Foreword

The UK Government is committed to maintaining a leading position in the international FinTech sector. At the Department for International Trade’s inaugural International FinTech Conference in London earlier this year, the Chancellor of the Exchequer highlighted FinTech as leading the UK’s fourth industrial revolution and transforming the way we live and conduct business.

With this in mind, HM Treasury has commissioned EY and Innovate Finance to produce the UK FinTech Census. This report will help build greater awareness and understanding of UK FinTech by profiling the sector and publishing aggregated metrics on its growth. The census provides a platform for FinTechs to express their views on a range of matters related to revenues, investment, talent and regulation. In addition to charting the sector’s growth, the census provides a unique first-hand perspective on key challenges that FinTechs are facing.

EY’s internal analysis identifies over 1,600 FinTech companies currently operating in the UK. The 245 respondents who participated in the census are a strong representation of this community. The survey work was conducted between February 2017 and May 2017.

We are excited to share the analysis and insights from this initiative, and believe they will serve as a vital reference for policymakers, regulators, the Government and the wider sector.
“FinTech is fundamentally challenging the way that we deliver and access financial services in the UK. It helps consumers to make more informed choices and to increase competition in our financial services sector. We are committed to supporting FinTech to ensure that we maintain our leading position globally.

The UK FinTech Census provides a clearer picture of our diverse and innovative FinTech ecosystem, which continues to go from strength to strength. We will work to ensure that the UK remains at the forefront of FinTech policy and regulation to create an environment that supports our firms to access the talent and investment that they need to grow and succeed.”

Stephen Barclay, Economic Secretary to the Treasury

“The UK FinTech Census is an opportunity to showcase the UK FinTech sector to international investors and talent. UK FinTech continues to enjoy a highly supportive combination of regulation, talent and market opportunities. It is fascinating to see the ambitious growth plans of UK FinTechs, both in terms of hiring new talent and expansion into new markets, which continue to drive revenues and investment in the sector.

The UK is world leading in financial services and regulatory policy. Open Banking, which will go live in 2018, will facilitate secure sharing of data between banks and FinTechs. It is a genuine world first and will be yet another catalyst for innovation and customer adoption within UK FinTech.”

Imran Gulamhuseinwala, Global Head of FinTech, EY

“The FinTech Census provides, for the first time, a comprehensive landscape of UK FinTech and draws attention to the importance of talent and investment to entrepreneurs, the two key ingredients to great companies and a healthy start-up ecosystem.

Start-ups’ requirements for coding and engineering skills and product and sales skills highlight the importance of working with education, sector and government bodies to ensure that the UK is attracting and developing the STEM skills FinTechs require. The requirement for future funding and forecasted IPO activity over the next cycle is a beacon to both domestic and foreign venture capital, highlighting the great opportunities to expand funding programmes into UK FinTech.

It has been a privilege for Innovate Finance to work with HM Treasury and EY on the inaugural census, and we are in no doubt that it will provide invaluable insights to the community.”

Charlotte Crosswell, Interim CEO, Innovate Finance

For this census, we consider these to be B2B organisations.

A list of FinTechs was developed from existing contacts, directories, industry association members (including Innovate Finance) and events (including FinTech conferences). These organisations were screened for FinTech eligibility and contacts were sorted to remove duplication.

A total of 1,600 unique FinTechs were identified in the UK. Using existing relationships with these FinTechs, as well as online sources of contact information, email addresses were sourced for 1,400. These individuals were then invited to take part in the census (contact details for 200 FinTechs could not be found).

2. List of FinTech companies

There is no universal classification or comprehensive directory of FinTech businesses. For this census, we have defined a FinTech organisation as one that undertakes one or more of a set of FinTech business activities, as shown in Figure 1 (page 6). These activities relate to the use of innovative business models and technology to enable, enhance or disrupt financial services.

Business activities are categorised according to whether they primarily deliver a business-to-consumer (B2C) or business-to-business (B2B) proposition. We acknowledge the recent trend for FinTech organisations to describe themselves as ‘B2B2C’, indicating a focus on an end consumer via a B2B relationship. For this census, we consider these to be B2B organisations.

