INNOVATE/FINANCE

FinTech as a Force for Good

A British success story and how we unlock the next chapter of good growth

About Innovate Finance

Innovate Finance is the independent industry body for UK FinTech. We represent the full United Kingdom FinTech ecosystem.

Our mission is to accelerate the UK's leading role in the financial services sector by directly supporting the next generation of technology-led innovators to create a more inclusive, democratic and effective financial services sector that works better for everyone. We support our members and the wider financial innovation ecosystem by promoting policy and regulation that allows innovation to thrive; encouraging talent, diversity and skills into the sector; facilitating the scaling journey; fostering business opportunity, partnerships and domestic and international growth; and driving capital into UK FinTech.

Our members include a wide range of innovative firms across FinTech including digital challenger banks, payments solutions, open banking, consumer and SME lending, digital assets, digital money, financial apps, digital wallets, regulatory technology and digital verification. When engaging the government and regulators, we aim to reflect the UK FinTech ecosystem and specifically the needs of start-ups, scale-ups and high growth enterprises.

We convene and co-chair the Unicorn Council for UK FinTech: a coalition of UK-based FinTech unicorn founders and CEOs aiming to accelerate growth in the UK FinTech sector. We also run the trade association for RegTech in the UK (RegTech UK) and the Digital Pound Foundation (a member-led forum dedicated to advancing the UK as a leading global centre for development and adoption of digital assets and money, including stablecoins).

As the UK-wide FinTech industry body, Innovate Finance serves as the secretariat for the FinTech National Network, a collaboration of regional FinTech bodies working together to strengthen the national ecosystem and support shared priorities such as investment, skills, diversity and international connectivity. The Network comprises FinTech North, FinTech West, SuperTech West Midlands, FinTech Scotland and FinTech Wales.

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Foreword from Janine Hirt, CEO, Innovate Finance

While London remains the UK's financial centre, FinTech is already a national success story. From Norwich to Manchester, Cardiff to Edinburgh, FinTechs are creating skilled jobs, attracting investment and building thriving regional economies.

The Prime Minister's ambition to spread power, wealth and opportunity to every postcode is one that FinTech is already helping to deliver. Every community depends on access to financial services, and FinTech is making them more affordable, accessible and responsive for people and businesses across Britain.

Whether it is supporting first-time buyers and housebuilding, helping hard working people grow their savings and make their money work better for them, or putting financial education at people's fingertips, FinTech is delivering tangible economic and social impact across the UK. Today, FinTech challenger banks and non-bank lenders provide 68% of SME lending, helping businesses invest, create jobs and grow in communities throughout the country.

FinTech has transformed financial services to be more accessible, more efficient, and more effective. Fundamentally, the sector succeeds because it solves everyday problems for people and businesses. By putting the consumer at the heart of the business model, FinTech has reached communities long-neglected by traditional finance, making it a strong practical delivery partner for the Prime Minister's and Chancellor's ambitions for the country.

Our UK FinTech industry, government and regulators have successfully worked together over the years to deliver markedly better outcomes for consumers. We are at a critical juncture where even greater positive impact can be made - but if we are to fully realise this opportunity, policy change and action must happen now. This report provides a roadmap to help us achieve this vision.

Janine Hirt

CEO, Innovate Finance

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FinTech: A British Success Story

FinTech - financial technology - is a tremendous British success story. For over 15 years, UK FinTechs have been dedicated to creating a financial services sector that works better for consumers and small businesses across the country: creating new tools and solutions that reduce cost and inequality, and drive productivity and efficiency. FinTech makes financial services cheaper, easier, and more accessible for everyone. Moreover, the UK is at the global forefront of financial innovation - receiving more FinTech investment over the past decade than anywhere else in the world bar the United States, and far more than any of our European peers. We are truly leading the world in making sure people in every postcode have access to a fairer, more transparent and more democratic financial services system.

Over the past 15 years, UK FinTech has taken on big banks and vested interests, opened access to affordable financial services, and backed British businesses across the country. Our UK-based FinTech firms are international champions, driving export revenues, harnessing the power of trusted AI, and making up over half of the UK's 'unicorn' businesses. We have more FinTech unicorns (companies valued over $1bn) than any EU country and around four times as many as France or Germany. Across the UK economy it is these companies, and the 'soonicorns' who are following in their wake, many of who are already making the most of new AI technology, who are best placed to be the leading British business champions who can succeed in global markets in the coming years. Our ability to enable them to start, grow and list in the UK therefore builds a resilient Britain with a strong economy and strong communities.

Making a positive difference to families and businesses in every part of the UK

At their core, FinTechs are fundamentally businesses with a mission, committed to creating opportunities for people, communities and businesses across Britain. The UK FinTech story is one of positive impact which touches every corner of the country:

- **Good Growth:** The UK is home to an active ecosystem of c.3,500 FinTech firms;[1] 98% of FinTechs positively impact economic growth, productivity and infrastructure. [2]
- **Powering the Economy:** 68% of all SME lending in the UK is provided by FinTech challenger banks and other non-bank FinTech lenders.[3] FinTech is a job creation powerhouse: in 2024, FinTech was the most significant source of jobs in the UK's financial services sector.[4]

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1. Innovate Finance, Accenture & Vested Impact, *The UK FinTech Impact Report 2024*, October 2024.
2. Innovate Finance, Accenture & Vested Impact, *The UK FinTech Impact Report 2024*, October 2024
3. British Business Bank, *Small Business Finance Markets 2025/26*, March 2026
4. Boston Consulting Group & Innovate Finance, *Accelerating the Unicorn Landscape in UK FinTech*, April 2026

- **Tackling the Cost of Living:** Through innovations such as budgeting and switching tools powered by Open Banking, a technology used by 16 million individuals and small businesses a year,[5] FinTech is helping the nation make more informed financial decisions during periods of economic pressure.

