



**/ fintech
founders**

SUMMER SURVEY 2021

Foreword

Over the last few months Fintech Founders has carried out its third annual summer survey of founders, the findings of which are set out below.

This year's survey, as well as gauging how the last year of the pandemic has affected founders and the Fintech sector as a whole, has international opportunities as a core theme.

Developed in consultation with the Department for International Trade (DIT), this section of the survey looked at founders' attitudes to expanding their business abroad, identifying main export barriers as well as preferred destination countries. Our findings show that there is significant untapped export potential

when it comes to the UK's Fintech sector, as well as a lack of familiarity with the support currently offered by DIT.

The response to this year's survey was fantastic, with more than a hundred founders taking time to share their insights and thoughts, 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 those who are at the coalface of building the Fintech sector in the UK.

This survey highlights that our founders are optimistic about the future and their businesses, but there is serious work required from the Government in order to assist the Fintech sector. If anything, the

feeling of complacency from the Government is stronger than it was in previous years. Strikingly, almost half of founders surveyed don't think the Government is interested in implementing the recommendations from its own review that it commissioned.

We would like to offer our profound thanks to all the founders who took the time to respond to our survey – the feedback we received will shape our engagement in the months to come.

CHRISTIAN FAES – CHAIR, FINTECH FOUNDERS

MEMBERS OF THE FINTECH FOUNDERS STEERING COMMITTEE

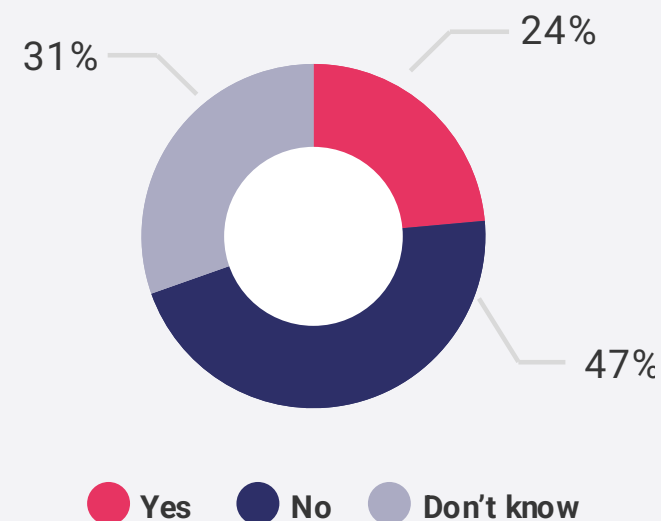
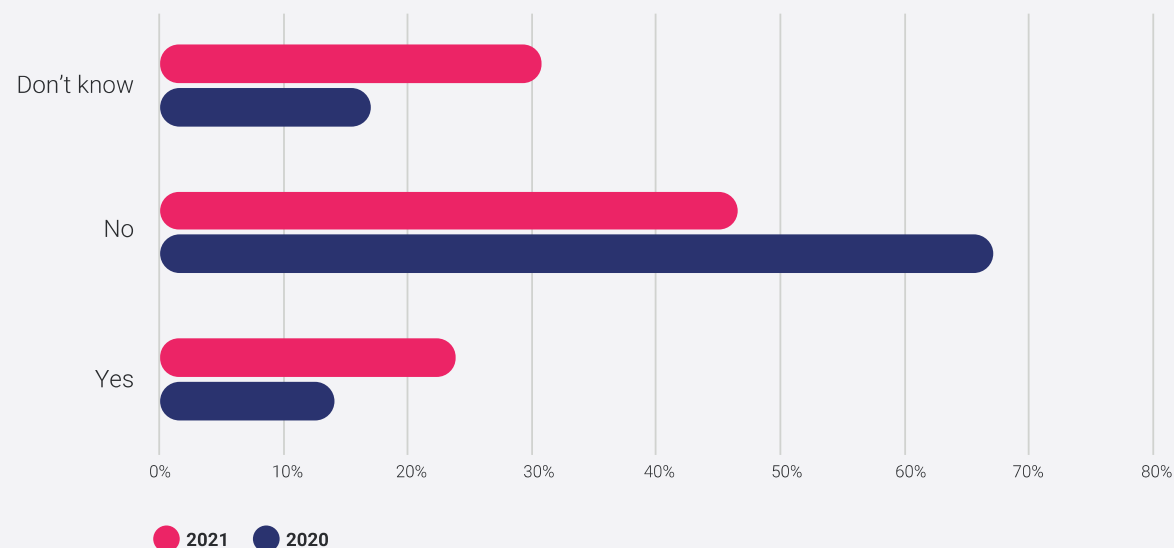
Founded in 2016, as the Digital Finance Forum, Fintech Founders is a network of the UK's leading Fintech entrepreneurs that provides an opportunity for real conversations and better collaboration with government, regulators and other influencers across the financial services landscape.

