

SUMMER SURVEY 2022

**/ fintech
founders**



/FOREWORD

The response to this year's survey was fantastic, with more founders than ever before taking the time to share their insights, setting out the main challenges facing them and their businesses, as well as the key opportunities for the sector over the next twelve months.

This survey reflects the direct experiences and opinions of the men and women who are at the coalface of building Fintech businesses in the UK and of developing the sector.

Like entrepreneurs and business leaders across so many other sectors, founders of fintech firms are overwhelming pessimistic about the economic outlook in the UK, with **87% of founders** saying they were either not very, or not at all confident. Moreover, founders are still reporting significant challenges as they look to grow their businesses, finding routinely a lack of deployable growth capital and a regulator that is unresponsive and overly burdensome for small businesses with limited capacity. Little wonder then that there has been an **18% fall** in the share of founders agreeing that the UK is positioned as the world leader in fintech.

This year's survey, as well as gauging founders' views on the fintech sector and the issues they are

facing, also looks at crypto as a specific theme. Developed in consultation with our policy partner, Binance, this section of the survey looked at founders' attitudes to the growth of crypto within the fintech sector.

Our findings show that the majority of founders – **almost 60%** - think crypto will be an increasing area of opportunity for their business. However, **fewer than a tenth of founders** believe the UK is currently leading the way when it comes to being a global hub for crypto. This survey therefore sets out what founders believe could – and should – be done to rectify this, and ensure the UK is sufficiently proactive about seizing this opportunity.

ABOUT FINTECH FOUNDERS

Founded in 2016, as the Digital Finance Forum, Fintech Founders is a network of the UK's leading Fintech entrepreneurs that provides an opportunity for real conversations and better collaboration with government, regulators and other influencers across the financial services landscape. Our aim is to ensure that the voices of founders are heard as clearly as possible by policymakers, and that the UK can retain its status as a global fintech hub.

ABOUT HENHAM STRATEGY

Henham Strategy is a fast growing, consultancy operating at the nexus of policy, politics and public affairs. We work with public and private sector clients on some of their most serious strategic challenges. We help our clients understand, navigate and shape the policy world they operate within. Henham Strategy has supported Fintech Founders in its policy and public affairs work since 2019 and provides the secretariat to the Fintech Founders group.

/ OUR SUMMER SURVEYS

Now in its fourth year, the Fintech Founders Summer Survey is an annual series which looks to gauge our membership – now comprising more than 300 founders across the wider fintech sector – on their views on the major challenges and opportunities they face.

The feedback we receive in our Summer Surveys helps shape our engagement with Government stakeholders and other policymakers. This will be particularly important in the months to come, with a new Prime Minister, Liz Truss, and a new set of ministers looking to understand and engage with the fintech sector.

With this in mind, we would like to thank all those who took the time to share their views – and we look forward to ensuring that their voice is heard loud and clear across Westminster and beyond.

/KEY FINDINGS

GENERAL OUTLOOK

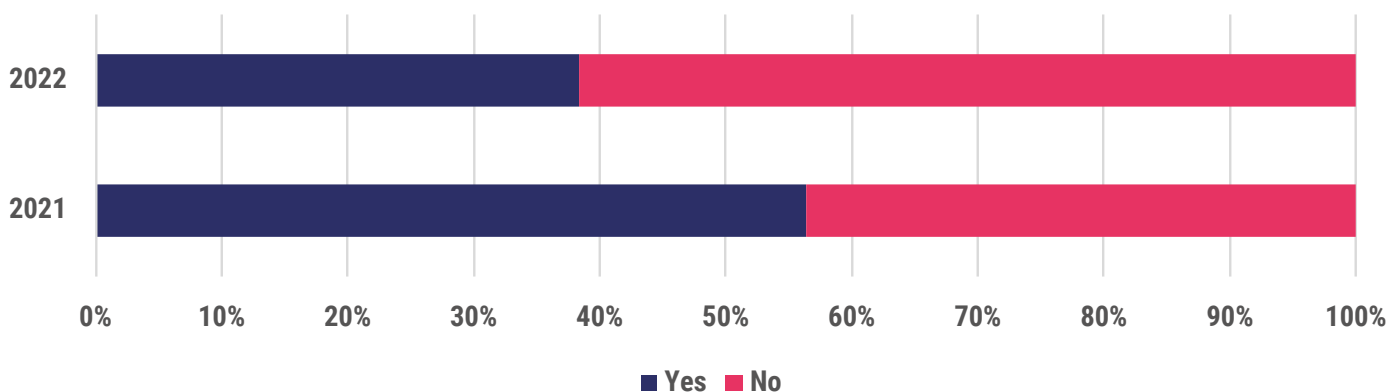
When asked to state their confidence in the outlook for their business over the next twelve months, there was general optimism: **the vast majority of founders – 91% - are either confident or very confident about the outlook for their business. While this is down slightly from last year’s figure (96%), it is still encouraging.**

However, in this year’s survey we also asked founders for the first time how confident they were in the wider UK economy – and their response was far less encouraging: **87% of founders** said they were either not very, or not at all, confident in the outlook for the UK economy over the next twelve months.

