



# **Fintech Founders Summer Survey 2019**

August 2019

## Introduction

Welcome to the Digital Finance Forum's inaugural summer survey. This is a short concise study with contributions from a range of founders from the Fintech sector across the UK. It provides a great insight into the mood from the sector, and makes a number of suggestions for the government to help ensure that the UK remains one of the global champions for Fintech.

This survey seeks out the opinions, preoccupations and ideas of people at the coalface of building the Fintech sector. They're not the policymakers, VC's, consultants or advisers. They're the ones coming up with fresh ideas, recruiting talented people, winning investment and putting ideas into action and actually building the sector. What they say should matter.

The survey firmly tells us that founders consider the UK to currently be the global leader in Fintech. However, disconcertingly, many founders share a concern that we may not necessarily hold on to this position in the years ahead. In some respects, there is a feeling that we have become complacent about the UK Fintech sector and its dominance globally. We hope that this changes, and this study looks at a number of suggestions from the respondents to help with this.

The ability of Fintechs to attract and hire talented people is a key challenge identified by the study that the government is asked to address urgently. However, the Fintech founders surveyed also revealed that the access to talent issue is not restricted to finding more talented engineers and product professionals. Fintech companies also struggle to attract suitably experienced financial services professionals into their businesses. There are a number of suggestions in the study that may assist with this challenge - such as increasing the current EMI thresholds for 'scale-up' Fintech businesses to incentivise the best people to join their companies as they grow.

Just as France did earlier this year, it was fascinating to see a widespread call for a Secretary of State for Technology; and for the government to endorse founders actually building businesses in the sector to be its champions and to have the ability to feed more closely into future Fintech policy.

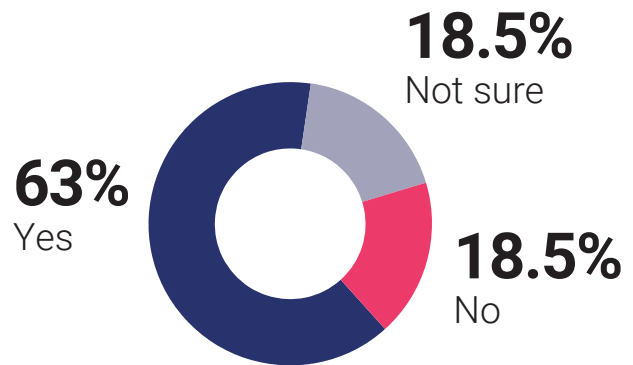
We established the Digital Finance Forum, first as a series of small events and then as an industry network, because we could see how important it was to give a louder voice to the collective views, concerns and ideas of the UK's most successful Fintech founders. We hope you find this survey to be a good entrypoint to establishing a broader dialogue.

**Christian Faes, Chair of the Digital Finance Forum &  
Co-Founder/CEO of LendInvest**



## Key findings

Almost **two thirds** of Fintech founders believe that the UK is **currently the world leader in Fintech**.

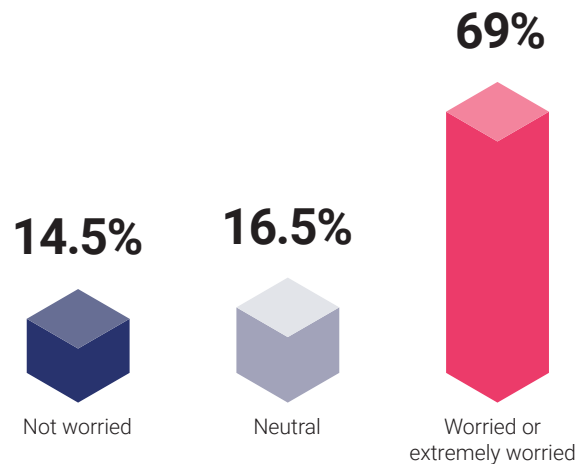


Question: Do you think that the UK is currently positioned as the world leader in Fintech?

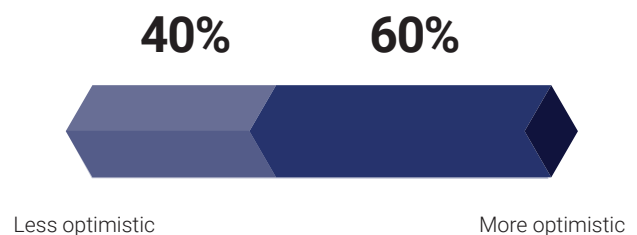
However, on a five year horizon, only **one in three** Fintech founders are optimistic or very optimistic about the UK's position as a global leader in Fintech.



