



fintech founders

2024 ANNUAL SURVEY

HENHAM
STRATEGY

S&W

/FOREWORD

With a new Government in place, there is a real opportunity for decision-makers to work constructively with the fintech sector to create a strengthened policy environment in the UK, which puts innovation, competition and economic growth at its centre.

It is widely accepted that the UK is a global leader in fintech and the sector is poised for continued leadership on the world stage; however, work must be carried out in the months ahead to protect and promote that position. The Government has taken some steps already – including committing to a series of topline pledges aimed at modernising the financial services sector and reducing unnecessary regulatory burden. But, much of the detail remains to be seen.

It is our hope that the Government prioritises collaboration with the sector throughout this Parliament, in a push to support sustainable and inclusive

growth, implement supportive regulatory frameworks and ensure a resilient fintech ecosystem that has its needs met.

As a community of over 450 founders, we look forward to working closely with policymakers to drive growth in the fintech sector and deliver improved outcomes for our businesses, customers and the UK economy.



SEB MCDERMOTT, FOUNDER OF KOODOO, CO-CHAIR
CHRISTIAN FAES, FOUNDER OF LENDINVEST, CO-CHAIR

ABOUT FINTECH FOUNDERS

Fintech Founders is a grassroots, non-profit network of 450+ leading UK fintech founders.

Established in 2016, the group operates in the mutual interest of founders and aims to create an opportunity for real conversations, and better collaboration amongst entrepreneurs, startups, government, regulators and across the financial services landscape.

FINTECH FOUNDERS IS COMMITTED TO BEING:

- The voice of founders within the fintech sector;
- Independent and honest about the challenges and issues that fintech has;
- Energetic and keen to develop stimulating new policy ideas;
- An organisation that reflects its members’ concerns and provides a direct channel for sharing ideas and solutions.

ABOUT THE 2024 FINTECH FOUNDERS ANNUAL SURVEY

The Fintech Founders Annual Survey provides a valuable snapshot of attitudes within the fintech community towards the UK economy, policy and regulatory environment. This allows us to track changes in the UK’s fintech ecosystem and the impact on industry confidence.

Members were surveyed between July and September 2024. Our membership gives us a unique insight into what founders think – whether their businesses are pre-seed or unicorns. This year, we used our Annual Survey to test how the sector views the new Government and to develop a deeper understanding of the current fintech policy landscape. We hope that this report will prove useful as the Government continues to shape its policy agenda.

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S&W supports fast growing fintechs and founders aiming to disrupt and dominate their sectors. We help navigate complexities and unlock opportunities across every stage of business with award winning services and advice.

