# WHAT'S NEXT FOR FINTECH AND WHAT ROLE WILL AI AND NEW TECHNOLOGIES PLAY IN FUTURE INNOVATION?

TANK

**The UK increased its dominant role in the European FinTech space in 2024, accounting for two thirds of the total volume of deals reached across the continent between January and June.**

With experts predicting that investment and M&A activity is only likely to continue into 2025 and beyond, we invited a range of experts working across the sector to share their thoughts on how new technologies will fuel innovation.

From evolving consumer expectations, and regulatory changes, to helping tackle barriers to financial inclusion, the fintech market has transformed how many of us manage our money.

While some might view the COVID-19 pandemic as a catalyst, the emergence of fintech can actually be traced much further back to the early 2000s.

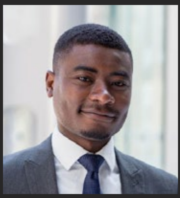
The launch of the first iPhone in 2007 was closely followed by the global financial crisis of 2008. With consumer trust at an all time low, and the industry facing some big questions around how such a catastrophic event could have been allowed to happen, a major opportunity opened up for fintech start-ups.

The fourth and final roundtable of 2024, hosted by Tank, saw experts from across the fintech, financial services and higher education sectors discuss how the market has changed since 2008, exploring a range of topics from trust and financial inclusion, to how the regulator can support growth.

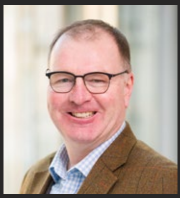
## PANELLISTS INCLUDED:

**Shaun Beebe**
Commercialisation Partner for Inclusive Financial Technologies, University of Nottingham

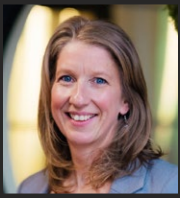
**Vangelis Tsiligkiris**
Professor of International Education, Nottingham Business School (NBS)



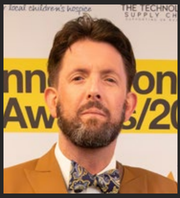
**Solomon Y Deku**
Senior Lecturer in Finance, Nottingham Trent University



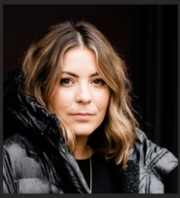
**Jim Devlin**
Adjunct Professor, Dept of Economics and Finance, University of the Free State, South Africa and Professor Emeritus at Nottingham Trent University



**Hilary Smyth-Allen**
Chief Executive and SuperTech West Midlands



**Jof Walters**
CEO Greater Things Limited



**Libby James**
Co-Founder, Merchant Advice Service

# THE 2008 FINANCIAL CRASH IS RECOGNISED AS THE FIRST MAJOR OPPORTUNITY FOR FINTECH COMPANIES, WITH MANY QUESTIONING HOW MUCH THEY TRUSTED 'TRADITIONAL' BANKING INSTITUTIONS. WOULD YOU AGREE WITH THIS?

**Jof**

I actually left Barclays in 2008 and while this date is largely recognised as the first big opportunity for fintech, I'd argue the movement actually started much earlier. The birth of internet banking was the start, when we saw the likes of P2P payment platforms, like PayPal emerging. So in 2007, the foundations were already laid out for challenger banks. More recently we've seen what you could call an 'anti-banking' push from the likes of Monzo and Starling.

**Jim**

Around this time I was actually running a research project focused on the topic of trust across financial services. Before 2008, banks were never really setting the world alight, they were all in a pack and when compared to other financial services institutions, our research found that banks actually lagged behind.