**Two thirds** of Fintech founders are worried or extremely worried about the negative impact of Brexit on their business.



However, despite Brexit worries, over **60%** of respondents are more optimistic about their businesses now than they were at the start of the year.



## What are the biggest challenges facing UK Fintech businesses now?

**66%** say hiring enough good people (across all disciplines and roles) is the biggest challenge

**56%** say hiring engineering and product professionals is a key challenge

**29%** say raising growth capital is a considerable challenge for their business

### Other concerns included

#### Being able to hire professionals with appropriate domain knowledge of financial services

The founders that responded to the survey recognise the need to hire appropriately experienced people for their companies, and this includes professionals with suitable financial services experience. Attracting experienced talent into Fintech startups is a key challenge for the sector.

#### Raising growth capital

Despite the headlines of ever more capital being invested in the sector, many of the founders surveyed said that 'growth capital' was a key challenge for their respective Fintech companies.

#### Handling the KYC and AML requirements of larger financial institutions

For Fintech companies that need to work with larger financial institutions (such as lending businesses that raise capital from these institutions), the process of working through the various KYC and AML requirements is often very time consuming and frustrating. If there could be some way to harmonise these requirements across institutions, that would be welcomed by a number of the respondents.

#### Raising capital from investors with Fintech knowledge and/or domain expertise

A number of founders complained that it has proved very difficult to raise capital from investors that have an understanding of financial services or the Fintech sector. It seems that more specialist investors or funds would be welcomed by the sector.

## What can the government do to help the UK Fintech sector retain its crown?

**64%** say improve the visa system

Make it easier to recruit talent from abroad by reducing the time it takes to approve visa applications, and fast-track more visa routes for highly skilled technology professionals.

**45%** say financial regulation needs to continue to allow Fintechs to compete

Continue to modernise financial regulation, taking better into account the needs of Fintech businesses and new financial innovations, to help create a level playing field.

**41%** say 'let's have a Secretary of State for Technology'

Many respondents feel that the government should recognise the importance of technology and have a member of cabinet specifically (and solely) focused on it. This could also alleviate the burden of Fintech responsibility being shared between the Treasury and the DCMS.

### Other ways the government can help included

#### Listen to the sector's founders

Government should listen more to the founders who are at the coalface of the Fintech sector and are the best placed to represent industry interests and to provide input into policy. Respondents suggest that the government could endorse a number of founders from the sector to be official ambassadors.

#### Expand Open Banking to include other providers

A large number of respondents (43%) think that Open Banking could be significantly expanded to have entities such as utilities providers and insurers also open up their data. This could create a world of further possibilities from the concept of open data and allow for greater competition and innovation.

### **Expand the S/EIS scheme to all Fintech businesses**

Many financial services businesses are explicitly excluded from the S/EIS scheme. This means that Fintech startups are often on an unequal footing with other startups and are unable to capitalise on the benefits of raising capital through these schemes. If we want to remain the world leader in Fintech, this should be changed to allow all Fintech startups to be able to raise S/EIS funding.

### **Fintechs need help opening bank accounts**

Amazingly, whilst the UK is considered the world leader in Fintech, there are a number of Fintech startups that report extreme difficulty in opening a bank account for their businesses. Larger financial institutions are either concerned about the regulatory status of these startups, or otherwise, often make it very difficult just to open a bank account. This is a fundamental issue and needs to be addressed.

### **Increase the current Enterprise Management Incentives**

It is suggested that to assist 'scale-up' businesses in the Fintech sector, the asset cap (of £30m) and employee cap (of 250 people) should be increased for the EMI options scheme. This will allow Fintech businesses to continue to attract the best talent, and let their employees participate in the incentive scheme.

## **The Digital Finance Forum**

The Digital Finance Forum is a network of the UK's leading Fintech founders aiming to create real conversations, and better collaboration amongst entrepreneurs, startups, government, regulators and across the financial services landscape.

Since late 2016, The Digital Finance Forum has been hosting a series of invitation-only events for the founders of successful financial technology companies and leaders at the forefront of building the Fintech sector.

The group has previously hosted guest speakers from senior levels of government, 10 Downing Street, the World Economic Forum, experienced financial services investors and senior banking executives.

The Digital Finance Forum was established by Christian Faes and Ian Thomas, the co-founders of LendInvest, the UK's leading marketplace for property finance.

To find out more about the Digital Finance Forum and how you can become involved in the network, please email [contact@digitalfinance.org](mailto:contact@digitalfinance.org).

[digitalfinance.org](http://digitalfinance.org)