Key findings

When it comes to understanding the needs of the Fintech sector, almost half (47%) of founders thought their voice wasn't being properly heard by key decision-makers.

Though an improvement from last year (14%), **still fewer than a quarter of founders (24%)** feel their voice is heard.

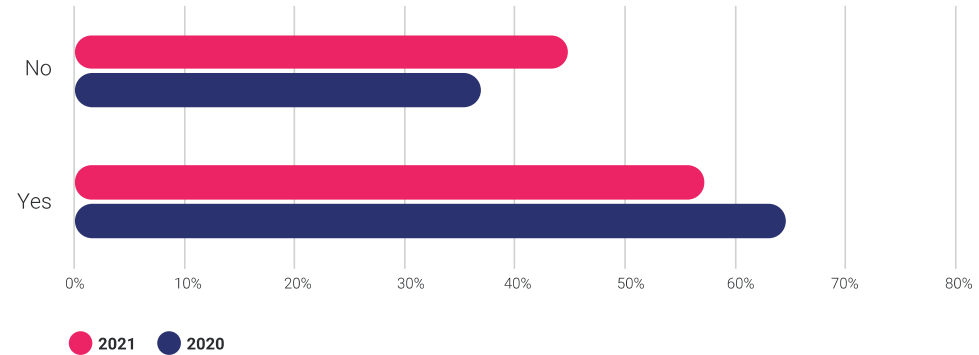
Question: Do you think your voice is properly heard in policy/regulatory circles?



Key findings

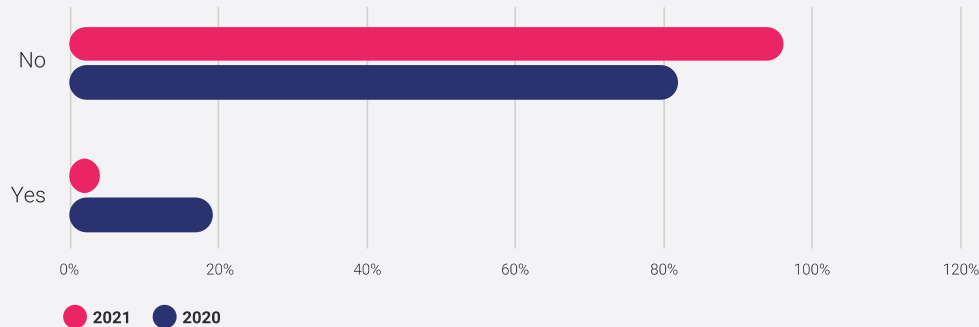
A majority (56% vs. 44%) of founders thought the UK was currently positioned as the world leader in Fintech - but this is down on 2019, when 63% said the UK was the world leader.

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

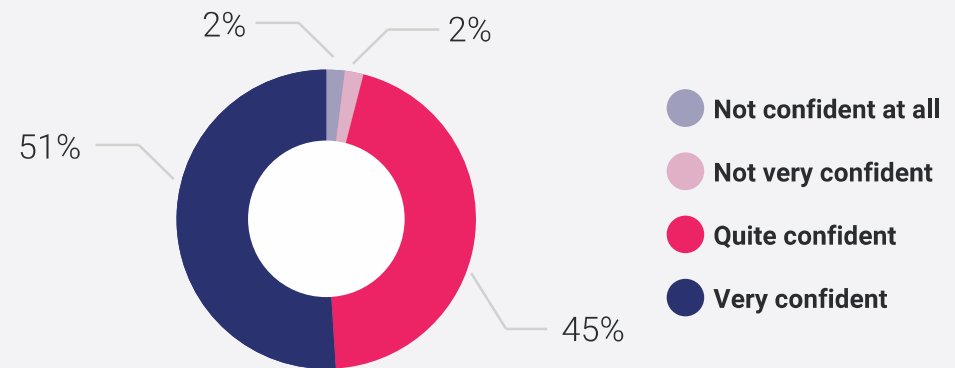


Optimism: eighteen months on from the outbreak of the Covid-19 pandemic, and there is greater optimism among founders. 96% were either quite or very confident about the outlook for their business in the next 12 months, up from 81% last year.