> ***When new banks came along, they offered something new and shiny and that was an attractive proposition for consumers.***
>
> Jim

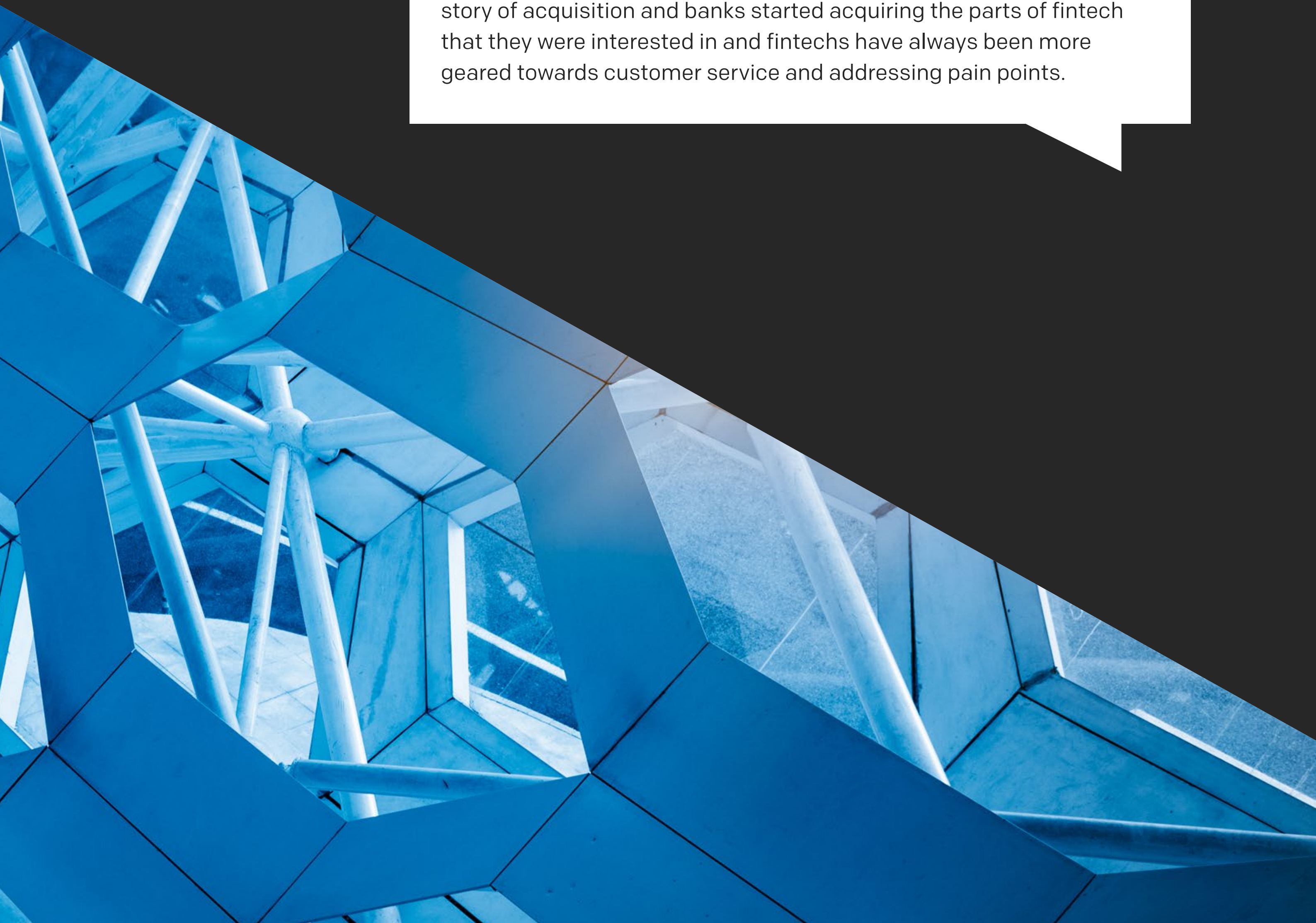
**Jof**

It wasn't just consumer expectations starting to change, during this period, we also saw businesses like Nottingham's own Capital One going after the high margin credit cards, resulting in some banks actually losing their preferred customers. In a nutshell, other players started taking on parts of the industry that banks traditionally had the monopoly over and this sparked some big changes.

