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Bank vs e-money institution

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In short: A bank takes deposits and lends them out; deposits are covered by a deposit guarantee scheme. An **e-money institution** or **payment institution** holds customer money only to make payments, must safeguard it, may not lend it and is not covered by deposit guarantee schemes. [1] [2]

	Bank (credit institution)	E-money institution	Payment institution
Takes deposits	Yes	No (issues e-money)	No
Lends customer money	Yes	No	No
Minimum initial capital in the EU	€5 million [3]	€350,000 [1]	€20,000 to €125,000, by service [2]
Customer money protected by	Deposit guarantee scheme, up to €100,000 [4]	Safeguarding	Safeguarding
EU passport	Yes	Yes	Yes

Many fintech apps that look like banks hold an e-money license. If such a firm fails, safeguarded funds should be returned to customers, but there is no deposit guarantee payout and the return can take time. Check the register entry to see which license a firm holds; see How to verify a bank's license.

References

1. Official Directive 2009/110/EC (second E-Money Directive), Article 4: initial capital of €350,000 . EUR-Lex. Accessed November 2026.
2. Official Directive (EU) 2015/2366 (PSD2), Article 7: initial capital of payment institutions . EUR-Lex. Accessed November 2026.

3. Official Directive 2013/36/EU (Capital Requirements Directive): authorisation of credit institutions (Articles 8–21), initial capital (Article 12), freedom of establishment and services (Articles 33–39) . EUR-Lex. Accessed November 2026.

4. Official Directive 2014/49/EU on deposit guarantee schemes, Article 6: coverage level of €100,000 . EUR-Lex. Accessed November 2026.

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