Question: How confident do you feel about the outlook for your business over the next 12 months?



Question: How confident do you feel about the outlook for your business over the next 12 months? (2021)

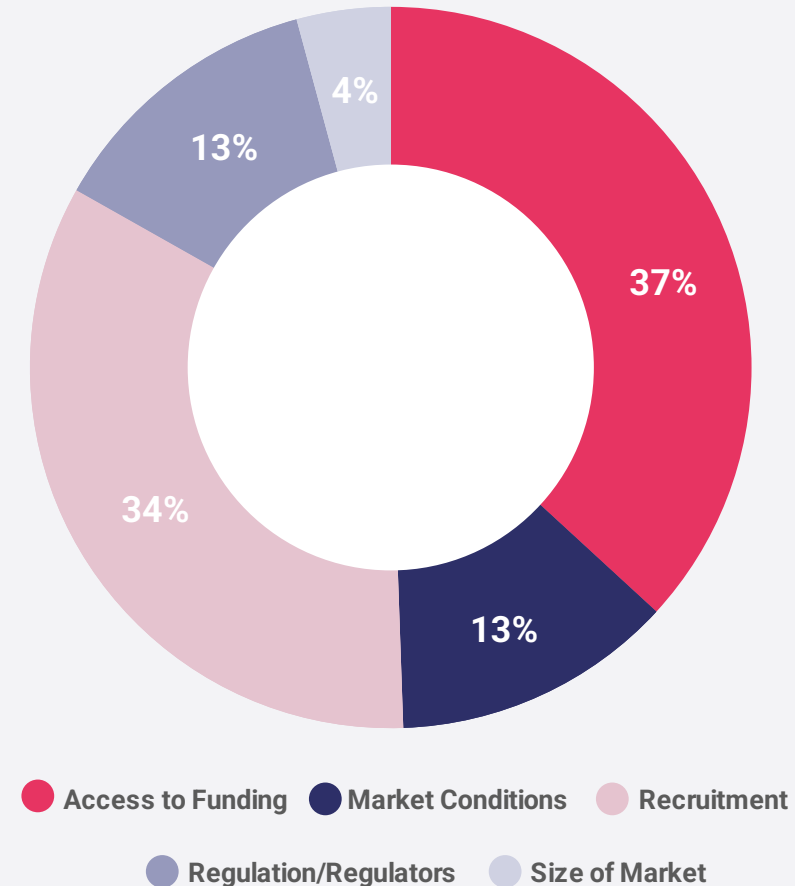


Key findings

Despite this optimism, there are still significant challenges facing founders:

- **One in three (34%)** founders say that recruiting talent is the single biggest issue facing them as they seek to grow their business.
- **Just over a third (37%)** mentioned access to funding as the main issue – the most frequently chosen option.
- Separately, when asked to list other key challenges, there were other themes that were more Covid-specific, with many citing remote working – and the associated issues of managing people, communications and company culture – as a serious difficulty to overcome.

Question: What is your main issue as you look to grow your company?