**Hilary**

With the birth of any new technology, I think it's quite hard to define a 'eureka' moment, in fact these sort of things very rarely happen, it's usually a collection of factors. When you look at the debate between fintech vs banking, it's not really an accurate representation. Actually, they aren't two separate things. They're both an intrinsic part of how we manage our money.

Banks probably thought that they didn't really need to pay attention to fintech and perhaps got slightly blindsided. It then became a story of acquisition and banks started acquiring the parts of fintech that they were interested in and fintechs have always been more geared towards customer service and addressing pain points.



### Shaun

I come from the world of science, so I see this debate from a slightly different perspective. What I'm really interested in is the trust bit. Trust goes all the way through in terms of both fintech and banking, and the question is, is trust rational and logical, or is it emotional? Or, is it a bit of everything?

When someone picks up the phone, do they trust that they'll get the results or the help that they want, whether that's an in-branch or online interaction? How do you build it, how do you maintain it? To understand this, you need to see where trust has been corroded in the past, and then take action to address these problems.

Service recovery is a big issue for the industry and one that will take time to overcome. For example, the terminator metaphor is a really unhelpful one and one that we often see in the popular press when talking about AI and machine learning. Lots of people wouldn't be happy with the prospect of the terminator operating their local bank, however new technologies have immense potential as a force for good.

### Hilary

I think it's really interesting to look at the boom of Crypto. There's zero regulation, yet it still commands a level of consumer trust. Maybe we have quite an outdated view of trust and we need to find the right balance between allowing innovation and working out what's right, in terms of regulations.

### Jim

There's one school of thought that you don't actually need trust, and there's a phrase that I've heard a lot, 'don't trust, verify'. At the moment, there's lots of questions that we simply don't have the answers to. For example, what happens if crypto goes bust.

### Shaun

If you think about the role of the regulator in terms of being the rule keeper, compliance checks, building societal trust and ensuring that things have been done properly, it's a really tricky one. Without trust it can all fall apart, but if you do too much to preserve trust, nothing ever grows.

> ***Trust goes all the way through in terms of both fintech and banking, and the question is, is trust rational and logical, or is it emotional? Or, is it a bit of everything?***
>
> Shaun

# WHAT ROLE DOES THE REGULATOR PLAY IN YOUR MARKET, LIBBY?

**Libby**

We operate in the medium to high risk sectors and quite often merchants have been terminated or declined by a high street bank. Therefore they're going for brands that you or I wouldn't have ordinarily heard of. Especially if you're taking the process offshore. Quite often businesses don't have many other options. The payments regulator has been stamping its feet recently, but for quite a long time payments weren't really regulated that heavily. A lot of companies don't actually know where to start.

# WHAT'S NOTTINGHAM UNIVERSITY BUSINESS SCHOOL'S TAKE ON THIS?

**Vangelis**

Just to touch on a couple of points made earlier. Post-2008 there was a drive from regulators to do things differently. The first was to heavily regulate the banks and avoid similar problems happening in the future. In doing this, they went heavy on the institutions that could cause these global effects. Regulators tried to ring fence investment banking from retail banking, and that was central to the new approach.

Then at the same time they deregulated part of the industry that allowed fintechs to scale. I think fintechs were also a generation issue, linked to the internet boom and the scaling of technologies like big data and machine learning. These are the foundations of most fintech models. So what you see now is a reflection of these various developments.

I see the situation now as a 'power struggle' between the traditional business models and the new evolving models. The banks actually tried to resist fintech developments, which is perhaps a lost opportunity or failed revolution. Now when you see big banks acquiring fintechs, it means they've succeeded in carving down the innovation.

For the big banks, that means the banks have maintained their stake and dominance in the market. This is the situation across a lot of financial services, where we see new disruptors innovating through technologies to make a profit and address big issues such as financial inclusion. From a business school perspective, we try to highlight the complexities of this situation.

The trend you now see is fintechs realising this struggle, and they try to be more business-to-business oriented, rather than business-to-customer, because they recognise that it's best to agree beforehand if they are going to offer something to the traditional banks.

