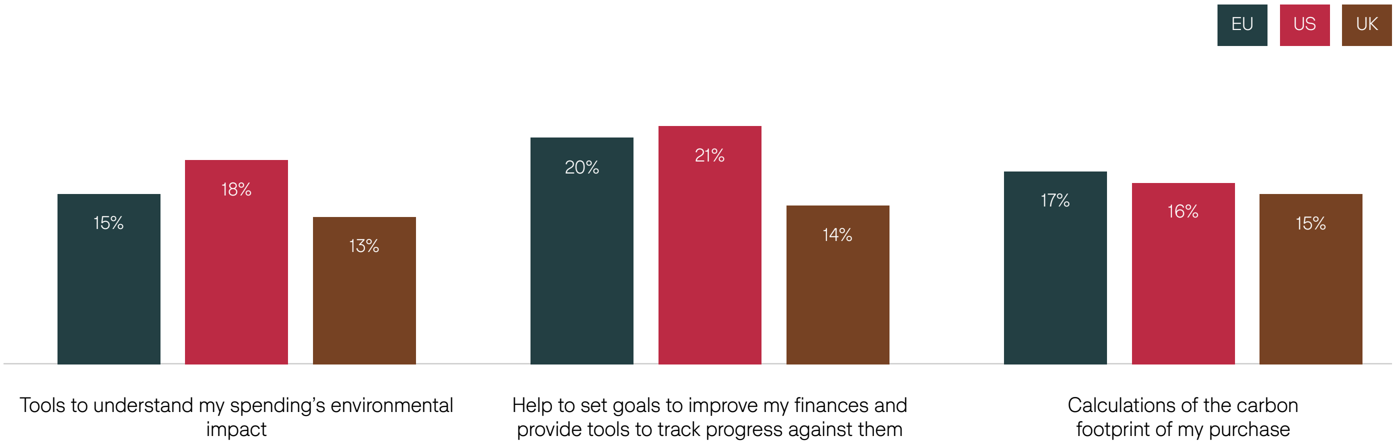
4.1 What consumers want from their bank

While financial management remains the cornerstone of banking services, consumer expectations have evolved to encompass both traditional and sustainable banking solutions.

Data shows that helping customers save money remains the top priority across all regions, significantly outweighing other expectations. However, more than half of those expect their banks to support them with sustainable financial planning and everyday eco-conscious purchasing decisions.

On top of this, the emergence of sustainability-focused banking tools represents a growing, market opportunity. Consumer interest spans several key areas, from understanding environmental impact to calculating purchase-specific carbon footprints.

I’m interested in my bank providing me with...



While adoption rates remain in the early stages, they signal an important shift in how consumers want to interact with and understand their financial data.

This isn’t just theoretical — we’re already seeing compelling evidence of how banks can successfully respond to this shift. Two recent implementations demonstrate the tangible impact of meeting these emerging consumer needs:

These case studies show that meeting consumer expectations for sustainable banking isn’t just about corporate responsibility **— it’s a powerful driver of business success.**

Banks that align their services with customer values are seeing measurable improvements in engagement, retention, and overall performance.

A local bank in Southern Europe transformed their customer engagement by integrating CO_2e calculations into their mobile banking app. The impact was immediate: 97% of 80,000 users actively engaged with the service daily, while those who opted into additional sustainability features showed five times more app engagement than non-participants.

A US regional bank launched a climate-focused checking account and boosted their deposits. Compared to their standard account, the sustainable option delivered 74% higher initial deposits, 4% increased revenue, and 18% better retention over 12 months. The initiative’s success extended beyond checking accounts, ultimately helping the bank achieve the nation’s highest acquisition efficiency.

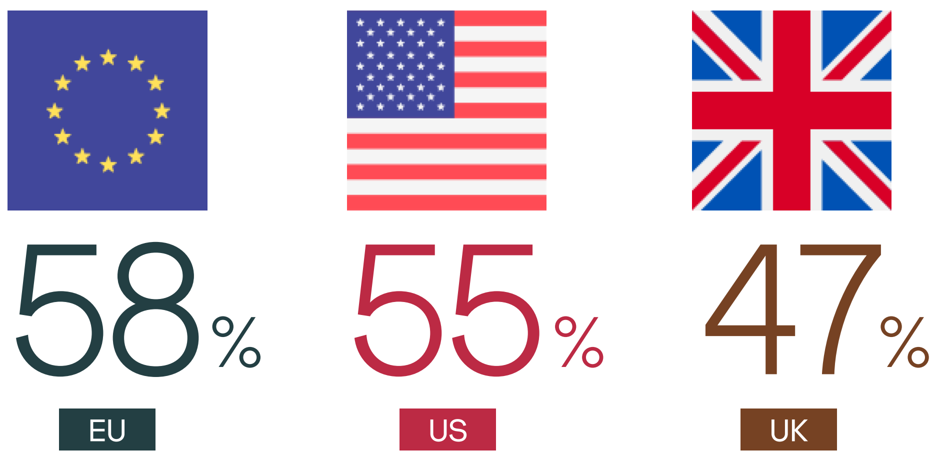
4.2 Values alignment in banking

A majority of consumers across all surveyed regions emphasize the importance of their bank's values aligning with their own personal values.