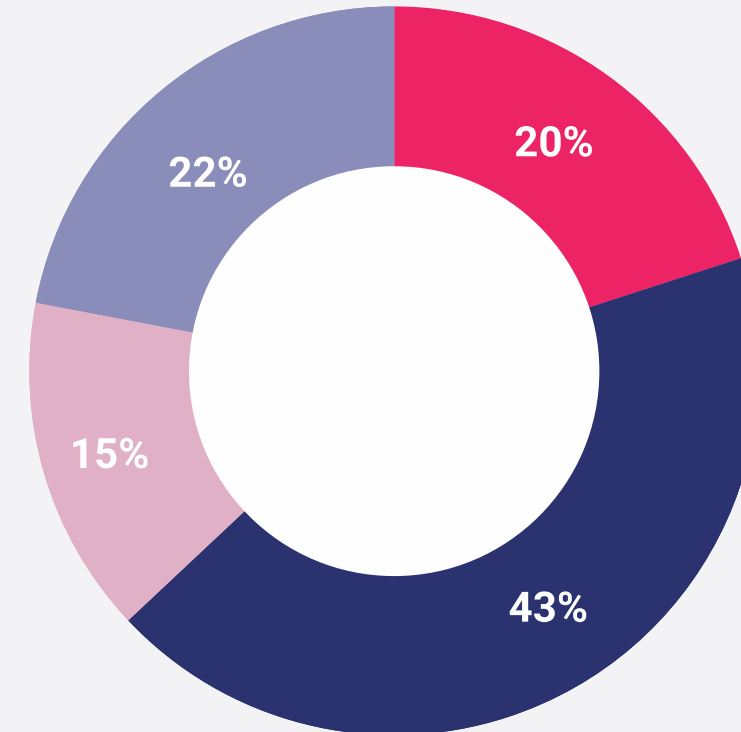


Key findings

The publication earlier this year of Ron Kalifa's Review into UK Fintech, commissioned by HM Treasury, was seen by many as a landmark event, but the response of founders has been largely muted, with few thinking the Review will lead to real improvements:

- **Almost a quarter (22%)** said that they were not familiar with the Review's findings.
- **Only one in five (20%)** think that the Review will make a positive difference for their business – though this rises to 25% if you exclude those unfamiliar with its findings.
- **More than two in five (43%)** welcomed the Review but think – rightly or wrongly – that the Government isn't interested in acting on the Review's recommendations.

Question: Which of the following fits your views about the recent Kalifa Review into UK Fintech, and the Government's response?



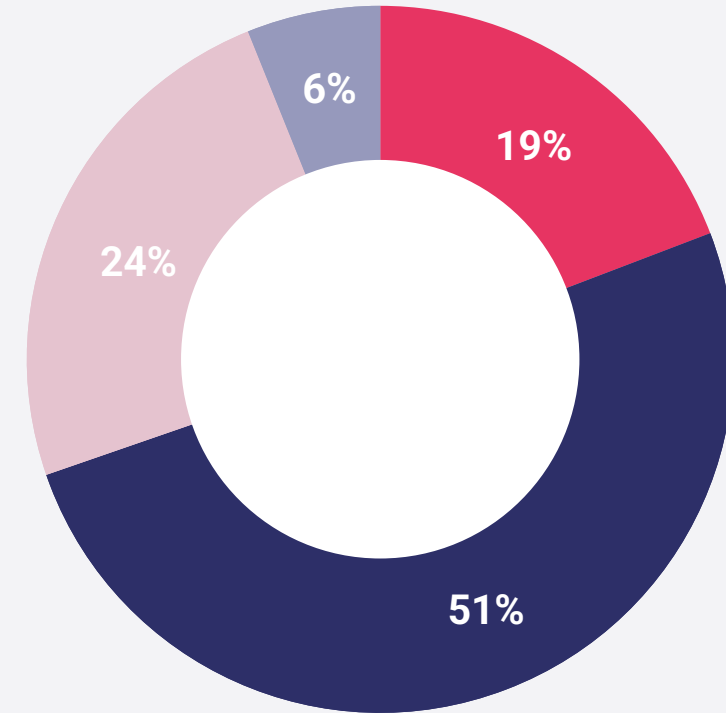
- The Kalifa Review will make a real, positive difference to Fintech businesses
- It was welcome, but Government aren't interested in acting on its recommendations
- It was never going to make any real difference - it doesn't affect me
- Don't know - not familiar with the Review's findings

International ambitions

Fintech is already one of the fastest-growing sectors of the UK economy. But our survey reveals that there is a real opportunity to expand this further to new markets:

- **Three quarters (75%)** of founders are keen to expand their businesses to other countries.
- Of these, **more than two thirds (68%)** are not yet exporters, representing considerable untapped potential.

Question: Which of the following statements best applies to your business, in terms of international activity?