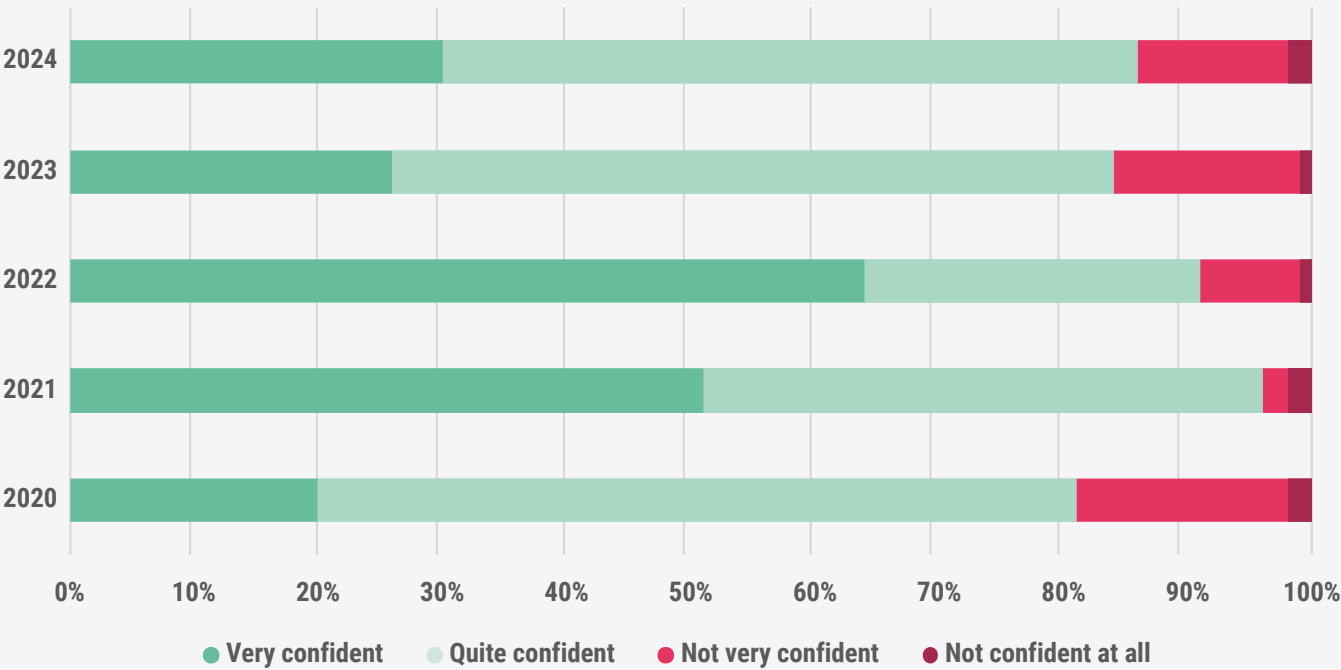


/OUTLOOK FOR THE
UK ECONOMY

Overall, founders typically have some degree of business confidence, with only a very small proportion of respondents having no confidence at all. Compared with 2021 and 2022, fewer founders are very confident about future business performance, with the majority indicating that they have some level of confidence.

FIG 1

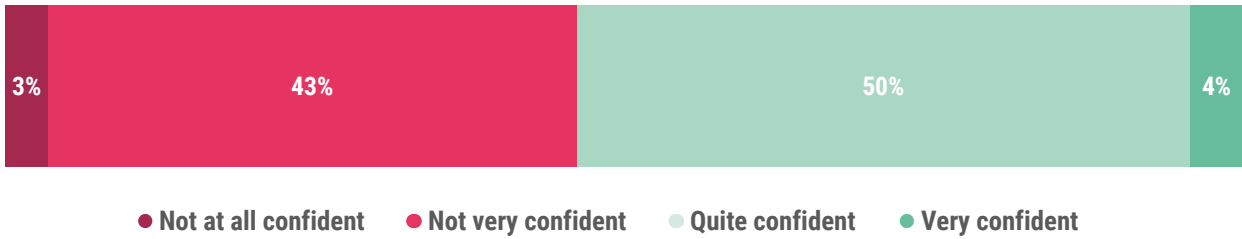
BUSINESS CONFIDENCE YEAR ON YEAR



Meanwhile, founders demonstrated a greater level of concern towards the wider UK economy over the next year. Fears remain that the UK could lose its economic competitive edge. Through the qualitative component of the survey, founders pointed to a lower number of IPOs on the stock exchange as evidence of concern among business leaders in the fintech sector regarding future growth and expansion opportunities, with businesses looking overseas to greener pastures.

FIG 2

CONFIDENCE IN THE WIDER ECONOMY OVER THE NEXT 12 MONTHS



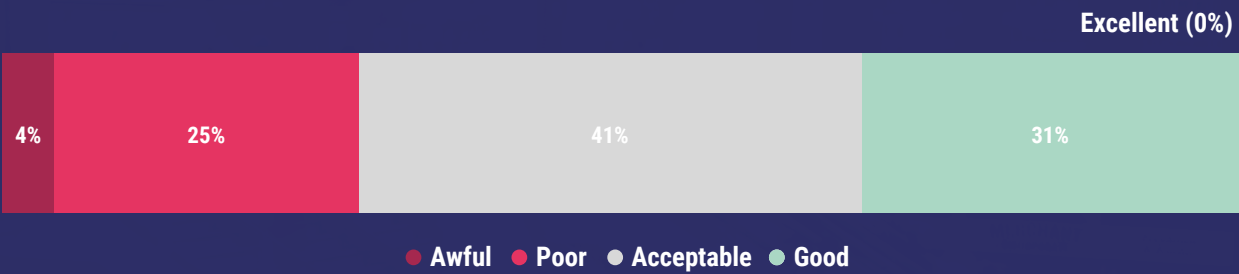
CHALLENGES FACING UK FINTECHS

REGULATORY ENVIRONMENT

Dissatisfaction with the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) is a persistent theme in conversations with founders. When asked to assess the regulatory environment in the UK, not a single founder said that it was excellent. 19% of respondents considered regulation a barrier to growth.