3. Survey design

Once the census was officially closed, a manual data cleansing exercise was undertaken, with final output based on analysis of the cleansed data.

4. Analysis and reporting

There are no more than 15 minutes to complete.

Respondents were also given the opportunity to note any additional comments or suggestions. We present these as ‘Respondents’ additional comments’ throughout this report.

Scope and methodology: a four-stage approach

1. Definition of the FinTech sector

2. List of FinTech companies

3. Survey design

4. Analysis and reporting

Census questions focused on profiling respondents, as well as providing insights into their revenues, investment, talent, future growth ambitions and key challenges in achieving these.

FinTech firms received an email with a link to an online survey page. There were 17 questions, with a wide range of free text, multiple choice, ranking and scoring questions that would take no more than 15 minutes to complete.

Respondents were also given the opportunity to note any additional comments or suggestions. We present these as ‘Respondents’ additional comments’ throughout this report.

Simon Kirby, then Economic Secretary to the Treasury, and Eileen Burbidge, the UK Treasury’s special envoy for FinTech, wrote to FinTech companies to encourage them to participate in the survey.

245 companies submitted their results, providing an 18% response rate of the 1,400 FinTechs that received the survey.

Once the census was officially closed, a manual data cleansing exercise was undertaken, with final output based on analysis of the cleansed data.
Figure 1: Scope of FinTech sector as defined for this census by qualifying business activities

<table>
<thead>
<tr>
<th>B2C propositions</th>
<th>B2B propositions</th>
</tr>
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<tbody>
<tr>
<td><strong>Money transfer and payments:</strong></td>
<td><strong>Enterprise and ReqTech:</strong></td>
</tr>
<tr>
<td>Online foreign exchange</td>
<td>Advanced analytics providers</td>
</tr>
<tr>
<td>Overseas remittances</td>
<td>Blockchain solutions and Distributed ledger technology (DLT)</td>
</tr>
<tr>
<td>Payout management tools</td>
<td>ReqTech and risk management</td>
</tr>
<tr>
<td>Online digital-only banks without branches</td>
<td>Core banking, insurance, asset management and capital market software</td>
</tr>
<tr>
<td>Non banks to transfer money</td>
<td>Credit reference data and analytics</td>
</tr>
<tr>
<td>Mobile phone payment at checkout</td>
<td>Insurance and data analytics</td>
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<tr>
<td>Payments via cryptocurrency (e.g., bitcoin)</td>
<td>Cybersecurity</td>
</tr>
<tr>
<td><strong>Insurance:</strong></td>
<td><strong>Small-and medium-sized enterprises (SMEs):</strong></td>
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<tr>
<td>Car insurance using telematics (black box) to monitor driver behaviour</td>
<td>FinTech lenders including online short-term loan providers</td>
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<tr>
<td>Insurance premium comparison sites</td>
<td>FX and B2B payments</td>
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<tr>
<td>Peer-to-peer (P2P) or micro-insurance</td>
<td>Trade finance and supply chain solutions</td>
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<tr>
<td><strong>Borrowing:</strong></td>
<td><strong>Corporates:</strong></td>
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<tr>
<td>Borrowing using online short-term loan providers</td>
<td>Merchant acquirers and gateways</td>
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<tr>
<td><strong>Financial planning:</strong></td>
<td>Payment optimisation and fraud detection software</td>
</tr>
<tr>
<td>Online budgeting and financial planning tools</td>
<td>Loyalty software providers</td>
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<tr>
<td>Tools to analyse expenses and compare financial products</td>
<td>Payments software</td>
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<tr>
<td><strong>Savings and investments:</strong></td>
<td>Trade finance and supply chain solutions</td>
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<tr>
<td>P2P platforms for high-interest investments</td>
<td><strong>Future expansion</strong></td>
</tr>
<tr>
<td>Investments in equity crowdfunding platforms and rewards platforms</td>
<td>Census results show Europe and North America to be the two most important regions for future expansion. Attracting qualified or suitable talent is the single biggest challenge for FinTechs in 2017, followed closely by achieving customer adoption to build the size of the user base.</td>
</tr>
<tr>
<td>Online investment advice and investment management</td>
<td><strong>Talent</strong></td>
</tr>
<tr>
<td>Online stockbroking</td>
<td>The calibre of people leading and running FinTechs is a key pillar to their success, as is future talent pipeline. Census results show coding and software development to be the most difficult skill to find when recruiting (78% of respondents rank this in their top three), followed by product and sales skills. The majority of respondent companies have an overall UK headcount of less than 150, with 95% looking to hire up to 50 employees over the course of 2017.</td>
</tr>
<tr>
<td>Top-up savings or investments</td>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td>Online spreadbetting</td>
<td>Both historic and prospective revenue growth are key indicators of success for FinTechs. Census results show that average UK revenue of respondents grew by 22% between 2014 and 2016, when average revenues reached £5mn. Fifty percent of companies expect global revenue growth of over 100% in the next 12 months.</td>
</tr>
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</table>