Powering Regional & Community Development:

- **Creating jobs across the UK:** Scaling FinTech companies deliver good jobs and regional economic growth right across the United Kingdom. Examples include high growth FinTechs Atom Bank in Newcastle, EposNow in Norwich, Allica Bank, OakNorth Bank and Zopa in Manchester; GoCardless and iwoca in Leeds; Starling and Monzo in Cardiff; and Tide, FNZ Group and Modulr in Edinburgh. In the North of England alone, FinTechs account for over 20,000 jobs.[6]
- **Building homes:** OakNorth Bank, with offices in Manchester, has lent over £6bn to property developers, property investors, and SME housebuilders. This has directly supported over 61,000 new homes across the UK - the majority of which are affordable or social housing.[7]
- **Unlocking green finance:** Blackpool-based Tandem is a digital green bank which specialises in green finance for mortgages, cars and home improvements, with the mission to make the green transition more accessible and affordable for all. Tide, Allica Bank and ClearBank are all part of Project Perseus,[8] which is using Smart Data to provide green finance.

Backing British Business:

- **Financing small business (SMEs):** Challenger banks and other non-bank FinTech lenders like Liberis and Simply have stepped up to fill the SME funding gap left behind by the incumbent banks. This funding in turn fuels regional development, with for example over 60% of Funding Circle's lending[9] and 80% of the jobs supported by Allica's lending[10] taking place outside London and the South East.
- **Increasing productivity:** GoCardless gives a productivity boost to Britain's SMEs through automated billing, cutting financial admin by 59%.[11] Form3 provides cloud payment architecture, enabling instant, cheaper payments for firms and ComplyAdvantage reduces the cost of regulatory compliance for SMEs.

5. Financial Conduct Authority, *Open Banking: a year of progress*, December 2025.
6. Whitecap Consulting, *North of England FinTech Report 2025*, August 2025
7. UK Parliament, *Written Evidence from OakNorth on the Building Safety Regulator*, August 2025
8. Perseus website: *https://ib1.org/perseus/*
9. Funding Circle, *Annual Report and Accounts 2024*, April 2025
10. Allica Bank, *Established businesses hold key to UK growth but are being overlooked, new report finds*, June 2026
11. GoCardless, *7 reasons why you should be collecting Direct Debit with GoCardless*, December 2025

Fostering Financial Wellbeing:

- **Access to Debt Advice:** ClearScore partnered with StepChange Debt Charity to refer 6,000 financially vulnerable consumers to free debt advice on their app at an average saving of £600 a month.[12]
- **Making money work better for frontline workers:** Stream has a binding legal commitment to reduce the poverty premium and serves frontline workers, enabling them to access their wages as they earn them, and offers automated savings, financial coaching and budgeting services to make their money work better for them.
- **Access to low cost payments:** London-founded Wise now operates in over 160 countries around the globe, reducing the cost of making payments and spending abroad and transferring money to family and friends overseas. In one year alone, Wise saved customers over £1.8bn in hidden fees.[13]
- **Financial education and management:** Monzo offers "Monzo for Under 16s", which provides financial education for 6-15 year olds, through a fee-free, parent-monitored bank account and educational app.
- **Access to Credit:** Zilch enables people to improve their credit scores, including building a credit history for the 5 million 'credit invisible' adults in the UK. Atom Bank offers a "Near Prime Mortgage" which provides mortgages to individuals who do not have a perfect credit score, ensuring they can purchase a home and get on the property ladder.
- **Democratising retail investment:** Moneyfarm tackles the fear of investment and turns citizens into 'everyday investors' through real-time plain-English advice. This boosts financial resilience by giving people the confidence to engage with ISAs, pensions and personal funds.

Read more about the positive impact of FinTech on people, place and our planet in our 2024 report, *The UK FinTech Impact* (produced in partnership with Accenture and Vested Impact).

Find out more on how FinTechs play a critical role in supporting consumers through the Cost of Living Crisis in our joint report with EY, *FinTech: Helping with the Cost of Living*.

Read about how FinTechs support Growth, Innovation and Competitiveness across the UK in our 2026 white paper with BCG, *Accelerating the Unicorn Landscape* in UK FinTech.

12. StepChange Debt Charity, *Our partnership with ClearScore*, April 2024
13. Innovate Finance, *The UK FinTech Impact Report 2024*, October 2024

Partners for Change:

Many FinTech founders and entrepreneurs created their businesses out of a desire to improve an aspect of the financial services sector that wasn't working well, to fill a gap or address an underserved market. Purpose and impact is at the core of so many of their stories, in a drive to put the customer back at the centre of their proposition. Built as 'digital first' businesses founded on technology, FinTechs pride themselves on understanding their customers and building and delivering solutions cheaper, better and faster than traditional financial services.

As new market entrants, they have thrived against their incumbent competitors and grown their businesses by championing consumers and providing better services than the larger, older heritage firms. Their customers include both younger people who are tech-savvy and face significant economic and societal challenges, and older adults who want more personalised and simpler access to financial tools.

While FinTechs may not boast the large lobbying machines that traditional incumbent banks have, it would be a mistake for any government to overlook FinTech as a natural partner for change. Where Government agencies have worked with FinTech, as the British Business Bank has, we have seen the ability to shift markets for the better at scale.

The Opportunity to Do Even More

FinTechs have already delivered enormous benefits for British business, working people and communities; and they have often done so despite an uneven playing field more often in favour of the incumbents (for example, the Bank of England capital requirements for banks create additional burdens and make capital more expensive for challenger banks compared to the big banks). There is so much more that can be done, to bring fairer and more equitable financial services to consumers and SMEs across every part of the United Kingdom, and the FinTech sector stands ready to deliver. A few specific key policy and regulatory changes would enable the FinTech community to do significantly more to help reduce costs for ordinary people and small businesses, improve financial wellbeing, and build more resilient and greener communities.

