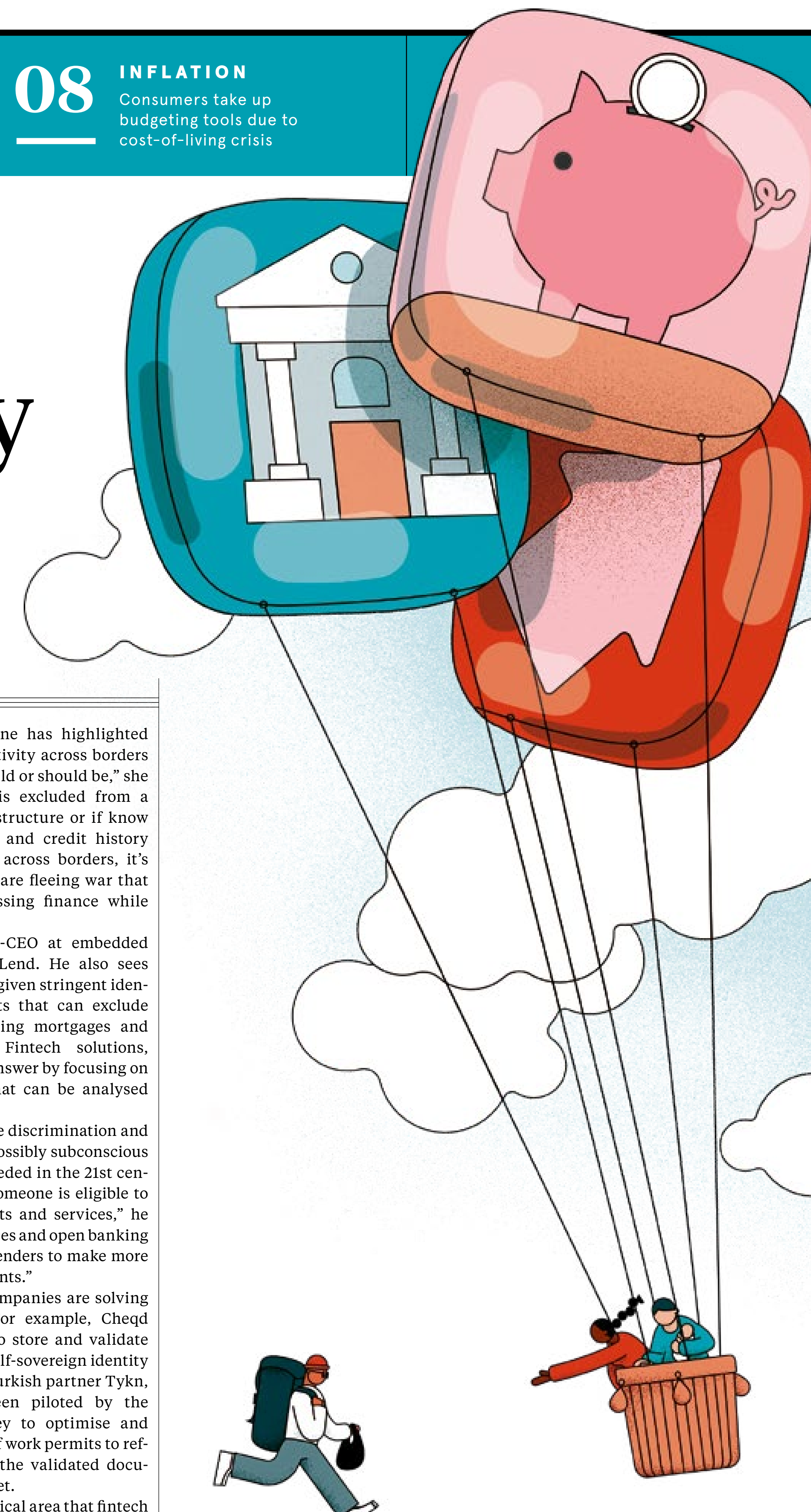
FUTURE OF FINTECH



GEOPOLITICS

Access all areas: new routes to safety

Digital solutions could help internationally displaced persons prove and protect their identity – and combat sanctions evasion

Jonathan Weinberg

The world is in the middle of geopolitical upheaval. The invasion of Ukraine by Russia has displaced millions of people and threatens global food security. Refugees have fled from Syria to Sudan, making perilous journeys to safety or asylum.

In such circumstances, it is easy to understand how people might leave home without valid identity documents. The problem then is that they soon face short-term financial exclusion. To mitigate this, fintech companies are searching for ways to ensure that people can access the information that they need to quickly rebuild their lives.

Kateryna Danylchenko is CEO of the International Bureau of Credit Histories (IBCH) and has experienced both sides of this tough situation. Since war came to Ukraine, she has closed her offices, evacuated staff and taken refuge in France.

She says: "With limited or no documentation and no access to some bank accounts, refugees and migrants were often met by a brick wall when they were trying to find employment, accommodation or make payments in their host country.

"Since the start of the conflict in Ukraine, rapid advances in fintech have allowed me to continue to access basic financial services. I've been able to open an account at an alternative digital bank, send money to family and friends, identify myself to landlords – and book temporary accommodation."

Fintech solutions also enabled Danylchenko to top up her mobile phone account, crucially allowing her to communicate with friends and family. It also meant she could buy aeroplane tickets for a mother and daughter she met in a Kyiv shelter, so they could relocate to Madrid.

Usefully, IBCH is a Ukrainian subsidiary of fintech firm Creditinfo, a credit rating agency focused on harnessing alternative data in emerging markets. As a result, Danylchenko sees first-hand how this can be used by fintech companies to assist refugees when one big challenge remains identity authentication.

Creditinfo works with central banks, international monetary organisations, banks and other financial institutions to give refugees in Poland, Moldova and the Baltics access to credit reports that are used as a stand-in for that identity information.

