

Banks' Reincorporation

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Problem

Banks burden the least well-off.

For example, a US resident using a debit card c. 2019, to pay \$27.50 for food, turned a \$10.54 balance into -\$16.96, incurring a \$34 overdraft fee in a JPMorgan Chase checking account before depositing a paycheck 3 days later — from employment paying less than \$10 per hour.

By comparison, a payday lender in the same US county charged \$7 for a \$50 loan advertised as a 365% annual percentage rate for two weeks. JPMorgan Chase's interest rate would exceed a million billion trillion quadrillion percent annualized multiplied by another billion trillion (and change).

Its executives might say that annualizing its overdraft fee is unfair as it does not compound, as if a fee equating to 200% interest for 3 days is reasonable. Unlike at the payday lender, there was not even a branch visit for its overdraft fee: zero incremental overhead.

Two months later JPMorgan Chase charged \$102 overdraft fees ($\34×3) for transactions totaling \$50.46 in the same account, mainly for transportation, less than a week before the next paycheck deposit. While the wealthy can pay for credit card purchases at leisure, the least well-off are subjected to instant 200% interest for a few days as charged by America's largest bank.

What is the solution to this disparity when banks endeavor to maximize profits?

Politicians merely targeting specific fees is not advisable, as banks can charge otherwise. A durable solution addresses incentives or statutory mission.

Solution

Banks can:

- Reincorporate as a PBC — a public benefit company — with a public mission to enrich non-wealthy residents in your nations of operation, balancing the interests of your shareholders, clients and public mission by law.
- Offer all clients free checking accounts and real-time personal financial statements easing budgeting per paycheck, without onerous overdraft fees, with favorable credit card rates.
- While clients progress to mortgage and wealth management services, stipulate your support functions are as well-staffed as your sales.

Suppose JPMorgan Chase waives overdraft fees. Still it offers zero-fee checking for the wealthy alongside \$144 annual checking account fees for workers without qualifying deposits or balances. Is this cold profit maximization cause for shareholders' celebration or shame?

Rationally leading banks favor wealthy clients. Only by becoming public benefit companies may they prioritize benefiting non-wealthy clients as for-profit entities, now and forevermore.

Reincorporating as a public benefit company can be bank leaders' greatest legacy.