FIG 3

HOW WOULD YOU RATE THE CURRENT REGULATORY ENVIRONMENT FOR FINTECH IN THE UK?



Founders are frustrated by what they see as an opaque and overly complicated regulatory landscape. These frustrations run not just into how the FCA directly regulates their businesses, but how it can suppress funding available to them.

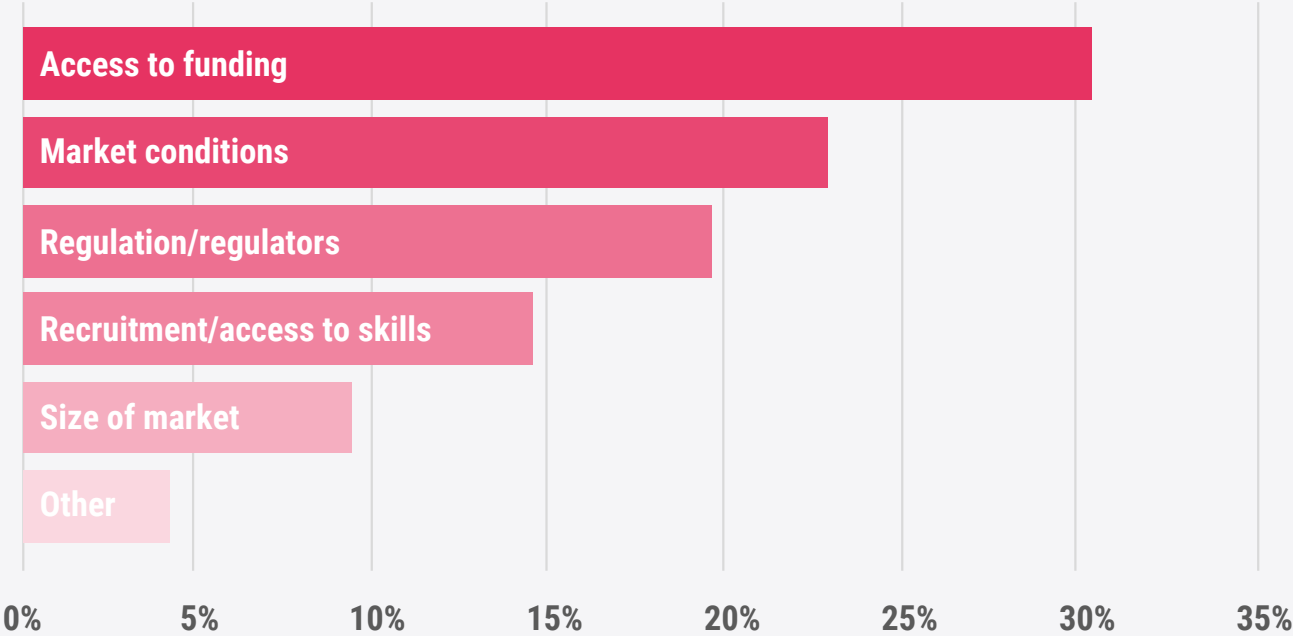


ACCESS TO FUNDING

Founders cite difficulty in accessing funding as their biggest barrier to growth. This issue was particularly prevalent in the responses of those who are considering relocating abroad, indicating that it is a significant push-factor.

FIG 4

WHAT ARE YOUR MAIN CONSTRAINTS AS YOU LOOK TO GROW YOUR COMPANY?



Whilst this issue was cited by companies of all sizes, there appears to be a specific funding gap for post-Series A companies. This gap holds true throughout the business environment in the UK, and is not exclusive to fintechs.

It is at this scale-up point that companies begin to look overseas, having found they cannot access the funding they need from within the UK. Providing grants for early-stage start-ups, better directing InnovateUK funds to viable businesses who can deliver ROI, and encouraging investment from pension funds were all key solutions suggested by founders.