In this report we highlight six key areas where partnership between Government and FinTech could unlock significant positive impact in the next 2 years.

Policy area	Core recommendation	Key actions
Unlock trusted AI and Smart Data to help people and small firms reduce costs and manage their finances	Utilise Open Finance and Smart Data to make the UK the global leader in trusted AI-enabled financial services	• Bring forward the legal and regulatory basis for Open Finance for SMEs, savings, and financial advice by the end of 2026
Protect people from fraud and ensure UK FinTechs don't pick up the bill for fraud enabled by Tech platforms	Extend responsibility for payments fraud to the telecom companies and tech platforms where criminals target and build their scams	• Amend the Online Safety Act to Introduce shared liability for tech platforms and telcos
Build a strong British Sterling Stablecoin ecosystem that reduces costs for SMEs and families, strengthens the £ and competitiveness of UK financial markets, and reduces the cost of Government borrowing	Adopt an ambitious national strategy to back the development of GB £ Sterling Stablecoins	Back British Stablecoins with: • Reform of tax and accounting treatment • Use for government payments • Cross-border interoperability • Proportionate regulation
Accelerate adoption of digital verification in financial services, to tackle financial exclusion (including for homeless) and reduce fraud	Support the regulators and industry to build a trusted, reusable digital verification ecosystem for financial services with a vibrant market of innovative suppliers	• Create a regulatory framework • Clarify liability • Promote open standards • Align with wider digital finance policy

Turbocharge UK FinTech exports in international markets.	Develop FinTech trade and regulatory agreements with Commonwealth, US and EU and strengthen UK leadership in global standards.	• Prioritise Commonwealth, US and EU for regulatory recognition and live testing cross-border • Support UK leadership of standards setting for payments, tokenisation, Open Banking and AI
Build **a strong ecosystem where more start-ups grow to unicorns;** where scale-ups can compete with BigTech and Big Banks for workforce skills; more employees own shares in scale-ups; entrepreneurs reinvest in the UK; and people's pensions invest in British companies.	Deliver the Mansion House accord objectives via the Pensions Roadmap. Tweak tax rules to incentivise employee share ownership, entrepreneur reinvestment and UK company listings (and combating hostile overseas takeovers).	Package of tax reforms that will generate increased growth and corporation tax and strengthen and protect British businesses and British jobs: • Reform share option schemes • Incentivise founder reinvestment • Abolish stamp duty on UK shares

Six steps to enable FinTech to do even more to support good growth and opportunity across the UK

1. Unlock AI and agentic finance through Smart Data to reduce costs for small firms and households, and build financial well-being

The UK should aim to be the world leader in the adoption of AI in financial services by 2030.[14] This technology has the ability to deliver innovations such as the democratisation of advice and hyper-personalised products and services, which can tangibly improve the lives and financial outlook of people and businesses across the entire country.

As Nikhil Rathi, CEO of the FCA, said recently,[15] "If we are serious about being a leading AI economy, financial services have to sit at the heart of our approach. Only financial services can provide the investment, infrastructure, and trust that will accelerate AI adoption across the economy."

This can:

- Give millions of people access to financial advice that has previously only been available to the wealthy few.
- Enable more people to easily save, e.g. with automated savings and moving money to the best interest rates.
- Increase small firms' access to finance by enabling more accurate, faster and tailored credit risk assessments that can properly assess their financial situation and find the best products.

To achieve this, the UK needs to cohesively bring together its work on AI and its work on Smart Data and Open Finance. Open Finance and Smart Data - building on Open Banking - is critical to AI, providing:

- Access to quality data from robust sources and suitable for personalised advice on financial matters;
- A trust framework that sets very clear consumer consent requirements as well as data protection;
- A power shift to the hands of consumers and away from big business, ensuring consumers have access to and can use their own data.

14. Innovate Finance, *Innovate Finance Response: The Mills Review into the Long-term Impact of AI on Retail Financial Services*, March 2026

15. Financial Conduct Authority, *'Rethinking regulation for the age of AI' Speech by Nikhil Rathi*, June 2026

As the recent report from Sheldon Mills for the FCA on AI in financial services says "AI offers a once-in-a-generation chance to close the information asymmetries and frictions that have long left people making poor financial decisions". [16]

The economic benefits of delivering AI FinTech solutions to consumers

Benefit	Metric	Description/Source
Financial Inclusion	£6.4 billion	Estimated annual economic benefit to the UK economy from achieving greater financial inclusion (Fair4AllFinance estimate).
Idle Household Savings	£300 billion	Estimated total cash sitting in low-interest accounts that could be optimised via AI cash-sweeping and switching tools.
Sector Productivity Gains	Up to 30%	Estimated potential productivity gain across the UK banking and insurance sectors through AI deployment (Accenture / Bank of England analysis).
Active Financial AI Users	~9 million people	16% of all UK adults (and 28% of existing AI users) currently use AI tools to assist with personal financial management or products.

Source: FCA Mills Review[17]

16. Financial Conduct Authority, *The Mills Review: AI and the future of retail financial services*, July 2026

17. Ibid.

Smart Data provides the basis for trusted AI that works for everyone

Smart Data rules put data back in the hands of the individual. Without this, data will be held by large data holder organisations, with increasingly concentrated power.

AI will only deliver real economic value if it is built on high-quality data and is trusted by consumers. Open Banking has shown what is possible when consumers and businesses are able to securely share their data with trusted third parties. Open Banking opened up new market opportunities and provided the basis for a wave of leading UK FinTechs; it is used by most of the UK FinTech unicorns, including payments innovators like TrueLayer, ClearScore, Yapily, and Revolut. The next step is to build on that foundation through Open Finance and wider Smart Data schemes, creating the conditions for more personalised services, better financial outcomes and higher productivity across the economy. The Centre for Finance, Innovation and Technology (CFIT) estimates that Open Finance could unlock an estimated £5bn per annum in SME finance through financial health tools that could reduce SME loan declines by 50%.[18] Open Finance, linked with agentic AI, could power the next generation of innovation, impact and unicorns.