> **Without careful management, fintech businesses could be used to circumvent sanctions**

Danylchenko says that fintech initiatives will continue to play an important role in Ukraine, and beyond, facilitating access to at least basic financial services for refugees. But while developments such as open banking and open finance have offered better connectivity within regions, she notes that financial services and transactions are increasingly international in nature.

Fintech businesses are well placed to deliver enhanced cross-border compatibility but, according to Danylchenko, this will only happen if governments and central banks keep up with the potential and do more to provide international bridges.

"The war in Ukraine has highlighted how financial connectivity across borders isn't as strong as it could or should be," she adds. "If a country is excluded from a global payment infrastructure or if know your customer (KYC) and credit history data can't be shared across borders, it's often the people who are fleeing war that face difficulties accessing finance while they're resettling."

Mikkel Velin is co-CEO at embedded finance provider YouLend. He also sees KYC as a big problem, given stringent identification requirements that can exclude refugees from obtaining mortgages and business financing. Fintech solutions, he suggests, offer an answer by focusing on more data streams that can be analysed far more quickly.

"The main issues are discrimination and misunderstanding – possibly subconscious – over what data is needed in the 21st century to determine if someone is eligible to access certain products and services," he says. "Wider data sources and open banking can allow banks and lenders to make more concrete risk assessments."

Elsewhere, other companies are solving different problems. For example, Cheqd uses the blockchain to store and validate identities, known as self-sovereign identity (SSI). Along with its Turkish partner Tykn, this solution has been piloted by the government in Turkey to optimise and speed up the issuing of work permits to refugees and then hold the validated documents in a digital wallet.

There is another critical area that fintech companies must consider when it comes to conflict. This is about the enforcement of global financial sanctions, such as those levied against Russia. Fintech solutions are deployed to prevent fraud in this area, with startup SEON recently raising $94m (£77m) in funding for that purpose. The war in Ukraine is now driving demand for anti-fraud solutions to combat sanctions evasion by politically exposed persons.

SEON CEO Tamas Kadar explains how machine learning democratises fraud prevention and fraud detection, allowing fintech to ensure stringent measures that allow current sanctions to be upheld.

"Fintech companies can do their bit to help cut off some of the resources pouring back into the hands of unsavoury actors," he explains. "Without careful management, though, fintech businesses could soon find themselves being used to circumvent these sanctions.

"Without the right strategies and technologies in place, such solutions have the potential to be exploited. The fallout would not only affect individual fintech businesses but could lead to the industry being seen in a negative light by some, moving forward."

Gabriel Hopkins is chief product officer at Ripjar – which was founded by former GCHQ technologists – and agrees. The company uses AI to counter financial crime by automatically identifying risks from data. It also works to transform institutions' approaches to KYC and anti-money laundering solutions.

Hopkins says the implementation of sanctions is "extremely complex", given the ties between Russian individuals and companies to Europe and the UK.

This presents a huge regulatory challenge for the industry: fintech businesses such as neobanks are 100% digital, using apps and online platforms rather than brick and mortar, while other businesses trade internationally. Hopkins maintains that banks and other financial institutions must adopt a "balanced sanctions and watchlist management approach" if they are to guarantee "100% adherence" to global sanctions lists. And, he says, it is vital to use other supplementary lists to have an holistic view of risk.

He points to machine learning and advanced analytics to automate the screening process. In addition, next-generation name-matching software can ensure banks and financial players can "maximise true positive hits on global sanctions and watch lists and minimise false positives".

But to achieve this, Hopkins highlights one particular major advance that will be vital and which is now needed urgently: fintech companies tapping into a range of language systems.

He adds: "There will be an even greater need to process matches that include Cyrillic, Asian and other character sets with Western or Latin names and vice versa.

"Being able to distinguish between Latinate and non-Latinate language systems is key for names that have alternate spellings. And, to be able to draw links between them.

"For example, the name 'Vladimir' can appear entirely different and would consequently need to be tracked separately, but it also must be treated as the same name." ●

82.4 million

refugees, currently, up from 42.5 million in the past 10 years

World Economic Forum, 2021

83%

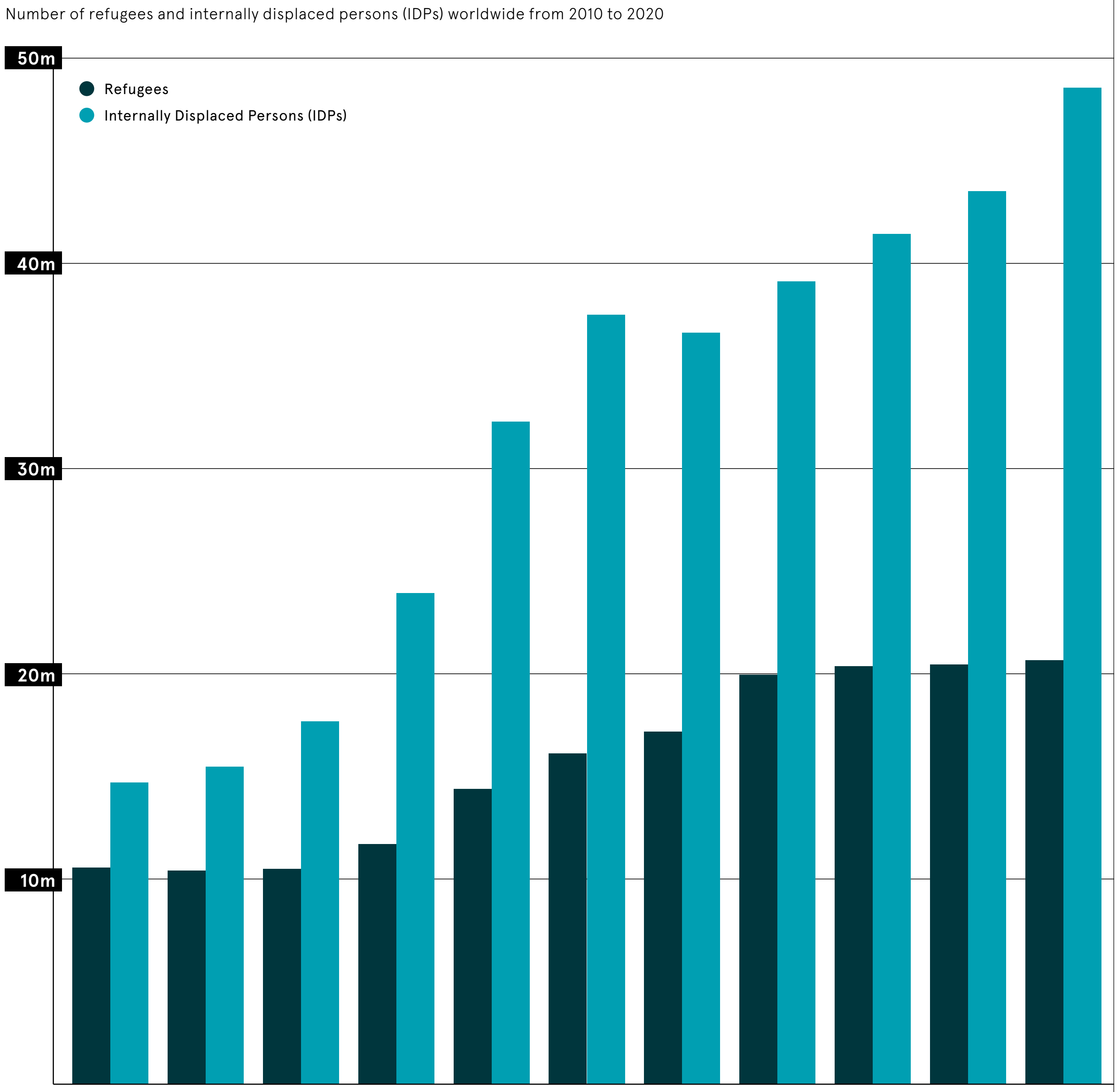
of refugees are hosted in low- and middle-income countries