> ***I think fintechs were also a generation issue, linked to the internet boom and the scaling of technologies like big data and machine learning.***
>
> Vangelis

**Solomon**

Just going back to the point about the financial crisis, I'd say this created the perfect conditions to facilitate innovation. For example, we had a lot of talent moving from the traditional banking sector and using their skills to pioneer the development of new products. These people had previously worked in a sector that was curtailed by regulation.

There were also a combination of supply and demand factors. The above point covers the supply factors, but the demand factors are things like demographics. For example, people were using their phones a lot more. The first iPhone was launched in 2007, right around the time of the financial crisis. Then you had the rise of the mobile banking apps.

In terms of the competition between the banks and the fintechs, this is an interesting one. I think it's more about convergence. Traditional banks are investing a lot more into digital projects, while fintechs are looking to become banks. But I think the banks always come out on top as they have the three Cs. They have more capital, a larger consumer base and they tend to be a lot more experienced when it comes to compliance.

These shocks or crises create a lot more opportunities for innovations.

**Jim**

Pre-financial crisis there was a prolonged period of very low interest rates, and authorities were pumping money into the system. This made the cost of investing in new projects much cheaper. More recently, as interest rates have gone back up, the investment in fintech has sure enough been going down.

> ***"We had a lot of talent moving from the traditional banking sector and using their skills to pioneer the development of new products. These people had previously worked in a sector that was curtailed by regulation.***
>
> Solomon

## IS THE UK A GLOBAL FINTECH CAPITAL AND IS A LOT OF THIS ACTIVITY CONCENTRATED IN LONDON?

**Hilary**

There are many prizes to be won across the UK and Fintech shouldn't just be seen as a London-centric thing. What's interesting is that you need to be open to people's lived experiences, as this can change the type of fintech that's developed in a certain area. Fintech is a national pursuit, and there are already hubs in Birmingham, Scotland and the Pennines.

London fintech serves London problems, for example you'll find fintech solving problems relating to asset finance in London. In Birmingham, we have a high concentration of motor finance focused fintech. The real opportunity is to identify how to grow fintech across regions.

## DO YOU FEEL PART OF SOMETHING OR IS IT EVERYONE FOR THEMSELVES, AT THE MOMENT?

**Jof**

My gut feel on fintech is that we have a change in flavour right now. Back in 2014, we saw this big push towards online banking, driven by the challenger banks. Because we now have this dearth of capital, we're moving more towards clear pain statements.

The cost of technology is also dropping like a stone. Building a bank back in 2014, you had to have millions to get into the market. You now have fintechs being built out of someone's bedroom.

Just going back to an earlier point, banks have always traded without service, it's a balance sheet type thing. Service always went by the wayside. Fintech has taught the banks that there's money to be made from service. This is leading banks to leverage service as an income driver.

**Libby**

From our perspective, I definitely don't see this as a London thing. We're working with a lot of companies working in Manchester at the moment. For example, we built our platform on a shoe string budget, but it does what it says on the tin. It's this capability that has thrown the doors wide open for innovation.

> ***I predict we'll therefore start to see the growth of micro-fintechs or SME fintechs, and that's really exciting.***
>
> Jof

# IS FINTECH HELPING SOLVE ISSUES PREVENTING FINANCIAL INCLUSION?

**Shaun**

The word I really like to use here is 'convergence'. Everything is converging as the banks are buying up the tech. For example, the tech is increasingly better, it's mobile and you don't have to go in-branch. There's also been a growth in subscription-based models and services, not just products.

We do still have credit unions, but how many people actually access these services compared to thirty or forty years ago? Do the people who need these services have access to them? In addition, when the regulator continues to crack down on lenders, will these groups of people be excluded even more?

My sense is that there's still a lot of people who can't access finance in a broad sense. Someone with the capital will need to make a decision at some point to change. If the model doesn't change, there will still be the same outcome.