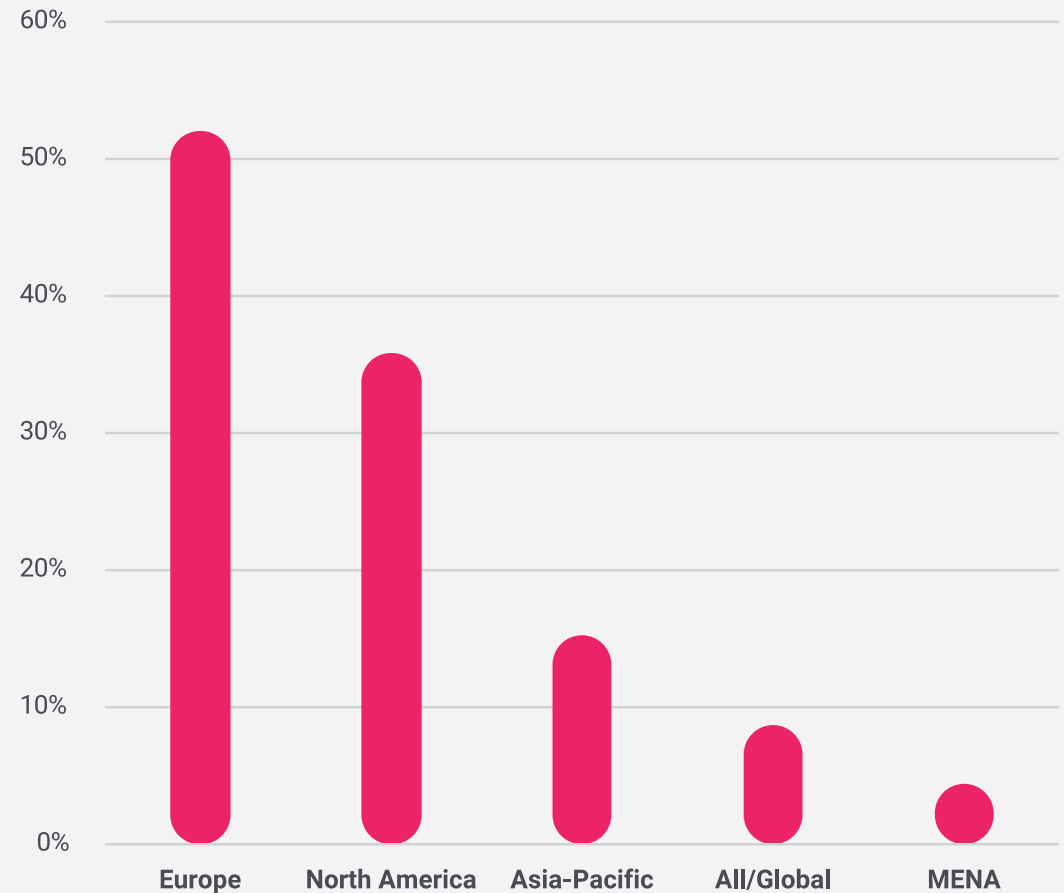
- We are currently focused on UK operations and have no plans to expand
- We are UK-based, but are exploring opportunities to expand to other countries
- We currently operate in a number of countries, but are looking to expand this further
- We operate internationally, and have no plans to expand further

International ambitions

When asked which regions UK founders were most keen to expand to, there was a wide range of responses:

- Despite Brexit **over half (52%)** of all respondents are still interested in expanding to markets across the European Union.
- Outside of Europe, the most common choice of destination was North America, **with over a third (36%)** expressing an interest in the US and/or Canada.
- **A significant proportion (15%)** also mentioned Asia-Pacific as a region to which they were keen to take their business. This is significant given the Government's tilt towards Asia-Pacific in its recent Integrated Review, and decision to join CPTPP.

Question: Which - if any - markets are you interested in expanding to?



The Department for International Trade (DIT) has recently launched a range of schemes to help UK Fintechs grow their overseas business, including a bespoke Fintech Export Academy and one-to-one advice and support via a Fintech Champions Scheme.

However, our findings show that **two thirds (67%)** of founders are unfamiliar with the details of these new schemes – more needs to be done to promote them, not least since **almost half (46%)** of all respondents are keen to learn more. The full breakdown is below:

- I am aware of these and welcome DIT support – 11%
- I am aware of these, but they are not relevant to my business – 22%
- I have heard of these, but am not familiar with details – 21%
- I was not aware of these, but would be keen to learn more – 46%

A similar situation exists with the 'Fintech Bridges' established by DIT with other trading partners, to develop stronger collaboration between governments, financial regulators and the fintech industry.