United Nations High Commissioner for Refugees, 2022

> **The war in Ukraine has highlighted how financial connectivity across borders isn't as strong as it could or should be**

NUMBER OF PEOPLE DISPLACED BY CONFLICT CONTINUES TO GROW

Number of refugees and internally displaced persons (IDPs) worldwide from 2010 to 2020



United Nations High Commissioner for Refugees, 2022

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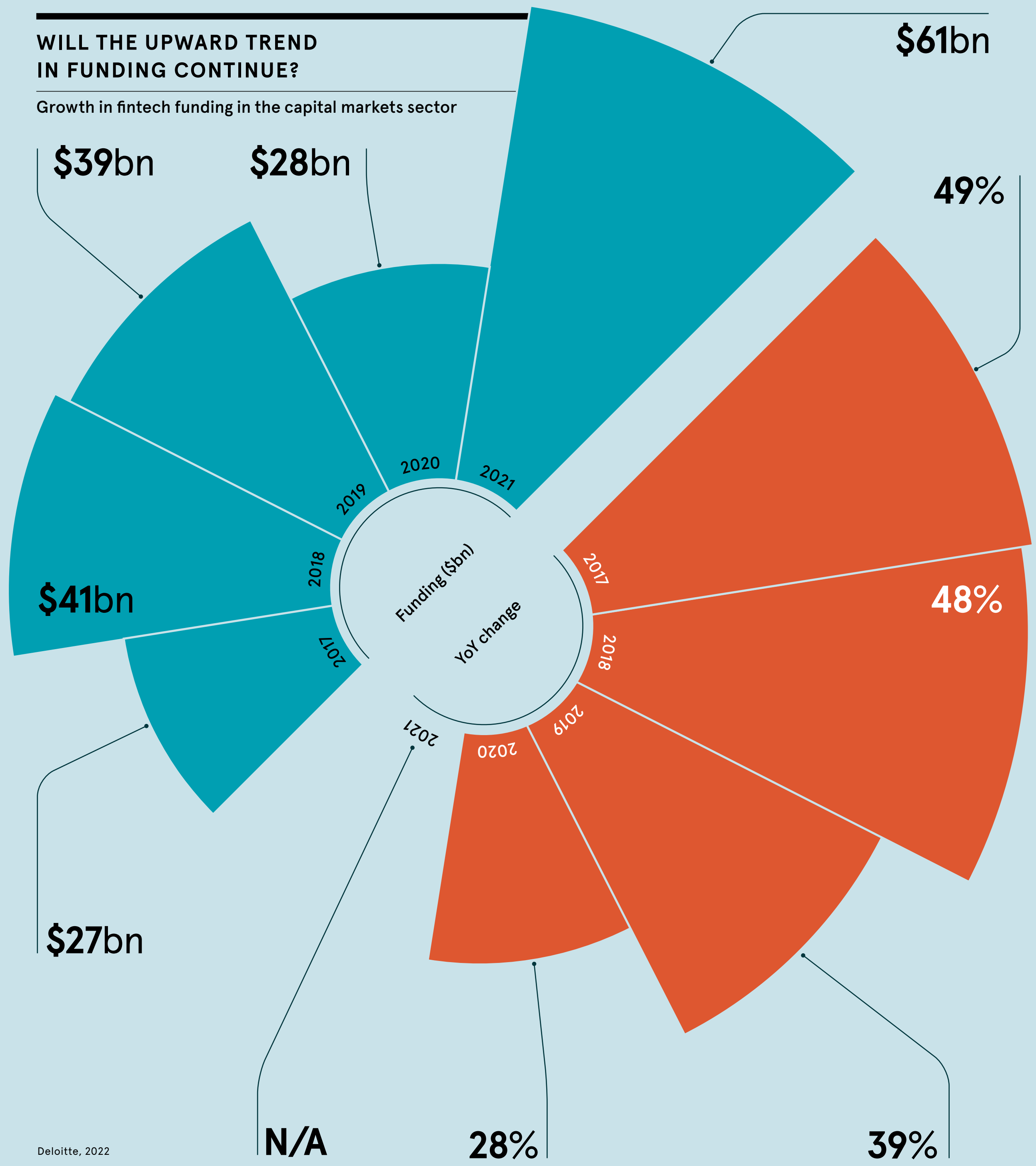
FINANCING FINTECH

The sector has attracted increasing levels of investment and interest. The total financing volume in Q1 2022 reached $37.4bn, the third largest level, behind Q2 and Q3 of 2021. Where is the money coming from and, perhaps more importantly, where is it going to?