This matters because the next wave of financial services will not simply help people understand their finances better; they will increasingly help them act upon the advice given. AI-enabled services can support households to compare products, manage bills, build savings and access guidance and advice. They can help small businesses improve cash flow, reduce administrative burdens, access finance more quickly and make better commercial decisions. As these tools develop further, agentic services will be able to carry out tasks on behalf of consumers and firms, such as switching products, automating payments, managing treasury functions or supporting compliance processes.[19] This will be further enabled by cloud banking services like Thought Machine.

To do this safely and effectively, firms need access to reliable, permissioned data (data shared by customer consent) and clear rules around consent, authentication, delegated authority and accountability. Permissioned data is information that individuals or organisations explicitly agree to share with third parties, typically for a specific use and period of time. Unlike passively collected data or scraped public data, permissioned data puts the user in complete control over what is shared, with whom, and for how long. Without Smart Data, AI is constrained by fragmented data, a lack of certainty in its veracity, limited portability and growing concentration of power among a small number of large data holders. Without clear trust frameworks, more autonomous forms of AI and agentic finance will be harder to deploy safely and at scale.

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18. Centre for Finance Innovation and Technology, *Improving SME Access to Finance*, April 2026

19. Oliver Wyman, Google and Innovate Finance, *AI's Next Frontier for Financial Services Leaders*, December 2025

The UK approach to Smart Data has to match the speed of AI adoption:

The UK has a major opportunity to lead in this area but we have been far too slow up until now. A modern Smart Data framework would support competition, unlock innovation, improve productivity and give consumers and small businesses more control over how their data is used. It would also help ensure that the benefits of AI in financial services are widely shared across the country, rather than captured by a narrow part of the market.

UK FinTechs are rapidly developing AI solutions that can give consumers and SMEs the ability to better manage their finances through AI agents. The UK has a unique opportunity here, with a more pro-innovation approach to AI than the EU, allied to a more advanced approach than the US in Open Banking and Smart Data. UK FinTechs are clear that extending Open Banking to all financial services (i.e. Open Finance) is critical: enabling access to quality data with customer consent and a data protection framework that can ensure trusted agentic AI adoption. The FCA's 'roadmap' for Open Finance is too slow for this; the roll-out of Open Finance needs to match the speed of AI development as well as speeding up action to tackle the cost of living. The Treasury's commitment to consult on Open Finance in 2027 is too late.

We recommend the Government sets greater pace and ambition on Open Finance, so as to provide direction to the regulator and industry. Prioritising rapid introduction of Open Finance in investments, savings, pensions, mortgages and SME finance can quickly unlock huge savings and benefits for British consumers and SMEs; and make the UK a powerhouse for trusted agentic AI and a magnet for AI investment.

Actions to deliver tangible results for people and small firms in the next two years:

1. Accelerate the roll-out of Open Finance beyond the current timescales by the FCA and Treasury to enable safe adoption of AI in financial services. HM Treasury to commit to Open Finance in three immediate priority areas, introduce secondary legislation to enable this, and task FCA to bring regulatory framework forward by the end of the year: AI-enabled financial guidance, savings and investments and SME finance. Use cases and proof of concepts have been developed in these areas already so we should swiftly move to implementation. Other areas including mortgages and insurance should follow.
2. Ensure FCA advice and guidance rules (including debt advice) are updated so that firms can deploy AI-enabled support tools with greater clarity and confidence, while maintaining appropriate consumer protection.
3. Align Smart Data, Open Finance and AI policy across Whitehall so that the UK builds the foundations for practical adoption, rather than treating these as separate policy agendas.

2. Protecting people from Fraud

Every day, working people across the UK lose life savings, family finances and pay cheques to sophisticated online fraud, because some of the world's largest technology companies have weak incentives to prevent fraudsters abusing their platforms. That is unfair, preventable, and the Government can do something about it.

Making Britain the safest place in the world, both in the online and financial spheres of our lives, means tackling fraud at its source; yet this is the biggest elephant in the room when it comes to UK fraud policy.

Fraud originating on social media and telecommunications platforms is now at an industrial scale in the UK:

- In 2025, 66% of all authorised payment frauds (where criminals manipulate victims into authorising payments themselves) originated on online platforms and 17% started through telecommunication networks (e.g. unsolicited scam text messages).[20]
- Lloyds Bank analysis of purchase fraud cases from March 2025 to March 2026 revealed that 68% of all reports originated on Meta platforms.[21]
- UK consumers lost £345 million to fraud initiated on online platforms and telcos in 2025.[22]

Big Tech firms are profiting from this:

Reuters has reported that Meta itself estimated that it would earn $16 billion, around 10% of its overall 2024 annual revenue, from advertising scams or banned goods.[23]

Hard working people are suffering: the burden falls disproportionately on those least able to absorb it…

- According to a 2024 survey from the Social Market Foundation, 17% of victims of payment fraud between 2020 and 2023 had an annual income of under £20,000, costing them on average £3,512 per incident of fraud.[24]
    - 71% of victims with annual incomes of less than £20,000 say fraud committed against them had a "major" or "moderate" impact on their economic situation.[25]

UK households cannot build financial resilience if their savings can be stolen by criminals on major online platforms.