**Key messages**

The 2017 UK FinTech Census was designed to gather key insights directly from FinTechs, charting key areas of growth, as well as potential challenges. Data was gathered on the specific areas of revenues, investment, talent, regulation and future expansion.

The 245 respondents in our study provide a strong subsector representation, with the largest representation from payments and remittances, and financial software. The average age of FinTechs in the study is 5.3 years, with a peak in the number of companies founded in 2014.

- **Revenue**
  Both historic and prospective revenue growth are key indicators of success for FinTechs. Census results show that average UK revenue of respondents grew by 22% between 2014 and 2016, when average revenues reached £5mn. Fifty percent of companies expect global revenue growth of over 100% in the next 12 months.

- **Investment**
  A FinTech’s ability to raise funds is critical to growth. The census results show that FinTechs have received an average of £15mn in investment to date. Half of all respondents expect their next funding round to be more than £2mn, with 35% anticipating more than £5mn. In aggregate, FinTechs expect a total of £2.5bn for their next funding round, and 33% of respondents expect an IPO to be likely in the next five years.

- **Talent**
  The calibre of people leading and running FinTechs is a key pillar to their success, as is future talent pipeline. Census results show coding and software development to be the most difficult skill to find when recruiting (78% of respondents rank this in their top three), followed by product and sales skills. The majority of respondent companies have an overall UK headcount of less than 150, with 95% looking to hire up to 50 employees over the course of 2017.

- **Regulation**
  The UK has a global competitive advantage in its regulatory environment for FinTechs. The UK financial regulator has a mandate to promote innovation and competition, on top of the basic requirements for financial stability and consumer protection. Census results demonstrate that nearly half of respondents are regulated by the Financial Conduct Authority (FCA) and / or Prudential Regulation Authority (PRA) in the UK. Many have articulated policy proposals and recommendations, including the desire to participate in initiatives with policymakers.

- **Future expansion**
  Census results show Europe and North America to be the two most important regions for future expansion. Attracting qualified or suitable talent is the single biggest challenge for FinTechs in 2017, followed closely by achieving customer adoption to build the size of the user base.
2. Profiling respondents

The UK FinTech Census gathers key statistics to profile the sector, providing insights into employee demographics, revenue, investment, talent, regulation and future expansion.

Data from 245 respondents provides a good representative sample of UK FinTech. Individual respondents hold senior positions at these FinTechs, with 84% representing the C-Suite. Respondent companies are relatively young in age, with the average age being just 5.3 years.

Figure 2: Respondent positions

The majority of respondents hold senior positions at FinTech companies, with 84% in the C-suite. Of these, 55% hold CEO positions.

Figure 3: UK head office for UK firms

For companies headquartered in the UK, 80% are based in London, 2% in Manchester, 2% in Edinburgh and 2% in Cambridge. For internationally headquartered companies, 98% have their UK head offices in London.