This pessimism is reflected in founders’ views on the UK as a global fintech hub. Since our last survey, there has been a significant fall in the number of founders who think that **the UK is currently the world leader in fintech** – from **56%** agreeing last year to **38%** this year (see Fig. 1).

FIG 1

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

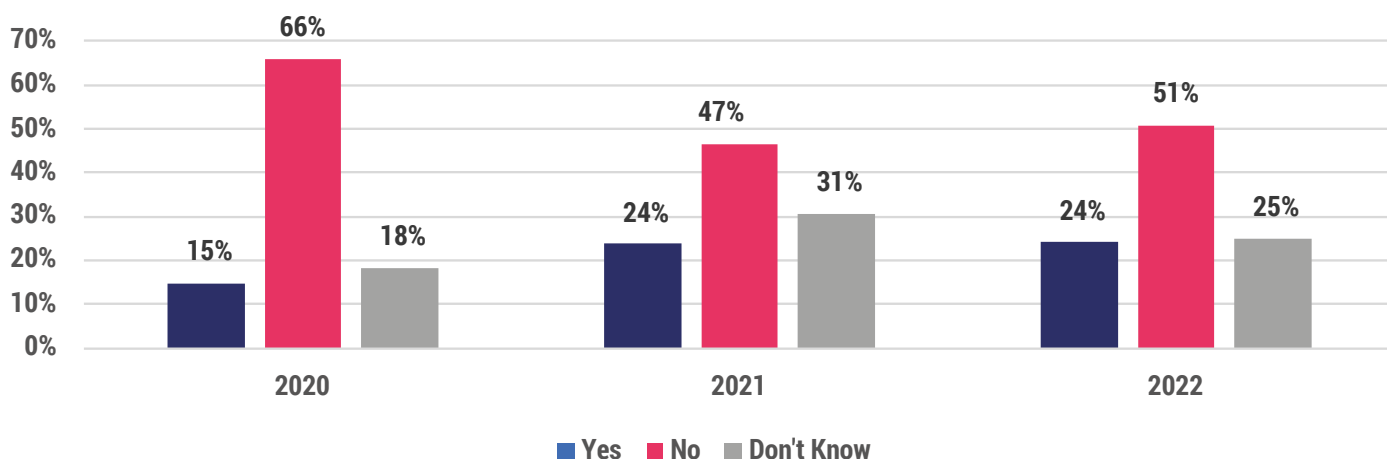


/KEY FINDINGS

In slightly more positive findings, there are faint signs that Government and other policymakers are beginning to listen to the issues of founders across the fintech sector. When asked whether they felt their voice was being heard (Fig. 2), more founders than ever before agreed that it was. However, this still amounts to **less than a quarter – 24.1% - of founders**. As set out in the next section, one of the most common frustrations raised by founders is that the fact that regulators are still all too unresponsive to the challenges faced by fast-growing tech companies.