WILL THE UPWARD TREND IN FUNDING CONTINUE?

Growth in fintech funding in the capital markets sector



Deloitte, 2022

THE MOST POPULAR PATHS TO INVESTING IN FINTECH

Global venture, private equity and M&A activity in fintech in terms of deal value ($bn)

KPMG, 2022

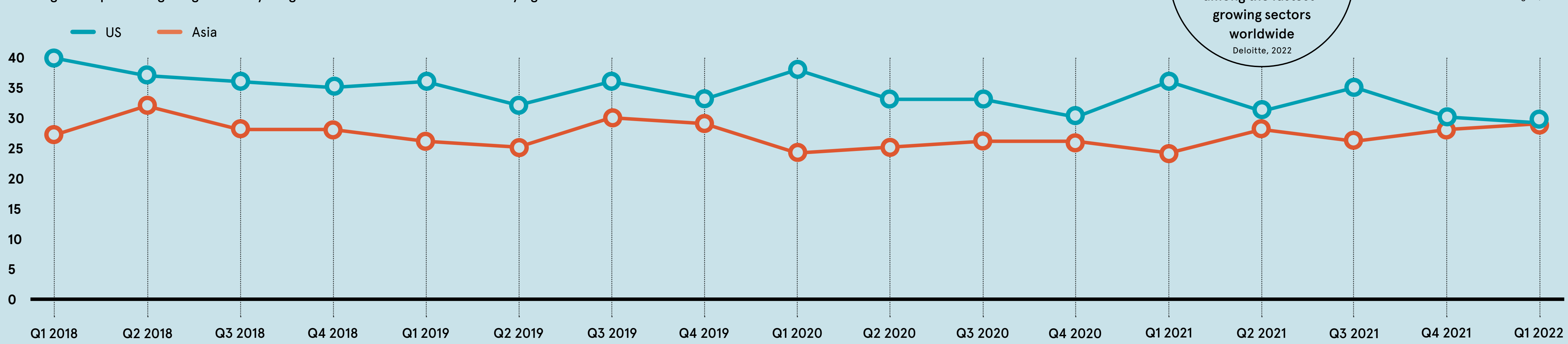
	2018	2019	2020	2021
VC	53.2	43.2	46.2	114.9
PE	5.2	3.3	2.9	12.2
M&A	90.2	167.2	75.8	83.1

25%
Average annual growth rate makes fintech among the fastest-growing sectors worldwide
Deloitte, 2022

GLOBAL COMPETITION FOR FINTECH FINANCING

Looking at the percentage of global early-stage deals shows the US and Asia are tying for the first time