This represents a fundamental shift in the bank-customer relationship, moving beyond traditional service provider roles toward a more values-based partnership. This alignment becomes particularly crucial as banks develop and promote sustainable banking solutions.

Value alignment with banks resonates strongly across markets.

More than half of respondents told us it's important that their bank's values align with their own:



The data suggests that while immediate financial concerns remain paramount, there is a clear mandate for banks to develop solutions that address both financial and sustainability needs. The challenge lies in creating tools and services that seamlessly integrate both aspects, making sustainable choices more accessible within the context of sound financial management.

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05. THE PATH FORWARD FOR CLIMATE-SMART BANKING

Banks have the tools and consumer demand to bridge the climate-finance gap – they just need to commit to action.

05. THE PATH FORWARD FOR CLIMATE-SMART BANKING

Our study tells a story of both challenge and opportunity: consumers are eager to embrace sustainable practices, yet they face significant barriers in turning this intention into action.

Two obstacles emerge consistently across all regions: financial constraints that limit sustainable choices, and a persistent uncertainty about which actions would make the most meaningful impact.

This creates an opportunity for financial institutions. Banks are uniquely positioned to address both challenges simultaneously, serving as trusted advisors who can bridge the gap between financial wellbeing and environmental action.

The data strongly shows that consumers are actively seeking integrated solutions – tools and services that combine financial management with environmental consciousness. They're asking for practical, actionable guidance that fits within their existing financial constraints, while helping them make more sustainable choices.

The strategic path forward for financial institutions:

Short-Term Wins (0-12 months)

Financial institutions can easily begin by focusing on integration and education. Real-world implementation of transaction-based environmental impact tracking, starting with CO_2e measurements for everyday purchases, has consistently demonstrated powerful results. Solutions like Doconomy's Impact Transactions provide examples of how banks can give customers tangible, actionable insights about their environmental impact without requiring significant behavioral changes.

Alongside this, banks need to launch targeted educational initiatives that help customers understand the connection between their financial decisions and environmental impact. Programs like Doconomy's Impact Education have shown that these initiatives work best when they focus on practical, achievable steps rather than abstract concepts, helping customers see how small changes in their financial behavior can contribute to larger environmental goals.

The foundation of these early initiatives should be robust financial wellbeing tools that intrinsically incorporate environmental considerations. This includes developing personalized recommendations based on consumer spending patterns and creating goal-based savings features specifically designed for sustainable purchases.

Medium-Term Strategy (1-2 years)

As banks evolve their sustainability offerings, they need to address a fundamental challenge: the intention-action gap. Our research shows that education and information alone often aren't enough to drive behavioral change. Even when customers fully understand their environmental impact and want to make sustainable choices, translating that intention into consistent action remains difficult.

The solution lies in combining impact measurement with behavioral science. Banks should make use of comprehensive platforms that not only track financial and environmental metrics but actively help customers bridge this gap. The solution lies in combining impact measurement with behavioral science. Banks should make use of comprehensive platforms that not only track financial and environmental metrics but actively help customers bridge this gap. Solutions like Doconomy's Impact Finance demonstrate how banks can make sustainable choices more immediate and rewarding, connecting climate-conscious decisions with tangible financial benefits.

Product innovation becomes crucial in this phase. Leading banks are launching sustainable banking products that align environmental impact with immediate financial rewards, encouraging mindful consumption while supporting both customer financial health and environmental goals. These solutions help customers avoid "mindless consumption" by making the connection between spending decisions, financial wellbeing, and environmental impact more concrete and actionable.

Long-Term Vision (2+ years)

The long-term vision for banks is focusing on establishing themselves as providers of comprehensive sustainable banking solutions. This means moving beyond simple product offerings to become true partners in their customers' sustainability journeys. At Doconomy, we envision banks working towards creating new industry standards for environmental impact measurement and integrated financial-environmental wellbeing.

Community building becomes essential in this phase, with banks facilitating networks of environmentally conscious consumers and creating platforms for shared sustainability goals. This community approach can help drive broader adoption of sustainable practices while providing valuable support networks for consumers.

5.2 Building the future of sustainable banking

Banks can start small but think big. Quick, practical changes – like showing customers the environmental impact of their spending – can lay the groundwork for more comprehensive sustainable banking solutions.

Through these simple but powerful changes, banks can help millions of customers take environmental action through their everyday financial choices. By connecting money and sustainability in practical ways, banks become more than a financial service – they become a partner in helping people reduce their impact on the planet.

The technology exists. The consumer demand is clear. The regulatory environment is supportive. What's needed now is leadership and the commitment to action.

WE HAVE THE OPPORTUNITY – AND I WOULD ARGUE, **THE OBLIGATION** – TO TURN THIS MOMENT OF CHALLENGE INTO ONE OF **TRANSFORMATION.**

Get in touch

Find out how your bank can lead the future of sustainable banking – today.

hello@doconomy.com

DISCLAIMER

This report is based on research commissioned by Doconomy between 19th July and 8th August 2024. The study surveyed 7,000 respondents in total: 2,000 in the United Kingdom, 2,000 in the United States, and 3,000 across European markets. The research was conducted through Opinium Research.

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–Market conditions and regulations vary by jurisdiction and are subject to change Past performance and current trends do not guarantee future results

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