Note: The charts above are representative of all 245 respondents.

Figure 4: Companies by year founded

There was a dramatic increase in the number of FinTechs formed post financial crisis (2008), particularly from 2011 to 2015. There was a spike in 2014, with 53 FinTechs founded in that year.

Note: The chart above is representative of 237 respondents. Seven companies in the study were also founded prior to 2001 and one in 2017.

Respondents represent a wide range of FinTech subsectors, enabling coverage of both B2C and B2B offerings. Moreover, the respondents revealed an even split of customer segments served.

Figure 5: Subsector representation

Census respondents provide good subsector coverage, with most companies citing payments and remittances (13.5%), followed by financial software (10.2%), as their main proposition.

Notes: The chart above is representative of all 245 respondents. Numbers have been rounded to one decimal place.

Figure 6: Companies by customer segment served

There is a fairly equal representation of customer segments, with many serving more than one (several options could be selected). For FinTechs that only served one segment, financial institutions and consumers ranked the highest.

Notes: The chart above is representative of all 245 respondents. "Other" comprises of academia, charities, financial advisors, government, landlords, etc.
3. Key statistics

Revenues – historic
Historic revenue growth highlights proven demand for a FinTech’s products and services. FinTechs in the census experienced an average growth rate of 22% in revenue from 2014 to 2016.

Figure 7: Average UK revenue (£millions)
Average UK revenues grew by 22% from 2014 to 2016, when they reached £5mn on average.

2014 2015 2016
4.1 4.3 4.5

Note: The average number is based on companies that provided revenue data and had UK revenue for those years in question (2014 = 68, 2015 = 95, 2016 = 134).

Revenues – future
Half of FinTechs anticipate global revenue growth of greater than 100% over the next year, highlighting the strength of ambition in the sector.

Figure 8: Average rest-of-world (RoW) revenue (£millions)
Average RoW revenue declined by 19% from 2014 to 2016, when they reached £43mn for each FinTech.

2014 2015 2016
53 41 43

The chart above is likely to reflect the fact that 38% of respondents were founded in 2014 and 2015. These FinTechs are likely to have smaller revenues in their early years of operation, thereby bringing down the average for 2015 and 2016 global revenues for respondents.

Note: The average number is based on companies that provided revenue data and had RoW revenue for those years in question (2014 = 25, 2015 = 38, 2016 = 57).

Figure 9: Expected revenue growth over the next 12 months globally
Fifty percent of companies expect revenue growth to exceed 100% over the next 12 months globally. Seventeen percent of respondents foresee revenue growth of over 500%.

Respondents’ additional comments
• Gaining an insight into the Government’s due diligence process for reviewing and benchmarking suppliers was noted as highly useful for FinTechs.
• One respondent suggested that the Government should specifically consider tendering services to UK FinTechs.
Investment – to date

FinTech businesses need to attract investment to grow, develop and professionalise. Our 245 respondents have received an average of £15mn to date or £2.9bn in aggregate.

Sixty-four companies (29%) have received more than £5mn in investment to date, and 107 companies (48%) have received more than £2mn to date, globally.

Investment to date globally

Note: Investment to date is based on 222 companies that provided investment data and have received investment so far.

Respondents’ additional comments

- It was suggested that venture capital trusts (VCTs), pension funds and overseas HNW investors should be encouraged to invest in UK FinTech.
- One respondent commented that high net worth (HNW) expats could be encouraged to invest in UK FinTech through tax incentives.

£15mn

222 FinTechs have received an average of £15mn in investment to date globally.

Note: Average investment received is based on 222 companies that provided investment data and have received investment so far.

Investment – future

A third of FinTechs view an IPO as a likely event in the next five years, highlighting the confidence our respondents have in the sector.

Figure 12: Anticipated size of next funding round

207 firms expect a total of £2.5bn for their next funding round.

Forty-nine percent expect their next funding round to be more than £2mn, with 35% expecting more than £5mn. Fourteen percent expect more than £15mn.