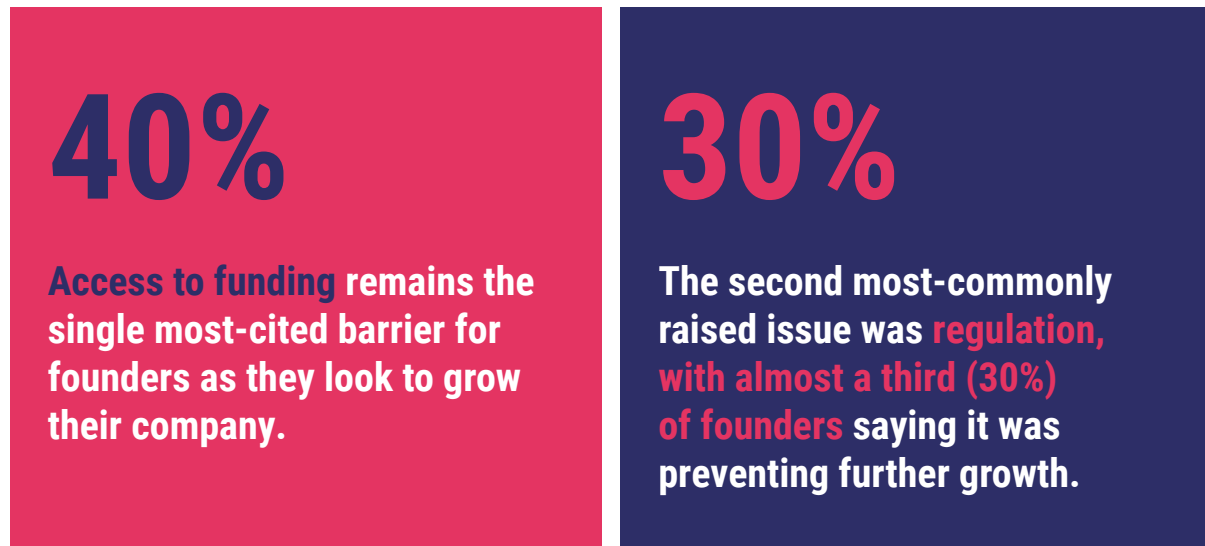
FIG 2

QUESTION: DO YOU THINK THAT THE VOICE OF FOUNDERS IS PROPERLY HEARD IN POLICY/REGULATORY CIRCLES?



/KEY FINDINGS

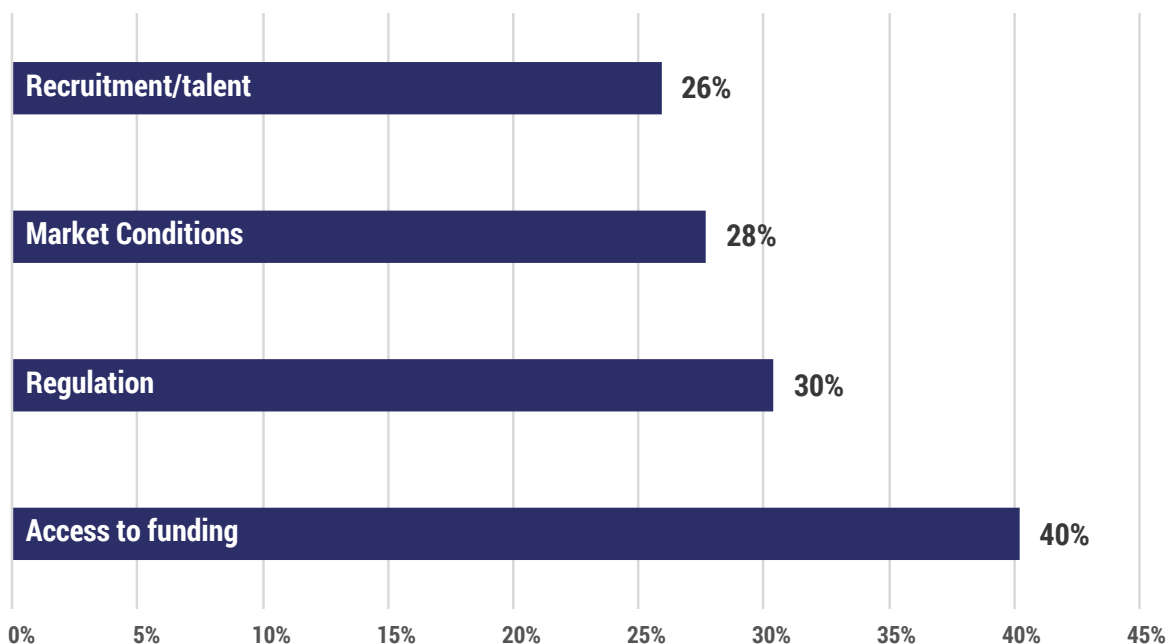
BARRIERS AND OPPORTUNITIES



When asked to name as many issues as was affecting them, the following were the most commonly selected (Fig. 3):

FIG 3

QUESTION: WHAT ARE THE MAIN ISSUES YOU FACE WHEN LOOKING TO GROW YOUR BUSINESS?



/KEY FINDINGS

We asked founders what changes they wanted to see from Government to help support the sector and tackle some of these barriers. While obviously we cannot list these all, some of the answers most frequently given are below:

FIX ISSUES WITH FCA

The single most common change founders wanted to see from Government was ensuring adequate resourcing of the FCA: more than a quarter of founders (25.9%) raised this as something they wanted addressing.