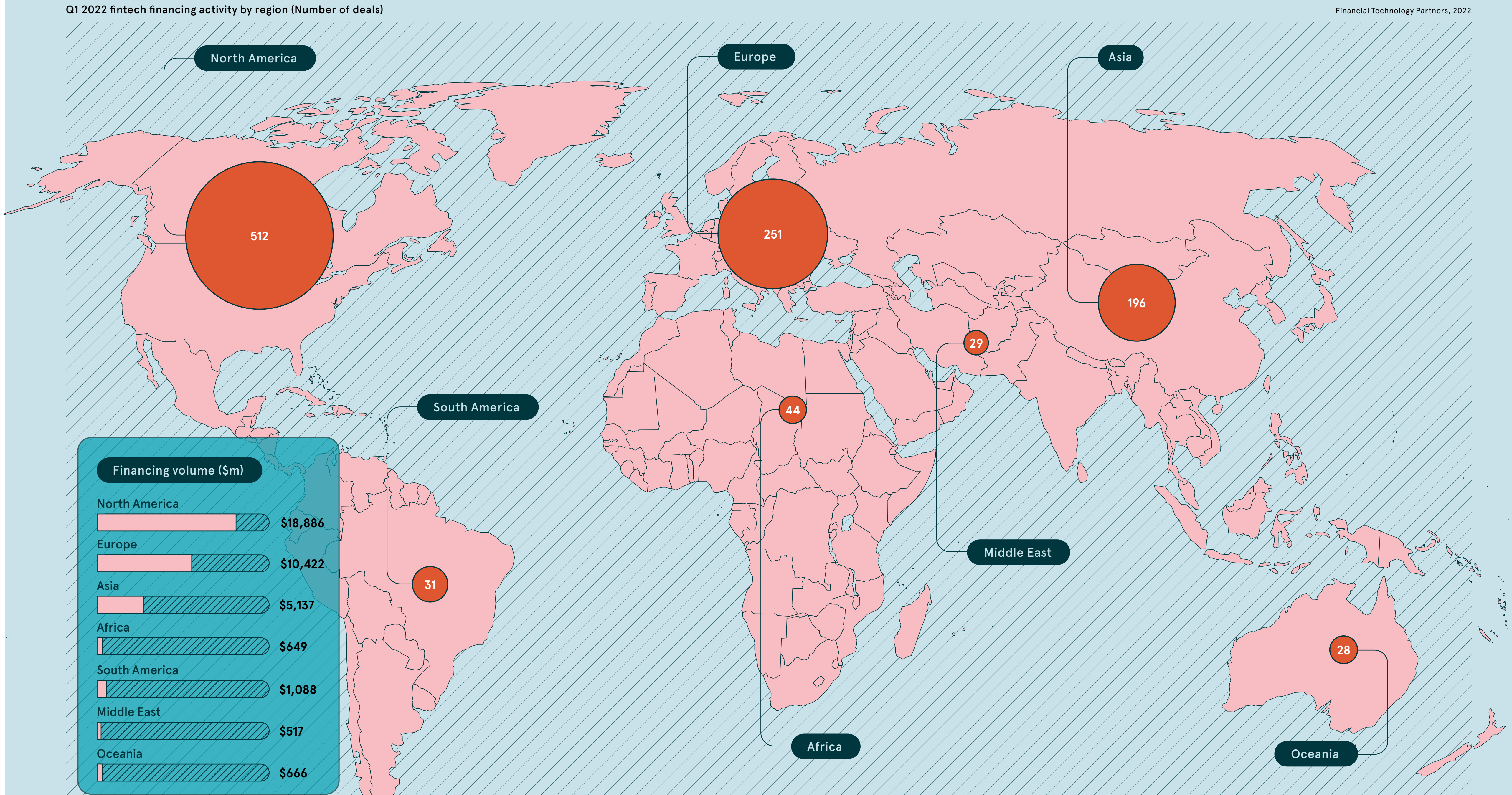
CB Insights, 2022



WHERE IN THE WORLD IS FINTECH REALLY TAKING OFF?

Q1 2022 fintech financing activity by region (Number of deals)

Financial Technology Partners, 2022



Commercial feature

Ensuring fintech success through economic headwinds

Economic uncertainty creates opportunities and challenges for all businesses – and fintechs are no exception. Fintechs can take advantage of this environment by exploiting their flexibility, responsiveness to customer needs and track record of innovation

The UK fintech market has been on a roll. In 2021, investment hit £27.59bn, a sevenfold increase on the £3.85bn achieved a year earlier, according to KPMG's Pulse of Fintech report. That was driven by record deal-making activity as fintechs bounced back from the pandemic. The total number of M&A, private equity and venture capital transactions reached 601 last year, up from 470 in 2020, according to the report.

"We've been through a period of very strong growth, particularly coming out of Covid," says John Hallsworth, partner and fintech co-lead at KPMG UK. "There's been a lot of investment activity as a vast amount of private capital has been looking to invest in emerging tech, and the move to digital has really helped accelerate that even more."

That period of expansion, however, has started to stall. The economic outlook is less buoyant, with the UK economy poised for slower growth in the months ahead. Interest rates are also on the rise, which may create challenges for some fintechs, says Hallsworth.

"First of all, the cost of funding has gone up," he says. "And secondly, the economic conditions mean that investors are more nervous about what they invest in and so it's harder to attract investment."

Added to that, the regulatory backdrop continues to intensify. Areas such as cryptocurrency and buy now pay later are likely to face increased scrutiny, which will potentially temper growth in those markets. Yet those headwinds are not going to have a uniformly negative impact, with some fintech sub-sectors expected to fare better as market conditions become more challenging to navigate.

"The economic backdrop is going to significantly influence which fintech use cases are going to be supported," says Joe Cassidy, partner and head of FS strategy at KPMG UK. "Fintech businesses that are non-discretionary are the ones that have the most chance of doing well in this environment, while those which are discretionary and are focused on B2C (business-to-consumer) activities may lag slightly behind."

Sectors set for success

Those sub-sectors that are likely to thrive in the current environment are regtech businesses, cyber-related services, wealthtech firms and alternative financing providers that are helping funnel money towards small and medium-sized enterprises (SMEs).

Regtech businesses are likely to benefit given the broader regulatory backdrop and the hefty compliance burden financial institutions continue to face. Given the tighter labour market and rising compliance costs, financial institutions are increasingly looking to technology to manage regulatory change more efficiently.

"KYC (know your customer) and AML (anti-money laundering) responsibilities are increasing, not diminishing, so this is an area where we are seeing a lot of interest and a lot of competing companies, some of which are extremely viable and investable as we go forward," says Cassidy.

Cybersecurity businesses are also going to be in demand, as many financial institutions have expanded the perimeter of their organisations by enabling widespread remote working. In addition, increased cyber threats and fraud means digital surveillance needs to step up accordingly.

The UK's Data Reform Bill and the emergence of an open finance framework are likely to favour wealthtech firms who will be able to access shared data on a customer's entire financial situation. Meanwhile, fintechs focused on providing working capital, trade finance and supply chain finance are also likely to benefit given the growing financial pressures on SMEs as economic conditions deteriorate.

"There still remains a lot of capital to invest," says Jeremy Welch, head of KPMG UK's financial services deal advisory. "To start with, we're still transitioning to a digital future and therefore the sector remains attractive to investors investing for the long term. There's also been an amelioration in valuations–a lot of people felt the market was getting frothy last year, so that may make investment slightly more attractive even if that capital may be redirected to different sub-sectors."

A tighter grip on finances

While some sectors have the potential to thrive in the current climate, fintechs with strong attributes – those that have untapped growth potential in new markets, or businesses that are already profitable – will continue to command premium valuations regardless of sector, says Welch. "In the more mature fintech sectors, there's going to be a flight to quality and established businesses, which could trigger consolidation."

Investors are also going to be more focused on cash burn rates than absolute growth. For those businesses that might be more vulnerable to any economic downturn and that have been operating in an environment where previously there was a lot of cheap capital available, they are going to have to tighten their belts, says Welch.

"They need to focus on what they're spending money on, assess the effectiveness and cost of customer acquisition channels, and maybe cut back on some of the geographies that they're trying to target or the sheer number of products they're trying to launch," he says. "Discretionary spend will be controlled and we have already seen a few contemplated layoffs and hiring freezes. So cash will become more important."

There is one positive. Many fintechs have already raised ample capital and are coming into this period of uncertainty with relatively robust balance sheets. "Companies may have a high cash-burn rate, but it's not like they have no cash available," says Welch.

Those fintechs that have yet to reach profitability and whose business models will potentially be more challenged by less bullish market conditions may be forced to reset their expectations.