A small number of founders (7%) have already benefited from these, but almost three quarters (73%) were unfamiliar with the details of Fintech Bridges, with almost half (46%) saying that they were keen to learn more:

- I am aware of these, and they have made a difference to my business - 7%
- I am aware of these, but they aren't relevant to my business - 20%
- I have heard of these, but have no idea what they really are - 29%
- I was not aware of these, but would be keen to learn more - 46%

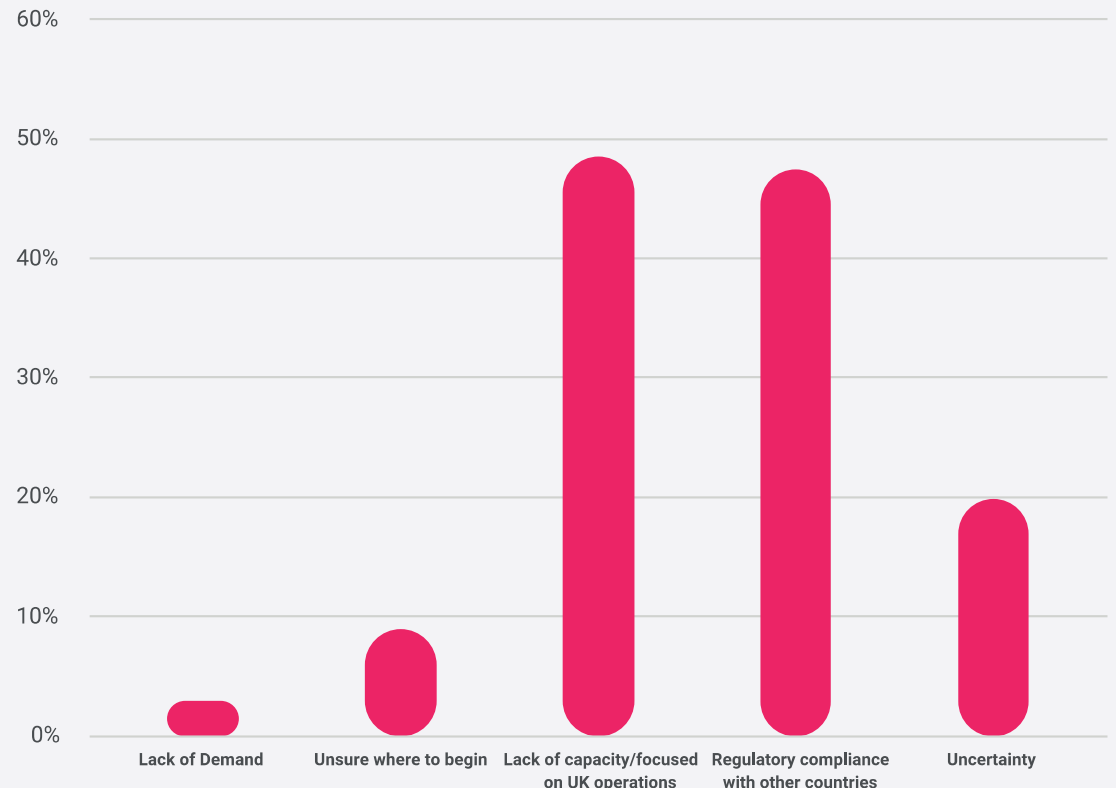
Barriers to international growth

When asking founders what they thought were some of the main barriers to expanding their business abroad, **hardly any (3%)** felt there was a lack of demand.

Instead, their ambitions to expand to other countries were being held back by how complicated and time-consuming the process was:

- The most common barriers reported were a lack of capacity beyond daily operation to deal with expanding abroad, and the specific burden of regulatory compliance with other countries.
- **Almost half of founders** raised these as issues they faced (**49% and 47% respectively**).
- Additionally, given the events of the last few years, it is perhaps unsurprising that **one in five (20%)** of founders felt the current situation was too uncertain to consider expanding. As the UK continues to adapt post-Brexit and Covid, there will be a growing cohort of businesses looking to expand abroad.

Question: Which - if any - markets are you interested in expanding to?



Areas of Opportunity over the next year

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:

Adoption of new technology: founders were confident that the pandemic had provided new opportunities, accelerating digital adoption among businesses seeking to change the way they work.

- *'The pandemic has accelerated consumer tech adoption in a manner which will allow the Fintech sector to grow faster than it would otherwise.'*
- *'Overall, there is a significant opportunity to build and scale tech products that are focused on consumers, targeting problems/demand mostly unsolved/unmet by the existing financial system.'*

Partnerships: many founders who responded to our survey said that they were actively looking to develop strategic partnerships with financial institutions over the next twelve months.

- *'There is an opportunity to create a framework for more focused partnerships between banks and the Fintech sector.'*

Green tech: another new area of opportunity to this year's survey was around the rise of 'green' Fintech, with businesses as well as regulatory sandboxes working to accelerate innovation and develop Fintech projects that help the UK reach its Net Zero targets.