**Vangelis**

I agree, I think there's at least two ways to evaluate financial inclusion. The first is in the traditional developing world where you see a lot of people now gaining access. If you look at the data over a number of years, you can see big improvements in the number of people accessing financial services, up from 20% a few years ago to around 50% now.

In the developed world this figure stands at around 90%, so the challenge is not about actual access, it's about whether you have access to the complete range of products that can benefit you. For example, as an individual coming from a deprived area, do you know how to use a credit card that's been given to you in a way that will improve your overall financial wellbeing?

**Jim**

Clearly there's some demographics that are still sceptical, but around 91% of the population now use internet banking and this will only increase. In the developing world fintech still has a job to do, in the developed world it's able to help with financial understanding and literacy - which can only be a good thing.

> *Clearly there's some demographics that are still sceptical, but around 91% of the population now use internet banking and this will only increase.*
>
> Jim

# HOW IMPORTANT IS TRUST?

**Shaun**

I think the point about understanding links strongly to trust. One of the courses we offer at University of Nottingham is around readability and the standards around readability are shockingly low in the developed world. Just because you can access a product doesn't mean you can understand a product and draw down on the benefits. If someone doesn't understand a product, they could quite easily end up in financial distress, and this only increases the issues around trust.

**Hilary**

I look at this in a slightly different way and question if certain demographics are paying more simply because they aren't wealthy. In fact, if you look into it you often find that people are. There are definitely still barriers to people being able to access certain products, and also instances of people then having to pay more because they aren't the target market. I think it's a genuine societal question about whether or not banking is a 'right', because you cannot exist in this society without it. I think this remains a grey area because it's being left to the system to design it.

For example, we've been working with one retailer to look at flexible repayment options taking into account the day that the customer gets paid their salary. This sort of thing doesn't happen that often as the balance is still wrong, all of the power is still on the finance side, rather than the consumer side.

**Jof**

There's also a point to make about education. If you look at where there's profit to be made, organisations are very good at communicating complex propositions such as spending, lending and gambling.

The gambling industry does a fantastic job of explaining incredibly complex products. For example, if you look at some of the crazy accumulation bets you can put on, the industry has found a way to explain these in very basic terms so that people 'get it'. If you shift over to investment, that market has not kept pace with communicating to the same groups of people because there aren't the same profits to be made.

It interests me that you can have two things that are equally as complex, yet one is still lagging behind in terms of communicating to consumers.

**Vangelis**

Another point to make is around the cost of lending. For instance, lending to someone who is less wealthy is more expensive, as this demographic encounters more risk. If banks were to actually personalise their risk models to the individual, using tools like machine learning and AI, they could tailor their offerings far better. I get the point about acting within a traditional financial services context i.e. if you have a higher risk, you pay more, but I think improvements can be made there.

**Libby**

This is where user experience and education really come into one. You touched on investment and there are already apps that are now making quite complex topics, such as investment, accessible to the younger generations. Or you have banking apps that help you save for a holiday, this goes hand-in-hand with the education piece.

*You touched on investment and there are already apps that are now making quite complex topics, such as investment, accessible to the younger generations.*

Libby

**Hilary**

Financial inclusion has been driven by the Consumer Duty regulations, which force better outcomes for consumers. It's no longer just a case of lenders looking at whether a person can pay the mortgage, there's also now a requirement for organisations to consider overall financial wellness. The fact of the matter is that some parts of the financial services sector that are better placed to help people on a positive financial journey aren't well supported and remain underfunded. It was interesting that this was recognised in the Autumn Statement, so we might see some positive change here.

**Shaun**

That's a superb point and technology can make a huge impact when it comes to personalising products and services. When you have decision making, that's where the technology and models can make a difference as an advanced model can get into the granularity of the data. It's not necessarily easy, but it can be done.

We also touched on a point earlier about London versus the regions. There's a big opportunity for places like Nottingham that already have large financial services sectors to become hubs for new start-ups and spin-offs. This will also create great jobs and wealth within the region, offering high paid and skilled jobs. You have to get people to want to buy into it and feel inspired.

