

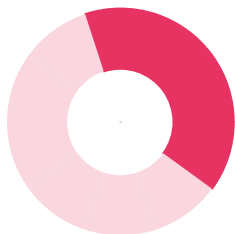


**FINDINGS OF THE
DIGITAL FINANCE FORUM
SUMMER SURVEY
OF FINTECH FOUNDERS
AUGUST 2020**

**digital
finance
forum**

Breakdown of respondents

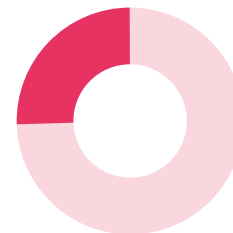
Of those fintech founders who filled in our survey:



Over two fifths (43%)
were primarily **lending** companies; a
further **third (34%)** listed **digital
banking/payment** as their main
activity



Two thirds (65%)
were small businesses
(with 50 employees or
less)



A quarter (25%)
had a turnover of more
than £10 million

Over the last month the Digital Finance Forum (DFF) has launched its second annual summer survey of Fintech founders, the findings of which are set out below.

This survey was a chance for the DFF to gauge how fintechs have been adapting to the ongoing Covid-19 pandemic, what the most pressing issues are for founders, and how Government can best respond. Our survey was released with the support of [Treasury Minister John Glen MP](#)

We sent out our survey questions to a wide range of Fintech founders, and received answers from **over 100 founders** - a fantastic response, full of valuable insights, which are summarised below.

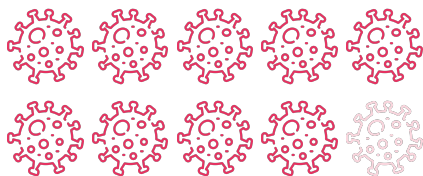
Many thanks to everyone who took the time to respond to our survey - we will use this to guide our work in the coming months.



WHAT DO FOUNDERS WANT TO SEE FROM GOVERNMENT?

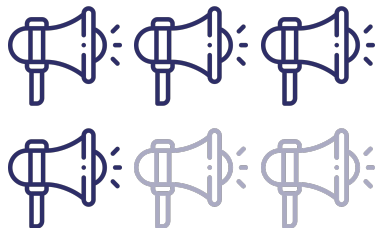
Whilst 75% of founders thought that the government has supported the wider economy well during the Covid-19 pandemic; only 25% of founders believe that the government had supported the fintech sector well through this crisis.

Key findings



Nine out of ten

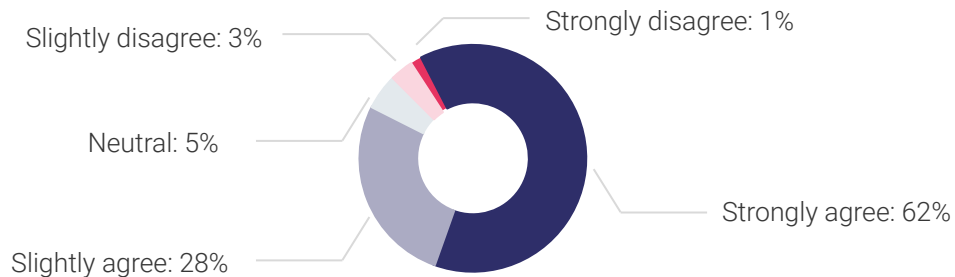
founders believe Covid-19 has made, or will make it harder to raise finance in the next year



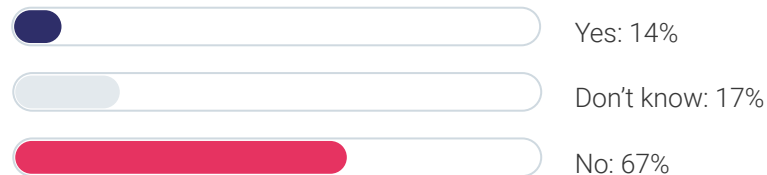
More than Two thirds

of founders don't think their voice is properly heard in UK policy and regulatory circles

Question: To what extent do you agree with this statement: 'Covid-19 has made/will make it harder to raise finance in the next 12 months?'



Question: Do you think the voice of Fintech founders is properly heard in UK policy and regulatory circles?