A number of founders added that, at present, the FCA was 'understaffed and...slow'; another typical comment was that 'better resource is needed for the FCA to cut waiting times for permissions applications.'

PROPORTIONATE REGULATION

As well as the functioning of the FCA itself, founders also stressed the importance of changing the wider regulatory approach, so that it reflects the size of organisations and doesn't always treat fintechs as 'big players'.

'I'd like to see regulation altered to reflect the size of the organisation - the fact that most financial services regulation was written with the largest firms in mind is extremely punishing for smaller firms and new entrants.'

BRINGING FINTECHS INTO GOVERNMENT DECISION-MAKING

Previous Summer Surveys have highlighted founders' frustrations at not being able to feed into Government policymaking, particularly on covid recovery loans, which Fintechs were well-placed to be able to help deliver.

Once again, founders expressed the need for the fintech sector to be included in Government financial decision-making, given the increasingly prominent role they play in peoples' everyday financial interactions. The UK was compared unfavourably to other countries like the US and Australia in this respect.

EASIER ACCESS TO GOVERNMENT-BACKED FINANCE

A number of founders stressed the need for the new Government to improve access to grants and funding particularly for Fintechs at early stage and growth stage, with growth capital being made available either directly or through organisations like the BBB.

One suggested change was the creation of 'a one stop shop and simple mechanisms for government funding and grants', to help simplify the landscape for SMEs with limited capacity.

/KEY FINDINGS

When asked to list what they saw as the main opportunities for their business over the next twelve months, there was a wide range of responses:

One of the most common answers, not mentioned at all in previous Summer Surveys, was **addressing the cost of living crisis**.

A number of founders mentioned the potential for fintechs to help service customer needs in the consumer credit space, providing flexible, low-cost credit to help people bridge gaps in their income due to the cost of living crisis. This can be provided 'faster and better than the banks and larger incumbents.'

Move from Open Banking to Open Finance: founders expressed the view that the shift to more fully embedded finance will create better solutions for both businesses and consumers. A number of founders mentioned the opportunities around Open Finance, 'in particular enabling access to HMRC and other government entities through APIs.'

Global growth: a number of founders pointed to what they saw as opportunities for their business arising from international expansion and increasing addressable markets. As one founder put it, the UK is a good 'base for global operations...allowing us to reach into other markets like US, SEA, Europe and MENA.'

/ ATTITUDES TOWARDS CRYPTO

KEY FINDINGS

One of the aims of this year's survey was to gauge founders' views on crypto as an area of innovation and increasing importance for the fintech sector as a whole.

When asked about cryptoassets, **over half of founders (58.1%) agreed** – either strongly or moderately – that this was increasingly become an area of opportunity for the UK fintech sector. Only **17.9% disagreed**. (See Fig. 4).

Moreover, **half of founders (50.9%)** surveyed also revealed they currently, or plan in the future to offer products or services which embed or are otherwise involved with cryptoassets. (Fig. 5).

FIG. 4

QUESTION: HOW FAR DO YOU AGREE THAT CRYPTOASSETS WILL INCREASINGLY BECOME AN AREA OF OPPORTUNITY FOR THE UK FINTECH SECTOR?

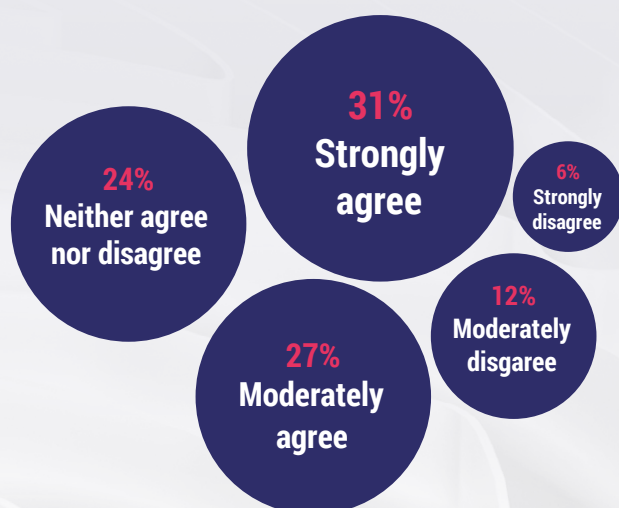
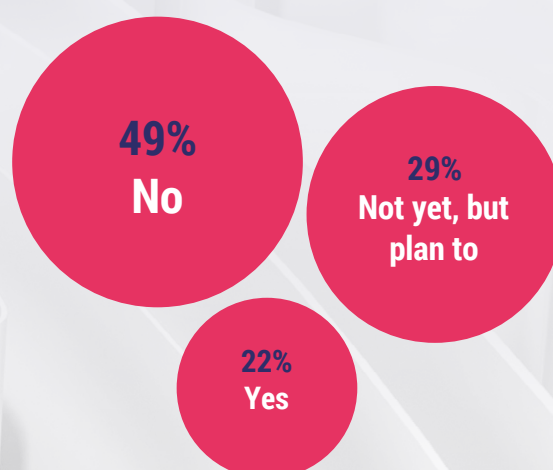