> “In the more mature fintech sectors, there's going to be a flight to quality and established businesses, which could trigger consolidation

"It's inevitable during this stage of the cycle that there's a lot of early-stage disruptors who don't have the cash flow coming in but have got interesting intellectual property that they could try to commercialise in other ways," says Cassidy.

Potential deal activity

To start with, fintechs could seek a broad range of M&A opportunities. One potential route is for large fintechs or those with the cash available for acquisitions to bring in technology that is complementary to their existing business. A second route is for venture capital or private equity firms to look at combining some of their portfolio companies to create a more rounded fintech proposition. Or another route is via traditional financial institutions or advisory firms that could be interested in acquiring businesses that enhance their existing service offerings.

Other options are also on the table, says Cassidy. "They could refinance, they could give up some equity or they could partner," he says. "It's all about how they feel in those circumstances."

Some fintechs may also pivot from offering B2C services to selling directly to other businesses, with business model pivots a feature of previous periods of economic turbulence. "We often see fintechs white labelling their technology and being used by big financial institutions that don't have the ability to build their own," says Hannah Dobson, fintech co-lead and indirect tax partner at KPMG UK.

In other cases, fintechs may apply their technology to another consumer market that is more in demand. Partnerships and joint ventures (JVs) between fintechs and traditional financial institutions are also an effective way of commercialising valuable intellectual property developed by fintechs.

"Fintechs who have already taken steps to identify, protect and optimise their intellectual property assets will fare better in partnerships and JV arrangements," says Usman Wahid, a technology law partner at KPMG UK. "Optimisation of intellectual property, in particular, should enable fintechs to effectively segment their IP for use in partnerships and JVs without weakening their standalone core business."

Solving for bigger problems

Government efforts to supercharge the fintech industry may also create new opportunities for existing businesses to pivot or enter new markets. For example, the Kalifa Review of the UK fintech industry – which KPMG made significant contributions towards, with KPMG UK's vice chair of financial services Kay Swinburne co-chairing the policy and regulation chapter – is designed to encourage more innovation and make the industry more investable.

In this more testing environment, there is also an opportunity for firms to think more ambitiously about how they can develop as the market matures. "A lot of the fintech world today is focused on niches rather than necessarily solving end-to-end problems," says Hallsworth. "There's an opportunity in this environment for fintechs to think bigger and try to solve some of the big problems on an end-to-end basis and by doing it in a collaborative way."

Ultimately, the key to remaining successful in the period ahead will not only hinge on the value and utility of a firm's technology, it will also rely on the quality of the people running the business.

"The fintechs that will stand out from the crowd if we enter into difficult times will be the ones that have a unique product that's solving a problem," says Dobson. "But it's also important to have a really good management team who can anticipate problems and then prepare for these accordingly. Invest in really good people to run your business and your business will survive."

For more information, visit home.kpmg/uk/en/Fintech

Q&A

Navigating tougher times

Fintechs are facing increased challenges as economic growth slows. Co-leads of KPMG UK's fintech team **Hannah Dobson** and **John Hallsworth** discuss the steps fintech leaders should take to emerge from this period stronger

Q What should fintechs be doing now to future-proof themselves?

HD Have the right structure in place from the outset. That means keeping it simple, don't over-complicate what your business is doing. Protect your core business – which for most fintechs is their technology. Put yourself in the best position for fundraising by getting the basics right so investors focus on investing in your business rather than being concerned about the contents of diligence reports. Investors want to invest in the people (the founders), and they want to invest in a brilliant idea that solves a problem. So, make it obvious what that is. And have an eye looking to the future. Do you want an exit? Do you want to make acquisitions? What is it you want to do?

Q How can fintechs be smarter about their finances?

HD Fintech businesses at their very core are entrepreneurial, and development of the idea and technology is the primary focus in the early years of the business. Often what is left behind, from lack of time or experience, is the day-to-day finances and tax position of the business. But not paying attention to those finances will take you under if you're not careful. If you run out of money, or if you end up with a significant unexpected VAT bill, it will be more challenging to attract investment.

There are many government schemes that can support technology businesses. You can claim R&D tax relief, and there are things like Patent Box, which can reduce your corporate tax rate down to 10%. Fintechs often don't properly consider their VAT position. They cannot generally reclaim VAT on all their costs and this may either not be realised, or those costs are 20% more expensive than predicted by the business. This is significant when cash is so important in the early years of a fintech.

Q What upcoming regulations should fintechs be looking to get on top of?

JH The regulatory environment can be stimulative for fintechs. There are some specific areas in the market which will be brought into the regulatory envelope such as crypto and buy now pay later. If you're a credible, regulated business, then you're going to watch both of those markets shake out quickly, and so the more credible businesses can capitalise on that position. Another enabling regulation is the data reform bill, which will effectively expand open banking to become open finance. Open banking has been a real benefit for fintechs because you can leverage the data in banks and create new propositions. Now as it grows to become open finance, the ability for fintechs to add value to the end consumer becomes much greater.

Q What should fintechs be doing to retain and attract the best talent?

HD People want to go and work with the larger well-known fintechs because of the name and because of who they are. But sometimes they get through the door, and they find that fintechs have a lot of growing up to do in terms of retention and HR skills. If they're going to keep the really talented people that are attracted to go and work there, they have to do things slightly differently.

Fintechs may also need to rethink other incentives. For example, the assumption that equity prices will increase stands to be challenged in light of recent economic headwinds. Therefore, fintech companies need to assess how effective their incentives are against a potential new reality, in particular where companies have offered share options or growth shares which may now not appear as attractive. Reassessing this is a sensible step for all fintechs, alongside a review of their tax effectiveness on the basis that capital gains tax rates continue to be significantly lower than tax on employment income.

> “Fintechs often don't properly consider their VAT position. They cannot generally reclaim VAT on all their costs and this may either not be realised, or those costs are 20% more expensive than predicted by the business

Q How should fintechs be approaching fundraising in the current environment?