This is all the more relevant given the UK is hosting COP26 this year.

Digital identity/open banking: founders were enthusiastic about the opportunity to use digital identities, enabled by Open Banking, to simplify onboarding and reduce the cost of manual identity verification.

Combining digital identities with Open Banking payments also has the potential to offer a more efficient e-commerce / online experience for Fintech businesses.

What changes do founders want to see?

This last question also elicited a huge range of responses – some of the most common recurring frustrations and requests from founders are included below:

A commonly-expressed theme in last year's survey was the need for greater incentives for entrepreneurs, particularly EIS/VCT relief and the exclusion of Fintechs from the scheme.

This is still an issue that faces many founders, as this year's survey makes clear:

- *'Make incentives which are available to other sectors available across Fintech (EMI, S/EIS, VCT, other reliefs)*
- *'There are many Fintechs that can't get EIS funding and are at a disadvantage to any other tech company.'*

One common theme was the need to improve early-stage funding support:

- *'There needs to be more support directly to businesses in the first 365 days - help more succeed into pre / seed funds through guidance and a more encouraging ecosystem.'*

Many founders were clear about the need to improve the regulatory process in order to support innovation and retain the UK's status as a Fintech hub:

- *'The FCA needs to become a lot more agile around new ideas and generally move faster. A slow-moving regulator kills businesses.'*
- *'The FCA compliance process has to be modified. The length of time to approve an application hinders innovation post funding.'*

There is scope for the UK to do more to encourage new forms of digital innovation, with HM Treasury HM embracing blockchain and cryptocurrencies:

- *'The UK could be the global centre for regulated safe cryptoassets ... We could repeat the success of Fintech in a much bigger and more transformative sector.'*

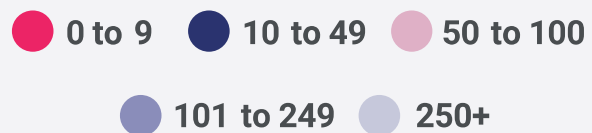
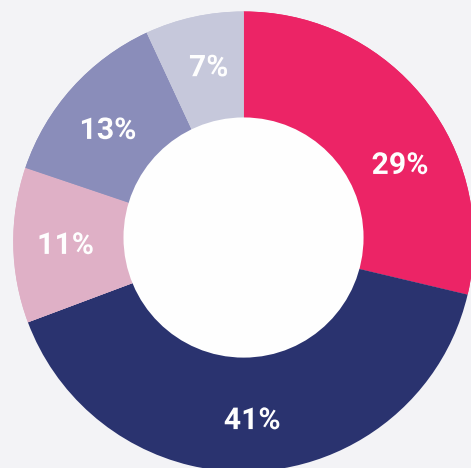
The need to improve the skills pipeline for Fintech businesses was raised as an issue to be addressed, much more than in previous surveys. This means looking to home-grown, as well as foreign talent:

- *'We need to see a more tech-focused education, teaching financial acumen and relevant skills in school ... we need to create hordes of home-grown engineers.'*
- *'Facilitate better visa access for Fintech employees from abroad... The visa sponsorship process could be easier.'*

About our respondents

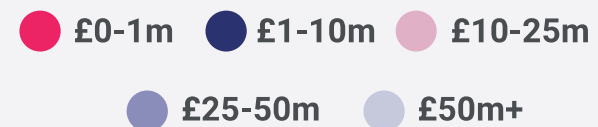
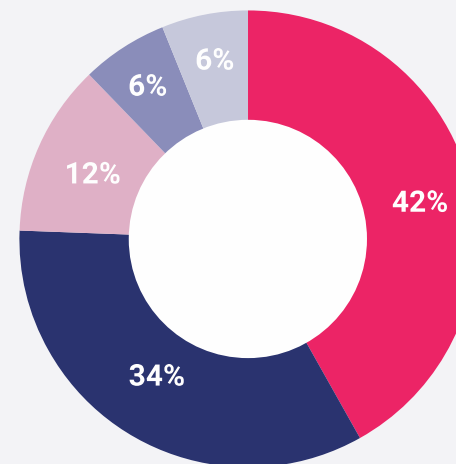
Of those who filled out our survey:

Headcount



Over two thirds (69%) were small businesses (with 50 employees or fewer)

Turnover of Business



Almost a quarter (24%) had a turnover of more than £10m



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