FIG. 5

QUESTION: DOES YOUR COMPANY EITHER CURRENTLY, OR PLAN IN THE FUTURE TO OFFER PRODUCTS OR SERVICES WHICH EMBED OR ARE OTHERWISE INVOLVED WITH CRYPTOASSETS?



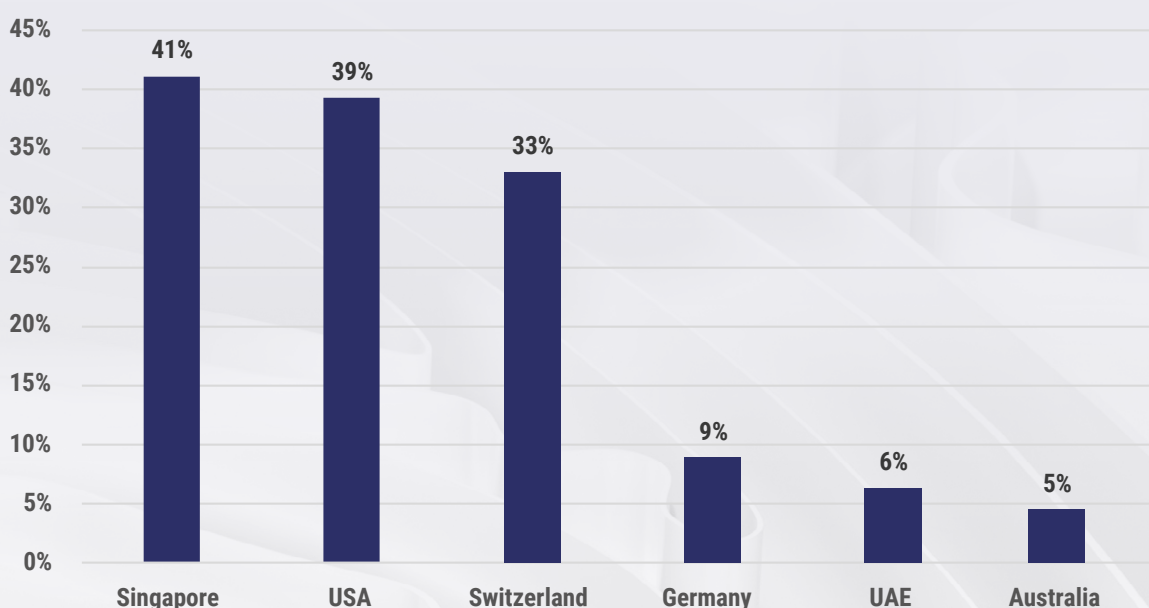
/ ATTITUDES TOWARDS CRYPTO

Despite this, the overwhelming consensus from founders is that the Government – despite positive words from the Treasury about making the UK a ‘crypto hub’ – is not sufficiently proactive. When asked if the UK was currently leading the way internationally when it comes to embracing the potential of crypto, **more than nine out of ten founders (91%) said no.**

When asked to name countries with a better, more pro-crypto approach, **Singapore** was the most popular suggestion, with **two fifths of founders singling it out.** The other most commonly-mentioned jurisdictions were: **USA (39.3%)** and **Switzerland (33%).** (See Fig. 6).

FIG 6

QUESTION: IF NOT THE UK, WHICH COUNTRY - OR COUNTRIES - ARE LEADING THE WAY WHEN IT COMES TO EMBRACING THE POTENTIAL OF CRYPTO?



There is a similarly low opinion among founders when it comes to the actions being taken by the financial regulator to support crypto companies:

- **Just under half (46.4%)** of founders surveyed agreed that the regulator ‘understands the opportunity crypto represents but has not acted to help realise this.’
- Even more concerning, however, was that **almost a fifth (19.6%)** of founders thought that the regulator ‘appears to be actively signalling that the UK is not the place to start a crypto company.’