20. UK Finance, *Press Release - Annual Fraud Report 2026*, June 2026

21. Lloyds Bank, *Lloyds' to launch Scam Check to help customers dodge online shopping scams*, June 2026

22. Ibid.

23. Reuters, *Meta is earning a fortune on a deluge of fraudulent ads, documents show*, November 2025

24. Social Market Foundation, *Fraudemic: Adding to the evidence base on the scale and impact of fraud on the UK*, July 2023

25. Social Market Foundation, *The view from the ground: Building a greater understanding of the impact of fraud and how the public view what policymakers should do about it*, September 2023

Whilst online platforms and telcos go scot-free, the costs of reimbursement are borne by UK FinTechs, impacting the competitiveness of our industry:

The UK has introduced requirements for payments firms and banks to reimburse victims of payments fraud.[26] This has led to increased action by payments firms to tighten controls and prevent fraud. Yet the most recent figures show that in 2025 authorised payment frauds (where criminals manipulate victims into authorising payments themselves) increased to £576.4 million (up 19 per cent).[27] Whilst 89% of these frauds were reimbursed by banks and payment firms in 2025[28] (the costs of which are met by their customers), fraud continues to rise because little action is being taken at source - the social media and telecoms platforms where fraudsters target people.

The companies profiting from fraudulent advertising and scam content should bear greater responsibility for preventing the harm they enable and be incentivised to take preventative measures. There is cross-industry consensus on how this could be achieved:

Actions to tackle fraud by 2028:

Social media and telecommunications companies must be brought into scope of the PSR's mandatory reimbursement regime. Four steps are necessary to make this happen.

1. Introduce an annual reporting framework (this potentially exists as PSR collected data on fraud origination in 2024).
2. Set up a fraud origination redress fund: Ofcom-designated "contributing telecommunications and social media platforms" would pay into on aggregate following each reporting period. Ofcom to oversee this fund.
3. Create a distribution mechanism for payments to Payment Service Providers from the fraud origination redress fund.
4. Establish a dispute resolution process overseen by Ofcom

26. Frontier Economics, *Initial Evaluation of Fraud Reimbursement*, commissioned by the Payment Systems Regulator, July 2026,
27. UK Finance, *Press Release - Annual Fraud Report 2026*, June 2026
28. Ibid.

The Online Safety Act 2023 in its current form requires amending to facilitate the introduction of the above proposal:

5. The form, manner and period of reporting needed to facilitate shared liability;
6. The basis upon which Ofcom will determine the contribution factor (i.e. share of APP scam contribution and repayment);
7. Criteria for designation as a "contributing telecommunications and social media platforms"; Determination and allocation of distribution fees;
8. Dispute resolution mechanics; and
9. Any other matters Ofcom considers appropriate.

These legislative changes could be achieved through amendments to the current Financial Services and Markets Act.

3. Unlocking growth, productivity and investment and preserving the British Pound through Sterling Stablecoins

Government has taken some very welcome steps to support the development of sterling (GBP) stablecoins: a new form of digital money used to make payments, which are backed by high-quality liquid assets to maintain their value against a currency, such as the pound. Yet other markets around the world are moving with speed and we still risk falling behind. The UK Government must be unambiguous in its support of stablecoins, and set a clearer, national strategy, which regulators should align to, in order to deliver significant benefits across the UK:

Growth and productivity in small and medium sized enterprises (SMEs):

Evidence from some payments providers offering stablecoin services in other markets is that stablecoin payment options can increase a firm's sales and the number of countries they get orders from. This could provide a boost at a time when the number of UK SME goods exporters has been declining, dropping by 19% between 2020 and 2023.[29]

For imports and exports it can reduce transaction costs and ensure payment on receipt of goods (through programmable contracts). With traditional cross-border payment methods, typical payment transaction costs for export transactions can be 1.5% to over 7% of the total transaction value.[30] These costs include a combination of currency conversion, interchange, network assessment, and intermediary bank fees.

Total UK exports reached £923 billion in 2025. Total UK goods and services imports in 2025 were £945 billion.[31] So just a 3% saving could generate £56bn for UK businesses every year.

Capital markets:

In capital markets in the medium to long term we can expect to see a transition to digital and tokenised securities and gilts. Stablecoin is the obvious settlement for these. In 2024, the average daily value settled in CREST (the UK's central securities depository) was approximately £391.7 billion.[32] Foreign Exchange (FX) markets will also adopt stablecoins and as the fourth most traded currency globally and home to nearly 40% of FX turnover, it is not unrealistic to suggest **the UK could capture 10–20% of global tokenised currency trade.**

29. Barclays, *Driving UK exports through boosting the utilisation of UK Export Finance*, February 2026
30. Financial Stability Board, *Targets for Addressing the Four Challenges of Cross-Border Payments*, October 2021
31. Office for National Statistics, *UK trade: December 2025*, February 2026
32. Bank of England, *Payment and settlement statistics*, July 2026

Overseas remittances:

Another significant use case is remittances overseas to friends and family in countries with high inflation/volatile currency. Based on 2023 data from the Migration Observatory, remittances from the UK were approximately £9.3bn a year.[33] The average cost of sending remittances from the UK is roughly 6%.[34] So stablecoin could save as much as £500m a year for people in Britain.

Enabling agentic AI:

Agentic AI requires instant, seamless and global payments to work. Stablecoins are a natural partner of agentic payment and commerce systems. Without stablecoins, the UK will miss out on the growth opportunities with AI and Agentic AI.

Government borrowing:

The backing assets required for GBP stablecoins, under FCA and Bank of England regulations, are UK gilts. The development of GBP stablecoins will significantly increase demand for UK Government issued gilts and therefore reduce the costs of Government borrowing; enabling greater investment at a lower cost. Already in the USA, Tether is now the 7th largest buyer of US government debt.[35]

Preventing dollarisation of UK economy:

US Dollar denominated stablecoins make up 99% of coins in circulation.[36] If stablecoins continue to rise in adoption by firms and financial markets, the UK risks dollarisation and loss of monetary sovereignty. Imperial College Business School's Mind the Gap report (September 2025) warned that without sterling stablecoins UK businesses are forced to rely on US dollar and euro alternatives, exposing them to foreign exchange risks and embedding "digital dollarisation" in international commerce.