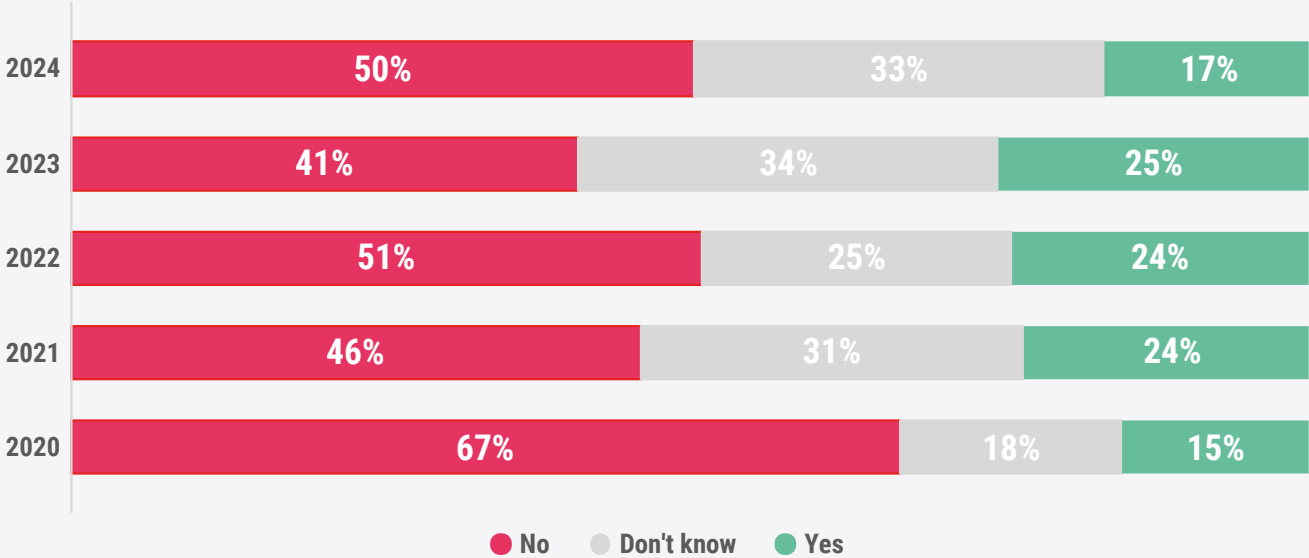
Helpfully, putting pension capital to better use was addressed in the Mansion House reforms, and is being taken forward by the Government through its Pensions Investment Review, alongside other policies proposed through the Industrial Strategy Green Paper. There is great potential to be unlocked from bringing the UK pension sector in line with the top performers globally when it comes to investing in homegrown innovative companies.

CUT-THROUGH IN WESTMINSTER

Half of founders believe that the voice of fintech is not heard in policy and regulatory circles, with a further 33% unsure.

FIG 5

DO YOU THINK THE VOICE OF FOUNDERS IS PROPERLY HEARD IN UK POLICY AND REGULATORY CIRCLES?