HD If you turn the clock back probably three or four years, fundraising for fintechs was very similar to the dot-com boom. Investors have been very enthusiastic about backing anything fintech-related. But then the world paused and said what are we actually investing in? Above all, they are investing in the people. Then they look at how the business is going to turn a profit. So at what point is it going to stop burning through cash? And then, finally, where's the business going to end up? Is it easy to copy?

JH There's also a maturing in the way that big financial institutions are looking at fintechs. A few of the major banks are putting in what we would call demand equity – investing in a fintech and then routing business through it, increasing its value. That model is becoming more prevalent and we can expect more of that, especially in these times where valuations have come down.

ATTRITION

Get ready for the drop

A significant number of fintech startups and scaleups are either making redundancies or introducing hiring freezes. What does it all mean?

Cath Everett

monkeybusinessimages via iStock

The fintech bubble of the past few years is starting to burst. After explosive growth and the sky-high valuations of recent times, a significant number of startups and scaleups are either making layoffs – or introducing hiring freezes.

Examples here include US-based commission-free stock trading app provider Robinhood, which has slashed headcount by 9%. The Swedish buy-now-pay-later (BNPL) unicorn Klarna has pointed to job cuts of up to 10%. US-based cryptocurrency exchange platform vendor Coinbase has put an indefinite hold on recruitment and rescinded job offers.

But according to Tom Chambers, associate director of technology and growth at recruitment consultancy Robert Walters, the situation for a significant number of tech firms across Europe – and not just those in the fintech space – is even worse. He describes the cuts as being "pretty brutal", with many laying off up to 50% of their workforce.

"Over the last 18 months, from the fourth quarter of 2020 until last month, we saw a massive tech hiring bubble, as scaling businesses benefited from the investment bubble," he says. "People overhired to meet the goals set by venture capitalists (VCs) and to improve their valuations because the more people they hired, the more their value went up."

But the blame cannot be laid solely at the door of VCs, says Kevin Chong, co-head of fintech specialist Outward VC. He points to the role of hedge funds which, on finding it difficult to outperform the markets a few years ago, turned their attention to private companies. Traditionally, their investment strategy had focused almost entirely on public markets.

"They reformed the market," he says. "It was more important to them to invest large sums than to get bogged down with valuations, as they had to find ways to compete against VCs."

The problem now, though, is that while money is still available, that market is becoming more risk-averse. This means funding is becoming less easy to access and rounds less frequent. The situation is particularly difficult in consumer-focused markets, such as BNPL and home lending, and among scaleups that have yet to turn a profit despite years of investment.

"Investors are doing more due diligence and the valuations of fintechs aren't soaring as they have over the last five years," Chambers explains. "Startups are being held to higher standards on revenues and profits, and some founders could be thinking twice when getting their ducks in order."

The reason behind this shift, says David Ritter, director of financial services strategy at digital transformation consultancy CI&T, is a toxic combination of quantitative tightening, particularly in the US, rising interest rates, high levels of inflation and growing fears of a global recession.

Such factors are – inevitably – making investors wary. But they are also causing founders to look at how they can save money to ensure they don't run out prematurely. And headcount is, of course, an obvious place to start.

"Cash is king and it will be important to see companies through this difficult period," Chong says. "Because funding is now much less predictable, founders want to extend the runway – for as long as possible. We're talking about rainy days and we could see two years of that." A key factor here, he believes, is that the widely predicted, quick, post-pandemic, V-shaped recovery is looking increasingly unlikely, which is leading experienced founders and investors alike to act.

"The bubble is bursting," Chambers points out. "It will definitely get worse before it gets better – because we are not at the bottom yet."

Although technology companies of all stripes are being impacted by the situation, the huge sums invested in the fintech space due to its disruptive promise and global potential has put it particularly under the spotlight.

Dealroom's *The State of Fintech Q1 2022 Report* revealed, for instance, that startups raised $125bn (£101bn) in VC funding last year. The figure is 2.8 times higher than in 2020, bringing the total enterprise value to $3.5tn, an increase of 6.2 times on 2016.

Even during Q1 2022, when economic headwinds started to become more visible, fintechs still raised $32.4bn, up 27% year-on-year according to Dealroom, although it was 10% down on the all-time high experienced in Q3 last year. What this means, though, says Ritter, is that the current situation is more of a market correction than a radical contraction.

"If you think about the dotcom bust of the late 1990s, there were thousands of startups with business models that didn't make sense and weren't making any money," he says. "So the resulting shake-out was healthy for the long-term development of the sector by creating a more balanced environment, and the same is likely here too."

> Founders want to extend the runway – for as long as possible. We're talking about rainy days and we could see two years of that

Chong agrees. Not least because he now expects the investment focus to "spread around a bit more" from a handful of later-stage companies towards a wider variety of early-stage startups.

Another advantage of this correction, meanwhile, is that salaries are likely to fall back to realistic levels, believes Chambers. Over the past 18 months they had become hugely inflated because of startups "paying even more competitive salaries than large enterprises".

But today's uncertain times mean there will be a shift away from startups towards more stable, well-established businesses, particularly in the wider financial services sector, Chambers forecasts.

Some fintech employees could well find themselves going down this route whether they want to or not, due to anticipated high levels of merger and acquisition activity. This situation is particularly likely among fintechs that have been unable to diversify beyond their core product or service.

"If you're an incumbent financial services player, such as a big bank, it'll be a great time to make an acquisition as valuations are already down quite a bit on a year ago," Chong explains. "It'll certainly make the trade-off between buying and building technology yourself much clearer." As a result he predicts that, although this year and next year are likely to prove difficult, the fintech sector should pick up again in 2024. Moreover, he believes that for the ecosystem overall, the current correction will be positive.

Ritter agrees. "It'll be challenging in the short and medium term. But the long-term future for fintech remains bright," he says.

WHICH UK FINTECHS ARE DOING WELL?