To capitalise on this growth opportunity, the UK must facilitate a vibrant stablecoin ecosystem, where Pound-backed stablecoins are internationally competitive with non-Pound-backed stablecoins, and where stablecoins are easily integrated into the UK's payment system so SMEs and consumers can easily use stablecoins to send and receive money.

Our FinTech unicorns are currently developing and offering stablecoin products and services outside the UK. For example, OpenPayd has launched an award winning stablecoin infrastructure in Europe; Revolut has introduced stablecoin services across the European Economic Area (EEA), allowing users to send, receive, and spend stablecoins with no foreign exchange fees; and Clearbank is integrating stablecoin capabilities into its European operations, focusing on using stablecoins for faster, lower-cost, cross-border corporate payments and treasury solutions, particularly within the Eurozone. In the UK we also have a group of dynamic scale ups already providing

33. The Migrant Observatory, *Migrant Remittances to and from the UK*, March 2025

34. Ibid.

35. Vanderbilt University Law School, *The Risks and Rewards of the Growing Relationship Between Stablecoins and the U.S. Treasury Market*, June 2025

36. Bank for International Settlements, *BIS Bulletin No 108 Stablecoin growth - policy challenges and approaches*, July 2025

GBP stablecoins, including tGBP (issued by BCP Technologies) and GBPa (issued by Agant), both of whom are FCA registered, and eGBP Foundation. We therefore have the capability, talent, scaling ability and ecosystem to develop GBP stablecoin services for the UK market and global trading and transactions.

Innovate Finance, as the trade association for FinTech in the UK, represents and convenes the community of firms (British and international stablecoin issuers, FinTech banks and payments firms) who are building a GBP stablecoin ecosystem. We have heard directly from scaling British firms and international firms that a more unambiguous and clear Government strategy for digital assets is needed to really unlock investment in the coming year. A clear strategy would enable more UK firms with GBP stablecoin plans to secure venture capital investment and would enable the UK offices of international firms to make the case for UK investment to their global board.

Actions to build strong Sterling Stablecoins:

We have identified 5 areas which would shift the dial:

1. Update laws and regulations to ensure stablecoins are treated as cash equivalent digital money. We welcome recent HMRC work on reforming the tax treatment of stablecoins, removing stablecoins from CGT regime. Alongside this we also need to:
    - Update accounting standards: Commit the Financial Reporting Council to update accounting standards (FRS 102 and 105) to enable regulated stablecoins to be treated as cash equivalents.
    - Establish the legal framework for use of stablecoins as collateral: Major banks are hesitant to accept stablecoins as collateral despite significant client demand because of the uncertain legal and regulatory status of these offerings. At present the regulators are ambiguous about use of stablecoins as collateral and we have identified areas where we need greater certainty.
2. Commit to enabling payment by stablecoins for UK Government services: a positive statement that demonstrates Government confidence in stablecoins would maximise the impact of the above measures. A commitment to enable stablecoins to be used to pay taxes via HMRC and to pay for government services like passports and visas, would send a powerful message to the market.
3. International interoperability: UK authorities (FCA/Bank of England and HM Treasury) must work with international counterparts to arrange mutual recognition frameworks, ensuring Pound-backed stablecoins can compete and be used globally and likewise that UK firms can use non-Pound-backed stablecoins to send and receive money. This should include mobilising the UK-US Task Force commitments on digital finance and stablecoins.

4. A level playing field with other digital money: to date the Bank of England has demonstrated a preference for 'tokenised deposits' (digital money provided by banks) and 'central bank digital currency', both of which have a role but are less favoured by businesses and FinTechs for efficient cross-border payments and less trusted by a digitally native generation. Regulators must treat stablecoins equally, including enabling digital banks to issue stablecoins rather than tokenised deposits, any modernisation of payments regulations, and development of payments infrastructure.

5. Competitive and proportionate regulation that is joined up across the FCA and Bank of England: the UK has a proportionate FCA regulatory regime for stablecoins and a separate Bank of England regime for 'systemic stablecoins'; these potentially require different business models and proposals for transition between the two regimes must allow significant time and flexibility to adapt.

4. Digital verification in financial services to enable growth, inclusion and fraud prevention

Digital verification is a core enabling layer for the modern digital economy, providing both trust and protection in the use of digital services. A Government Digital Identity programme may well have risked stifling innovation, so the cancellation of this now provides an opportunity to support the competitive market of reusable digital verification within Financial Services, backed by the standards and protections overseen by the Office of Digital Identity and Attributes. This will make it easier for people and businesses to prove who they are, access financial services securely, share data safely and complete transactions with less friction. It can support stronger fraud prevention, improve customer journeys and help unlock wider Smart Data and Open Finance use cases.

Building trust: This is increasingly important as more financial activity moves online and as services become more data-driven and automated. Consumers and businesses need to be able to access digital services safely and with confidence. Firms need more reliable ways to verify customers, prevent impersonation and reduce repeated checks. Small businesses in particular can benefit from more efficient digital verification, improving access to finance and reducing the burden of proving identity and business status across multiple providers.

Creating financial inclusion: Digital verification, which is not dependent upon a passport or home address, can unlock access to basic financial services (including the ability to be paid and to make payments) for people who are homeless or refugees; ending a catch-22 which can prevent people taking employment or renting a home.

Tackling fraud: Stronger digital verification can help reduce impersonation, account takeover and certain types of payments fraud, while supporting more effective authentication in digital transactions. Done properly, it should not mean more friction for legitimate users. It should mean safer and more seamless digital journeys.

Enabling innovation and better services: More broadly, reusable digital verification is a critical enabler of the next generation of financial services. It supports Open Finance by making it easier to connect the right person or business to the right data and permissions. It also supports AI and more autonomous services by providing a more secure basis for authentication, consent and delegated action. If the UK wants more secure, personalised and intelligent digital financial services, it needs a trusted, reusable and interoperable digital verification ecosystem.