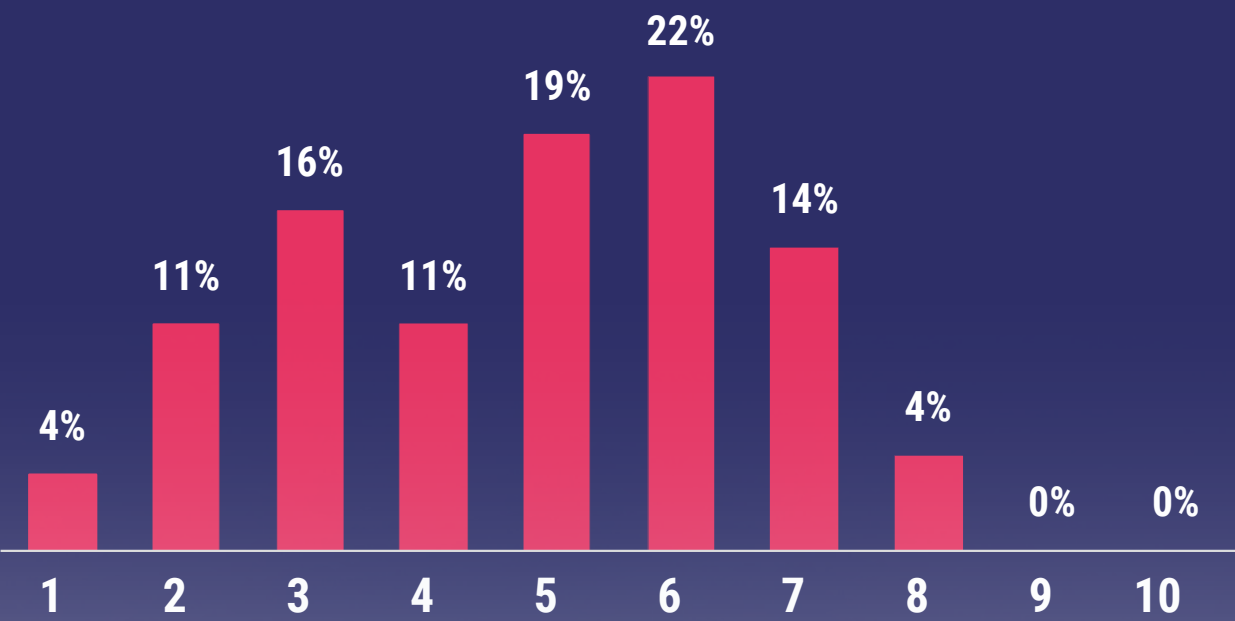
A recent example of this is founders concerned about a potential increase in Capital Gains Tax (CGT) in the Autumn Budget 2024. Respondents feel this would dissuade would-be founders from starting new businesses, and create an unwelcome cost on exiting for current founders which does not reflect the risks they took in starting a business in the first place. Founders want to do what they do best – run their businesses. But, they rely on the Government to ensure wider conditions are conducive. Making the UK an attractive place to live and work, and ensuring the UK economy remains globally competitive, are key to fostering a healthy business community.

Government engagement with business is welcome, but this must include engagement with smaller, founder-led businesses, and not just large multinationals. The majority of British businesses are SMEs with an appetite to grow, who share different concerns to those of more established companies. There is space for Labour to increase its standing with fintechs, as shown in the chart below.

While founders gave Labour an average score of 5 out of 10 on how well it understands the needs of fintechs, not a single founder awarded the highest score, suggesting that Labour has more work to do to get under the skin of the issues facing the sector. Founders want to foster a collaborative relationship with Government where their voices can be heard.

FIG 6

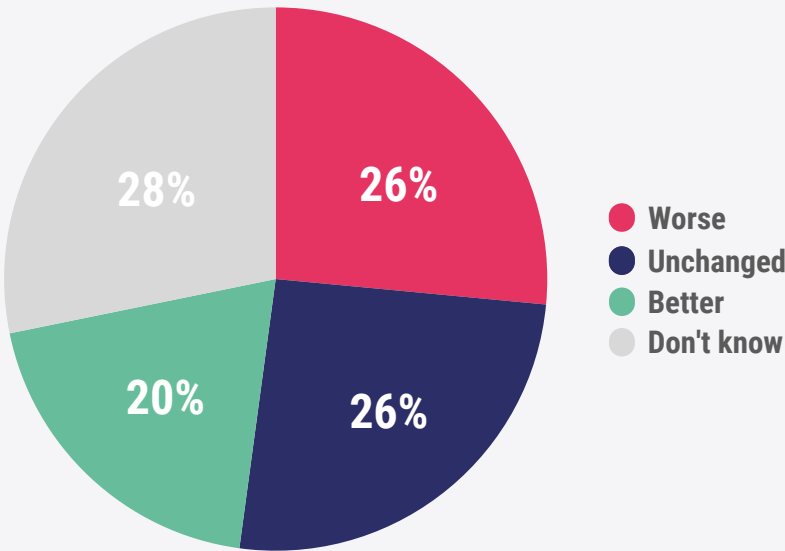
BASED ON LABOUR’S POSITION SO FAR, ON A SCALE OF 1 TO 10, HOW WELL DO YOU THINK THE GOVERNMENT UNDERSTANDS WHAT THE FINTECH SECTOR NEEDS?



THE OPPORTUNITY FOR THIS GOVERNMENT

FIG 7

DO YOU THINK THE CHANGE IN GOVERNMENT WILL RESULT IN A BETTER, WORSE OR UNCHANGED POLICY AND REGULATORY ENVIRONMENT FOR FINTECHS?