Figure 13: Whether an IPO is likely in the next five years

Excluding those companies that are already listed, 33% expect an IPO for their FinTech in the next five years, with 35% unsure.
Talent — headcount

The ability of FinTechs to draw talent into the sector is a fundamental pillar of success. Most UK FinTech companies are focused on building their talent base in the UK, however larger FinTechs are starting to build talent bases abroad.

Figure 14: Number of employees in the UK

The majority (95%) of respondent companies have an overall UK headcount of less than 150, representative of the more nascent size of FinTechs in the census.

Figure 15: Employees in the RoW for UK companies

The majority (92%) of respondents with UK headquarters have a RoW headcount of less than 50.

Talent — gender split

Analysis of executive headcount by gender suggests UK FinTech is marginally more balanced than studies in Australia and France suggest.

• Australia — 87% male, 13% female
• France — 91% male, 9% female
• UK — 83% male, 17% female

Figure 16: Executive team gender split

The average number of males and females on executive teams for respondent companies are four and one respectively.

Figure 17: UK employee gender split

The gender split of the UK employee base is 71% male and 29% female for respondent companies.

Talent — headcount growth and skills gap

As UK FinTechs build out their talent base, coding and software development skills are seen as the hardest to find when recruiting in the UK this year.

Figure 18: Expected number of hires in the UK in 2017

The majority of companies (93%) are looking to hire up to 50 employees over the course of 2017, with 5% expecting to hire 51–150. Most companies in the census have a current UK employee base of less than 150.

Figure 19: Skills and experience hardest to find in the UK when recruiting in 2017

Coding and software development, product and sales are the three hardest skills to find overall when FinTechs are recruiting in 2017.

The skill ranked most difficult to find by the most number of FinTechs is coding and software development, followed by sales, and regulatory and risk management.

HR and talent management, financial and tax, and project management skills were ranked least difficult to find when recruiting in 2017.

Note: The charts above are representative of all 245 respondents; ‘Other’ comprises of quantitative and analytics skills, data science and cybersecurity skills.
Regulation

Financial services is a highly regulated sector and the UK has a global competitive advantage in its regulatory environment for FinTechs. However, it is important to note that of the 245 respondents, only 44% are FCA and/or PRA regulated, while 56% are unregulated. A large proportion of the FinTechs were founded in the last three years, therefore some may still be in the process of becoming authorised or regulated.

Future expansion – geographies

UK FinTechs are planning to expand internationally and Europe and North America are seen as the two most important regions for expansion.

Figure 21: Geographical expansion plans

Note: The above graph is representative of all 245 respondents. The diameter of the circles is proportional to the number of FinTechs that selected each region as having the highest importance for future expansion.
Future expansion — key challenges for 2017

FinTechs face a number of challenges to achieving their business and growth objectives. Key challenges highlighted for 2017 include attracting qualified or suitable talent, customer acquisition and building partnerships with established players. Some respondents noted that from January 2018, Open Banking will support data sharing between FinTechs and banks. This will play a significant role in addressing challenges relating to customer acquisition and building partnerships with existing players.

Figure 22: FinTechs' biggest challenges for 2017

Respondents were asked to choose their three biggest challenges for 2017. The biggest challenges selected were:

- Attracting qualified or suitable talent (cited by 58% of companies)
- Customer adoption (49% of companies)
- Building partnerships with established players (38% of companies)
- Obtaining or retaining suitable bank accounts (25% of companies)
- Raising equity capital (20% of companies)
- Brexit and passporting (11% of companies)
- Regulatory compliance (8% of companies)
- Cost or availability of debt funding (8% of companies)
- Competition (7% of companies)
- Cybersecurity (6% of companies)
- Brexit and passporting (3% of companies)
- Brexit (2% of companies)

Respondents’ additional comments:

- Some respondents indicated that the knowledge of where start-ups can access or outsource services that they are unable to carry out themselves would be highly beneficial to FinTechs.
- It was noted that encouraging bank funding for FinTechs would also be useful.

Note: The graph above is representative of all 245 respondents.

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