The UK has been talking about digital verification in financial services for many years but we have yet to mobilise this, in part due to a fragmented approach by Government and regulators and the lack of a clear UK national strategy and leadership to drive coordinated Government and regulatory support for industry development. The UK still has an opportunity to shape that market before it becomes entrenched. The goal should be an open and competitive ecosystem with clear standards and trust frameworks, not a closed model dominated by a small number of large providers or platforms.

Actions to unlock widespread adoption of digital verification in financial services in the next two years:

1. Make digital verification a core part of the UK's digital finance infrastructure
2. Establish the regulatory basis for reusable digital verification in financial services for a variety of purposes.
3. Treasury to guide regulators in providing clarity on reliance, liability and redress so firms can adopt Digital verification solutions with greater confidence.
4. Facilitate the creation of a liability framework to underpin the use of Digital verification in Financial Services.
5. Ensure that Digital ID policy supports an open, interoperable and competitive market, and does not unintentionally entrench a single provider, platform or wallet model.
6. Align Digital ID policy with Open Finance, Smart Data, payments reform and AI policy, so these areas reinforce one another in practice.

5. Unlocking international growth

Brexit removed EU passporting rights for UK-based firms, and many UK FinTechs now require both a UK and an EU licence to operate effectively, increasing cost, complexity and the compliance burden. FinTechs have responded by pursuing Commonwealth markets, bilateral partnerships, or re-licensing in the EU. UK FinTech unicorns are expanding in non-EU markets including the USA and Commonwealth nations, driven by a mindset focused on products that can be rolled out globally. The question now is how the UK can systematically rebuild a market access infrastructure that enables its best firms to scale beyond domestic boundaries.

This matters not just as a market size question but as a matter of strategic positioning. All things being equal, establishing a company in a city like Berlin now provides access to more customers than setting up in London. For the next generation of scaling FinTechs, that asymmetry is a material disadvantage that no amount of domestic execution can fully compensate for. Two credible responses to this constraint have emerged. The first is to rebuild meaningful access to the EU market. The second is deepening Commonwealth and bilateral expansion. In reality, these are complementary strategies and the UK needs both.

Alongside trade access and regulatory recognition, UK authorities can promote cross-border FinTech services by prioritising and supporting UK leadership of international standard setting and by designing global standards in areas like Open Banking (specifically cross-border account-to-account payments), tokenisation and digital assets, and protocols for agentic AI: developing industry standards and protocols that form the basis for cross-border interoperability at a technical level.

Actions to unlock export growth:

1. Seek to build a Commonwealth approach to financial services and technology, developing trade agreements and regulatory cooperation with Commonwealth countries.
2. Implement the recommendations of the UK-US Financial Services Taskforce on collaboration to advance cross-border digital financial markets and stablecoins, including cross-border testing of tokenised assets at scale; a common approach to regulation of tokenised assets including use of stablecoins as collateral; and for stablecoins issued in each jurisdiction to access the market of the other.

3. Take forward regulatory work on technical cooperation in digital innovation under the UK-EU Financial Services joint regulatory forum and explore sandbox collaboration or live cross-border testing; explore reintroduction of equivalent regulatory market access where this does not undercut the competitiveness of UK regulatory regimes.

4. Support (through trade and industrial strategy programmes) UK leadership and engagement in international standard setting in areas like Open Banking, AI and digital assets.

6. A fertile environment from start-up to unicorn across the UK: talent and investment

The opportunities above depend upon a dynamic UK FinTech community, complete with start-up, scaling and growing firms. This requires FinTechs to be able to recruit the skills and talent they need, for a strong founder entrepreneurial community across the UK, and for investment capital to grow these firms.

Targeted measures could:

- Enable UK FinTechs to compete with foreign Big Tech and incumbent banks for talent.
- Incentivise founders to reinvest and strengthen our entrepreneurial ecosystem.
- Rebuild domestic investment in British businesses and stem the flow of British businesses from the UK.

i. Increase employee share ownership and reform share option schemes to help UK FinTechs compete for talent

UK FinTechs compete directly with US-owned Big Tech firms and incumbent banks for British talent, but they cannot match the salaries and cash bonuses offered by those larger employers. Instead, many rely on employee share options to attract and retain staff, making equity a core part of remuneration for ordinary workers, not just founders or senior executives.

For example, a compliance manager in Manchester may receive a similar base salary in both a FinTech and a large bank, but banks typically supplement this with cash bonuses. FinTechs, by contrast, often offer equity so they can reinvest revenues into growth. Whilst banks tend to offer lower bonuses in Manchester and other locations outside London, FinTechs tend to offer the same equity regardless of location. Similarly, software engineers at every level compete with US-owned Big Tech firms that often pay 40–80% above the national median, making competitive equity schemes essential if UK FinTechs are to recruit and retain the talent they need.

Whitehall policy in this area has not kept pace with the evolution of the UK's high-growth economy. Enterprise Management Incentives (EMI), introduced in the Finance Act 2000, have been highly successful in helping smaller, high-growth businesses reward employees through tax-advantaged equity. However, today's FinTechs have outgrown the scheme's eligibility thresholds, but remain as private companies that continue to rely heavily on equity-based remuneration.