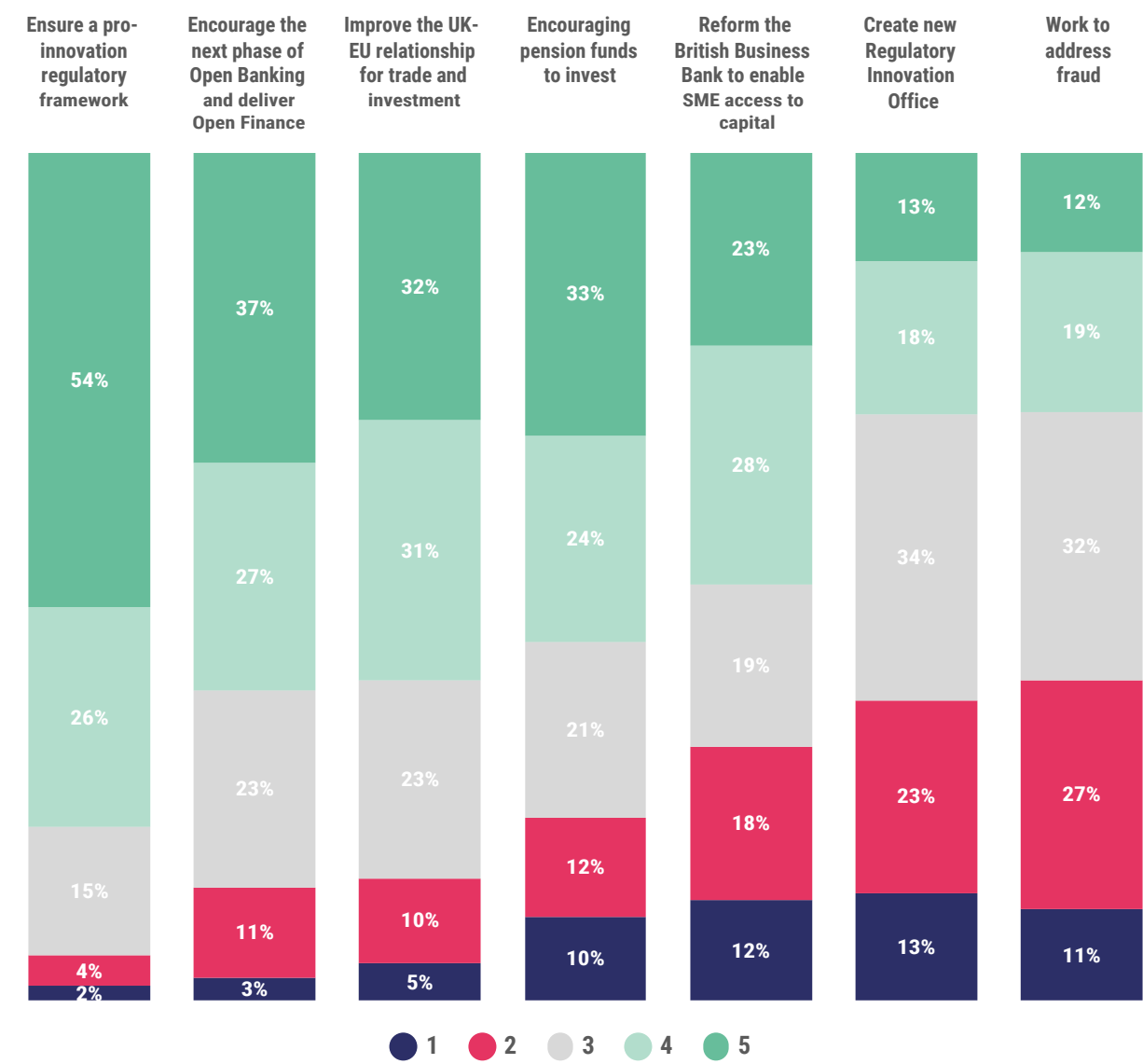
PRIORITY AREAS OF FOCUS

When asked what founders most want from the new Government, one response was to change the KPIs and oversight of the FCA to ensure prompt service, saying “we can get a passport in 7 days but it takes 180 days to add a new employee to the FCA register”. Other ‘asks’ of Government included fixing the R&D tax credit system and making the regulators listen to those in the sectors they oversee.