/FURTHER ACTION NEEDED

Given these findings, it is unsurprising that one of the actions founders most want to see from Government is legislation for a **dedicated regulatory regime for crypto**. This would then give the FCA clearer guidance on how it should be dealing with crypto companies. As one founder put it: *'having clarity from parliament would be the best thing the Government could do if it's serious about trying to promote the UK as a place for crypto.'*

Other action that founders want to see around ensuring the UK can become a proper hub for crypto businesses include:

REGULATORY INITIATIVES AIMED AT ENCOURAGING INNOVATION, enabling crypto companies and the Government to work together. 'It would perhaps be helpful to have governments sit down with founders and technologists representing blockchain/crypto to better illustrate use cases and paths forward for regulation.'

INTRODUCE A CRYPTO ISA: one specific policy recommendation that founders wanted to see was for the Government to introduce a specific Crypto ISA for investors. This would signal a more positive approach to innovation, as well as reflect the fact crypto is an increasingly popular asset for investors.

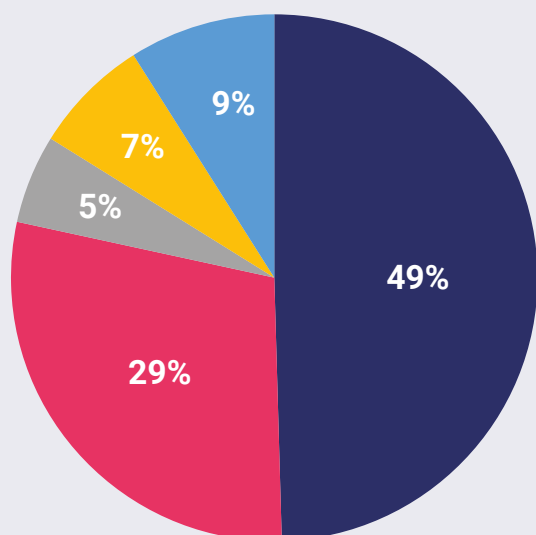
ENCOURAGE INNOVATION: when asked what they saw as the main opportunities for their business over the next twelve months, one in five (19.5%) founders mentioned ongoing innovation in the crypto space, a noticeable increase from last year. As one founder put it: *"if the UK can establish itself as a crypto hub by lowering the barriers for FCA registration and reforming tax barriers, I'm confident it will be the most attractive place in the world to run a crypto start-up."*

/ ABOUT OUR RESPONDENTS

The founders who completed this survey represent businesses collectively worth billions of pounds, ranging from small businesses all the way up to tech unicorns.

FIG 7

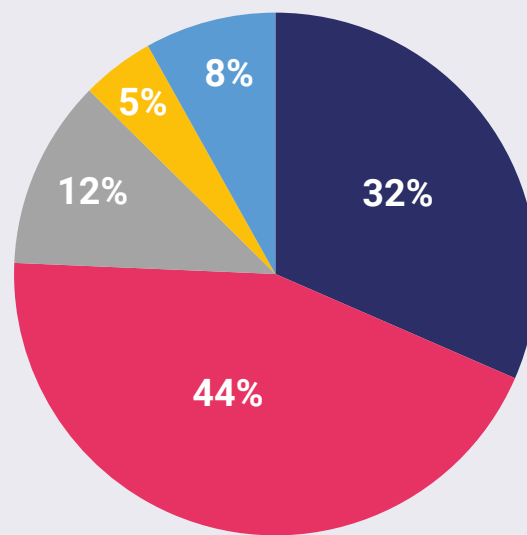
ANNUAL TURNOVER



■ <£1m ■ £1m-10m ■ £10m-25m ■ £25m-50m ■ £50m+

FIG 8

HEADCOUNT



■ 0-9 ■ 10-49 ■ 50-100 ■ 101-249 ■ 250+

We also asked for the first time about founders' approaches to diversity and inclusion (D&I) within their businesses. **Almost half (48.2%)** of founders have introduced initiatives designed to promote D&I, and when looking at only founders from companies with a headcount of 50 or more, this figure rises to almost three quarters (**74.1%**).

This includes a range of initiatives, such as:

- Workshops
- Developing inclusive recruitment processes
- Regular surveys of staff
- External speakers and other events
- Transparent pay policy

This represents a positive trend among fintech companies, with founders committing to further action to help promote diversity and inclusion as their businesses continue to develop.



fintech founders

fintech-founders.org / @FintechFounder