Although recent increases to EMI limits are welcome, many larger British FinTechs are now excluded because of employee and asset thresholds, while firms operating in banking, lending and insurance remain ineligible altogether. As a result, many companies must instead rely on Company Share Option Plans (CSOPs), which provide a less effective framework for scaling businesses seeking to compete internationally

for talent. Reforms to tax relief on employee share options could enable FinTechs to compete with Big Tech and Big Banks for talent and at the same time expand employee share ownership in the UK, which has been shown to increase productivity by 2.5-4%.[37]

Actions to enable British tech firms to invest in jobs and skills:

1. EMI size limits: notwithstanding the recent increase in scheme limits, we recommend a further increase to provide continued access for high growth companies: Increase the 500-employee limit to 1,000; gross asset limit from £120m to £500m; and company issuance limit from £6m to a significantly larger amount to reflect the likely valuation of larger companies who want to use the scheme.
2. EMI qualifying activities: EMI eligibility should be extended to end the current ban on lending, banks and insurance companies which precludes many FinTech companies from offering this to their employees.
3. Company Share Option Plans (CSOPs): Increase individual employee limit from £60k to £250k; allow CSOP shares to qualify for Business Asset Disposal Relief; allow options to be granted below market value (e.g. nominal value); and reduce minimum hold period from 3 years to 1 year. The first three changes are all consistent with EMI rules.

ii. Incentivise entrepreneurs to stay in UK and reinvest

Many of our most successful FinTechs have been founded by entrepreneurs who have made Britain their home, building businesses that create jobs and pay taxes here. Others are founded by British entrepreneurs who have chosen to start and build in the UK, often in spite of incentives to move elsewhere. Our academic network, financial services strengths, legal expertise and stability, and attractiveness of our culture all play a significant part.

Founding a business usually involves giving up a secure job in return for low income and the high risk prospect of future gains; the tax treatment of their risk and reward plays an important part. There is also a circular effect here with successful founders more likely to financially support a new start-up, based on their understanding of what it takes. This will multiply across tech sectors.

Business Asset Disposal Relief (BADR, previously called Entrepreneurs Relief) was designed as a tax incentive to both attract founders to start businesses in the UK and to reinvest in a new business after an exit. Recent changes to BADR mean that it achieves neither objective. The BADR changes introduced in the October 2024 Budget have significantly diminished the potential capital gains tax saving on exit: (24% - 18%)

37. Oxera, *Tax-advantaged employee share schemes: analysis of productivity effects*, August 2007

6% x £1m = £60,000. We believe the reduced tax incentive is simply too small and too uncertain to influence an entrepreneur's decision to leave secure employment and take the long-term risk of starting a business. Previously the maximum saving was (20% - 10%) 10% x £10m = £1m, which is a more meaningful incentive for the risk taken by the entrepreneur.

International experience shows that thriving startup ecosystems depend less on creating first-time founders than on encouraging successful entrepreneurs to build, invest and found businesses again. Without a competitive tax regime that rewards reinvestment, the UK risks exporting capital, expertise and future scale-ups to countries actively competing for them. The UK must use its tax lever to compete in this regard.

Tax needs to be used as a lever to incentivise reinvestment because the UK competes directly with jurisdictions that have powerful structural incentives. The US has embedded founder reinvestment into its innovation ecosystem through Section 1202 (QSBS), which provides up to 100% federal capital gains tax relief on qualifying startup exits. The UK's 24% capital gains tax rate sends the opposite signal, making it harder to retain and attract globally mobile founders.

Actions to incentivise reinvestment and strengthen our entrepreneurial ecosystem:

Increase the rate and limits of BADR, with incentives linked to reinvestment of capital gains in the UK: a Scale-up Reinvestment Relief ("SRR"), with CGT deferral on reinvestment and a reduced rate on eventual disposal.

This could have generated around £1bn additional investment in UK FinTech alone over the last five years.

This targeted and fiscally disciplined response would not only make the UK more attractive as a location for founders but would also create a world-leading UK reinvestment, technology and scale up ecosystem. This could create a fiscally responsible lever to accelerate the UK's technology "flywheel" and help improve long-term productivity, deepen domestic capital markets, and strengthen national technological resilience.

iii. Reverse the decline in British workers' pension funds investing in British businesses and stem the overseas exodus of firms from the UK

The proportion of UK shares held directly by UK pensions funds and insurance fell to 2.8% in 2024.[38] That is just a fraction of the 30% held in 1990. This decline has serious consequences: British companies struggle to attract domestic capital, are more likely to be acquired by overseas investors, and see more of the wealth created by British innovation flow abroad rather than benefiting UK savers, taxpayers and the wider economy. As domestic investment falls, the UK becomes increasingly reliant on overseas capital, with investment decisions shaped by international markets rather than Britain's long-term economic interests.

Abolishing stamp duty on UK listed company shares could reverse this and increase demand for UK shares by 10%, adding £250bn of investment in UK listed companies.

We welcome the reforms to the UK Listing Rules, the Mansion House Compact and PISCES, which together have strengthened the UK's capital markets. However, if the UK is to compete with the depth of capital available in the US and retain more scaling companies through to IPO, further action is needed.

Now is the time to abolish stamp duty on UK listed shares in entirety. The Government has introduced welcome stamp duty exemptions for newly listed companies and the PISCES market, but UK listed shares remain subject to a tax that does not apply to bonds or in major markets such as the US, Germany and China. This makes raising capital in the UK more expensive: both the direct cost of stamp duty and the increased costs of equity vs debt, which leads to equity investors demanding a higher return and makes capital more expensive. It also exposes UK listed firms to a reliance on overseas capital, takeovers and relocation. Abolishing stamp duty on UK shares would remove this competitive disadvantage, encourage greater domestic investment, strengthen London's attractiveness for IPOs and help reverse the decline in British ownership of UK companies.

Actions to strengthen UK listings investment:

Abolish stamp duty, in line with US and other markets.

This could increase demand for UK shares by 10%, adding £250bn of investment in UK listed companies.

This should prove to be a fiscally balanced measure and in the medium to long term should strengthen the UK fiscal position. Whilst this would lead to a loss of tax revenue from stamp duty on shares, it will increase corporation tax by stemming the exodus of companies based in the UK and will stimulate investment and growth that will generate GDP and further tax revenue.

38. Office for National Statistics, *Ownership of UK shares*, January 2026

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