For the new Government, there is an opportunity to support fintech by taking on regulatory reform. Founders have yet to make up their minds about how the new Labour Government will impact the policy and regulatory environment, as shown in the chart below. Founders are positive about Labour’s manifesto promise of ensuring a pro-innovation regulatory framework, with respondents citing this policy as having the greatest potential to improve the policy environment for fintechs.

FIG 8

WHICH OF LABOUR’S POLICIES BELOW DO YOU THINK HAVE COULD HAVE THE GREATEST POSITIVE IMPACT ON FINTECH, WITH 1 REPRESENTING NO IMPACT?



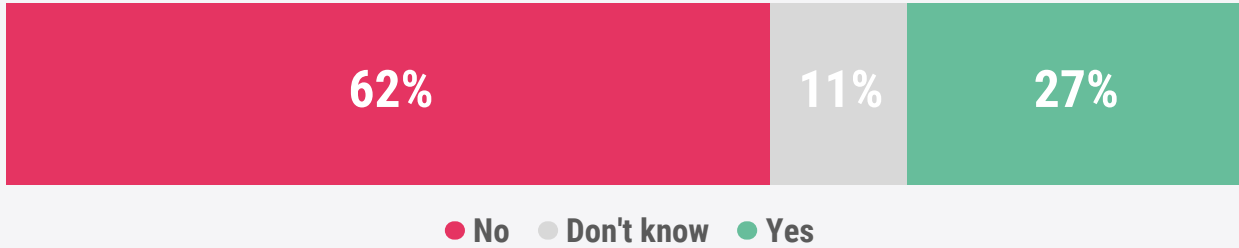
In this question, respondents were asked to give a rating to each policy, based on how much impact the policy would have, with 1 being no impact and 5 representing the greatest positive impact.

GLOBAL COMPETITIVENESS

When asked if the UK is the world leader in fintech, the majority of respondents disagreed. This speaks to the persistent problems plaguing not just the UK economy, but the fintech sector specifically. Nearly half of respondents have considered relocating out of the UK, and of those who had, the US continues to be one of the most attractive locations.

FIG 9

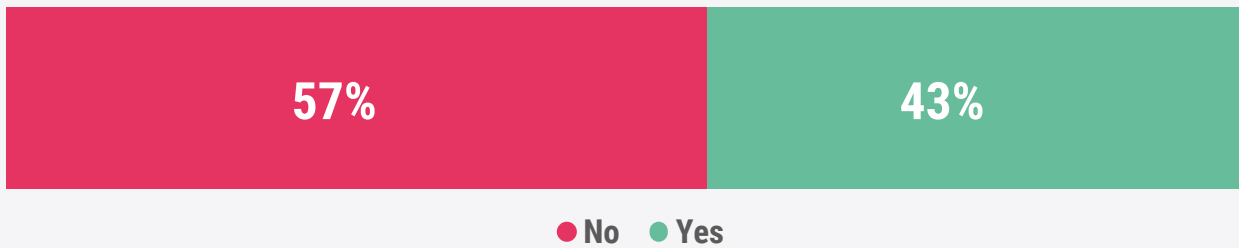
DO YOU THINK THE UK IS CURRENTLY POSITIONED AS THE WORLD LEADER IN FINTECH?



Factors that are causing particular concern include slow-moving regulators, difficulties with access to funding, and what founders see as a lack of political understanding of the sector. There are also concerns that recruitment of talent, and the cost of attracting high-quality talent, are hampering growth in the sector.

FIG 10

HAVE YOU CONSIDERED RELOCATING YOUR COMPANY OUT OF THE UK IN THE PAST YEAR?



/ KEY TAKEAWAYS

1	Founders indicate a high-level of uncertainty in their outlook for the UK economy, and are looking to Government to instil confidence.
2	UK regulators must adopt a more transparent approach to regulation, and a greater level of accountability is also required.
3	Fintechs require more access to funding, across the piece, in order to fuel growth.
4	The UK has been the fintech world-leader in the past, but that position is at significant risk if rectifying steps aren't taken soon by Government.
5	Scale-ups in particular are not being given sufficient support from Government, and face specific challenges around funding and regulation.
6	Government should ramp up engagement with entrepreneurs leading businesses of all sizes and build a collaborative relationship to harness the potential of the sector in supporting economic growth.



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