*I think it's a genuine societal question about whether or not banking is a 'right', because you cannot exist in this society without it. I think this remains a grey area because it's being left to the system to design it.*

Hilary

# ARE THERE ANY OTHER ISSUES IMPACTING ACCESS AND INCLUSION THAT THE INDUSTRY NEEDS TO CONSIDER?

**Solomon**

To access a bank account, you often have to have some form of ID, however a lot of people don't have a passport. Without formal identification you can't tap into other services. The Post Office has a service called Easy ID, that helps confirm the identity of users, and you can use this to access a wider variety of services.

Back to the products, there's been an increase in the number of retail investors. Twenty years ago you probably didn't have that many people buying shares and stocks, however today there are apps such as Trading 212. You don't need to have a large sum of money to buy a share, you can buy fractional shares and these can now be put into ISAs which creates a big opportunity for wealth generation.

**Shaun**

As we look ahead, we need more people from all backgrounds to feel more connected and able to save more, invest more and access better products and services. Is this a political job or a regulatory job, or a mix of both?

# IS THERE ENOUGH REGULATION IN THE FINTECH SPACE AND IS THIS REGULATION SUPPORTING FURTHER INNOVATION?

**Hilary**

By having an incredible regulatory system, we have created a system that is fundamentally good, at a basic level, and has attracted people to come to the UK to do business. For example, the Open Banking system has now been copied around the world.

I think the emphasis on innovation i.e. regulation as a driver of innovation is really important. Bermuda is one example we can draw on, as they have a solid framework that allows innovation and doesn't stifle growth, but still acts in the best interest of consumers. Crypto still feels a bit like the wild west, and that's what causes people concern.

There's definitely a need for speed when it comes to regulation, and things could certainly move faster.

**Libby**

I agree, speed is absolutely key as we're operating in an industry that is changing dramatically and new offerings are emerging almost every five minutes.

**Jim**

The new Chancellor has stated specifically that she's worried about the issue of regulation stifling growth and that applies to financial services. This has led to a secondary objective for the FCA and PRA, in terms of promoting growth and international competitiveness. Things are certainly moving in the right direction.

The UK is only second to the US in terms of fintech innovation so we've been doing something reasonably well.

**Jof**

We have things like the New Bank Start-up Unit (NBSU), which signifies how attractive the UK is for those looking to start banks, because we're the best place to be.
I was recently talking to a fintech founder whose business was pulled from beneath him, because some elements of crypto were regulated and others weren't, so this business stepped on a landmine that they didn't see coming. If they'd had a clearer structure for their business, they could have operated with more confidence.

> ***Speed is absolutely key as we're operating in an industry that is changing dramatically and new offerings are emerging almost every five minutes.***
>
> Libby

# CONCLUSION

**It's clear that the Fintech market is thriving in the UK, with innovation certainly not exclusive to London. As this momentum continues, there's huge potential for start-ups and scale-ups to really make their mark, as well as leading to the formation of innovation hubs.**

### Building trust

Fintech can help to resolve a number of issues leading to financial exclusion, however those engaging must trust the technology. This requires a review of where trust has previously been corroded and corrective action to be taken by the industry.

### Regulation shouldn't stifle innovation

It's a careful balance, but the regulator needs to avoid stifling innovation if the UK is to remain a global fintech leader. This has been mandated by the government, with the FCA and PRA both required to review their approach.

### New technologies will break down barriers

New technologies such as machine learning models and AI can improve outcomes for consumers, helping banks to offer a more personalised level of service that is appropriate to them. Humans will still be required to resolve customer queries, however the technology can work in the background to drive operational efficiency.

### The market will continue to converge

Convergence of the market is set to continue, as banks look to acquire services developed by fintechs and fintechs look to operate more like banks. While this could be seen as a power struggle, the outcome should stand to benefit consumers and improve access to a wider range of products and services.