Key findings



Nevertheless,
Four out of five

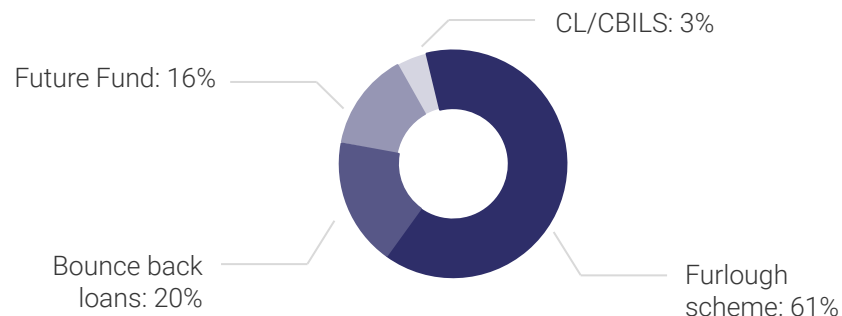
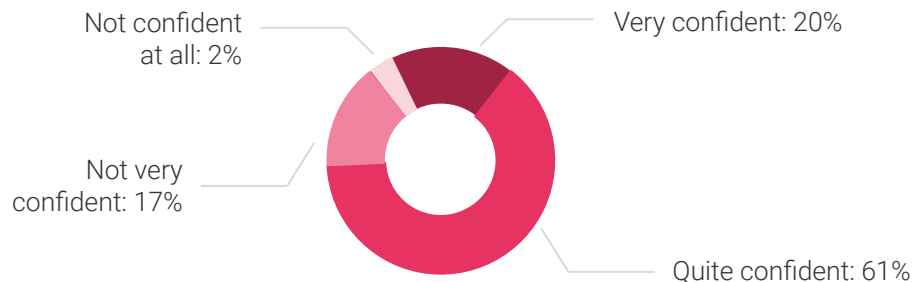
founders feel confident about the outlook for their business over the next 12 months



Half

of those founders surveyed received some form of government support over recent months. This broke down as follows:

Question: how confident are you about the outlook for your business over the next 12 months?



A photograph of a city street with a red overlay. The street has a 'BUS LANE' marking on the road. Buildings are visible on both sides, and a small tree is on the right sidewalk. A red rectangular box is centered over the image, containing white text.

**FINTECH FOUNDERS ARE FACING A
NUMBER OF CHALLENGES, AS WELL AS
OPPORTUNITIES**

Challenges



Difficulty in accessing government support schemes during the Covid-19 pandemic: **37%** of those surveyed sought a loan but were unable to qualify for one.



As well as access to government loans, lack of funding more generally was the single most cited issue by founders: **46%** mentioned limited access to capital as the most pressing challenge facing them, and the main impact of Covid-19 upon their business. Access to institutional funding lines has been severely hampered.



More generally, Fintech founders are of the view that the government could do a lot more to ensure Fintech startups are able to access early stage capital. Specifically it was pointed out by numerous founders that the government's EIS and SEIS rules specifically exclude investment in many types of financial services businesses; and that the British Business Banks' own funding of venture capital funds, then excludes those VCs from investing in many financial services businesses. Fintech is not on a level playing field with other stage companies, when it comes to access to capital.

Other challenges raised included:

- Lack of support for lenders: unlike banks, non-bank lenders have lacked the support to help them fund liquidity for their ongoing lending, and fund forbearance measures they were expected to provide to SMEs, especially given many non-bank lenders are SMEs themselves. There was a distinct feeling that the system is rigged towards the big banks; and in many respects, against non-bank Fintech lenders.
- Engaging with customers while staff are furloughed, and other resulting difficulties encountered whilst working from home. **30%** of founders had made use of the furlough scheme during lockdown.
- The role of Venture Capital firms: there was a strong feeling expressed by some founders that VCs had 'too much clout' with Government, and had done little to help raise funding for fintechs during the current crisis. There was a strong view that there needs to be more VC investors with relevant financial services or Fintech experience.

Opportunities



More than a third of founders expressed optimism that Covid-19 would provide new opportunities as it accelerates digital adoption among businesses seeking to change the way they work: ‘tech is relatively Covid-proof’ and ‘digitisation will be a great leap to embed fintech’ were commonly expressed sentiments.



One in five founders responded to our survey to say that Covid-19 presented an opportunity for fintech to help people and businesses rebuild their finances and drive the economic recovery, particularly among SMEs as this was considered a gap left open by larger, more risk-averse banks.



As a result, **two in five** founders said that they are actively looking to grow and expand their business in the coming months, not least since they anticipate new talent entering the labour market.

What do Founders want to see from Government?

In response to this question, our survey elicited a wide variety of answers - while it would be impossible to list them all, below are a selection of some of the most commonly expressed views:

- **Review Enterprise Investment Scheme (EIS)/Seed Enterprise Investment Scheme (SEIS) rules:** end the exclusion of the financial service sector from these incentives which would otherwise be vital in stimulating investment to drive the recovery post-Covid. EIS/SEIS should also be made compatible with the Government's Future Fund scheme.
- **Improve access to funding:** provide the non-bank lenders access to Treasury funding lines, so that they can be on the same level playing field as the larger banks. **Only a quarter** of founders agree that the government supported the fintech sector well during the pandemic.
- **Better adoption of innovation:** a more effective link between Government Fintech strategy and the regulator. The speed with which the FCA can respond and be receptive to new ideas will be a major factor in determining how quickly and efficiently Fintech can help affected businesses recover. As one respondent put it, Government needs to accept that, 'Fintechs are not a systemic risk, but rather part of the solution.'
- **More engagement:** many founders expressed surprise at the lack of engagement by Government with Fintech firms given the value they could have provided through the Covid-19 crisis. It was felt by some that lending programs were unduly tailored to banks, and that Fintechs were an 'afterthought'. The idea of a dedicated Government **Minister for Fintech**, such as exists in Australia, was raised by some founders as a means of improving engagement.

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