Ranking of mega deals in the UK fintech sector in the first half of 2021 ($m)

COMPANY	SECTOR	$m
SaltPay	Payments	500
Checkout.com	Payments	450
Starling Bank	Challenger bank	376
Blockchain.com (2nd round)	Digital assets	300
Rapyd	Payments	300
Smart Pension	Personal Finance	230
ClearScore	Personal Finance	200
10x Future Technologies	Enterprise software	187
PPRO Financial	Payments	180
DNA Payments	Payments	140

Centre for Finance, Technology and Entrepreneurship, 2021

Commercial feature

Are your assets fit for the digital age?

The digitisation of goods and assets will be a once-in-a-generation evolution in finance with transformational impacts, but first companies must overcome challenges of interoperability

For most people who are aware of blockchain, it is viewed as the technology behind bitcoin, just one of many digital currencies traded by consumers and, increasingly, as an asset class finding its way into fund manager portfolios. Or, perhaps they know about NFTs, the digital pieces of art which are commanding price tags in the millions.

Though blockchain is a complex technology, the premise is simple: fusing the real and virtual worlds to create digital assets, or tokens, through a process of tokenisation. And while cryptocurrencies and NFTs steal most of the headlines, innovative companies are quietly utilising tokenisation to reimagine finance as we know it.

"What we're seeing today is the result of the push 30 years ago into electronic finance and payments. Now we're moving into the next generation, which is digital," says Gilbert Verdian, CEO and founder of Quant, which unlocks the power of blockchain through interoperable ecosystems and real-world solutions. "Tokenisation allows us to embed logic, controls and programmability into how we transact between parties for the first time.

"The digitisation of assets and money, such as with regulated stablecoins or a central bank digital currency, will let us automate complex checks and balances on the buyer end and receiver end. We can become more operationally efficient and creative with how we transact with money, and do things that we've never done before."

> Our interoperability effectively allows money, assets and transactions to roam in the same way that your mobile phone roams

The potential applications are vast, but the common thread is enhanced trust and auditability from tracing the entire history and provenance of assets and goods, thereby removing intermediaries. Car buyers, for example, can be assured of a vehicle's history, including accidents and repairs, and that its components are legitimate and were created sustainably. House buyers can get into homes quicker as ownership history, events and searches are available instantly on the blockchain, and make easy payment via smart contracts.

By powering end-to-end visibility of trade, digital twins – unique blockchain-based tokens linked to real-world physical objects or identities – could optimise global supply chains to prevent costly disruptions, as experienced during the Covid pandemic. Crucially, consumers could finally get better ownership of their privacy and identity in the digital age, controlling exactly who can see their data and how they can use it.

"We've all made the mistake of giving up our privacy by trusting companies to protect it, but they've failed consumers and the market because of the cybersecurity sector's struggles to secure our data," says Verdian. "Digital assets will give control back to the consumer. Tokenisation will also enable us to protect intellectual property for the first time, 'wrapping' it as a digital asset and deciding who can consume, rent, transfer, sell or access an asset or good."

These opportunities are undoubtedly exciting, but there is one major barrier standing in the way: interoperability. When digital assets are created, they can typically only be used on a single system or network, limiting their global capability. This is akin to buying a mobile phone with a Vodafone SIM and then only being able to call other people on the Vodafone network. It's a huge barrier preventing the true power of blockchain from being unleashed.

As the world's first provider of true universal interoperability, Quant is accelerating a new generation of finance by radically simplifying the process of tokenisation for developers and financial institutions, unlocking the capability for digital assets to travel across all networks.

"Our interoperability effectively allows money, assets and transactions to roam in the same way that your mobile phone roams," says Verdian. "This is just the beginning. Most big financial services institutions are setting out a two-to-three-year strategy to digitise every type of instrument, asset, stock and security to benefit from tokenisation."

The momentum is growing and the driver is obvious: savvy investors the world over are increasingly demanding that their wealth managers tokenise assets in their portfolio into new digital assets to gain access to new markets and liquidity. The impact on finance will be transformational.

For more information, visit quant.network

QUANT

Dougal Waters via Getty Images

SUSTAINABILITY

Walk the all-important environmental talk

The environmental element of ESG isn't necessarily on firms' radar because it can be difficult to measure the carbon footprint of a payment

Rich McEachran

Sustainability has become the talk of the C-suite, but fintech companies aren't as good at addressing the environmental aspect of ESG as they are the social and governance.

Fintech firms are far more likely to promote diversity and offer mental health support than have a net zero carbon plan in place. This is according to research by ESG_VC, a UK industry initiative backed by venture capitalists that highlights the ESG challenges faced by early-stage businesses.

Fifty-seven per cent of fintech startups scored one out of four stars for environmental metrics, while 36% earnt two stars. The other 7% were rated three out of four.

For comparison, 11% scored one star on social metrics with 32% scoring two. Forty-seven per cent received three stars and the rest four. As for governance metrics, only around a quarter were marked one or two stars. Fifty-eight received three stars while 16% were awarded full marks.

Overall, fintech companies perform far worse when it comes to the E in ESG than their startup counterparts in ecommerce, software-as-a-service and manufacturing.

A major reason environmental metrics aren't on the radar of many fintechs is because the resources required are typically directed towards other core functions such as business development, marketing and research, says Carlo Maria Capè, CEO at global management consultancy, BIP.

"Given their size and the nature of the industry, they tend not to be heavy emitters, so environmental impact may not be considered a strategic focus," he adds.

Fintech founders might also be deterred from ploughing time and effort into ESG by the technical jargon and the perceived complex processes used to capture data.

"It can be challenging for fintechs to get a handle on environmental metrics and reporting because, after all, ESG is fundamentally about data – gathering and reporting it in a structured way," says Faith Frank, head of ESG and social impact at Payoneer. The cross-border digital payment services provider is a public company that is scaling globally and has put in place the infrastructure to capture ESG metrics from country to country.

One of the key questions facing fintech startups is how to track the carbon footprint of their products and services when they're "not as tangible as a manufacturer's or food company's", Frank adds. "What's the environmental impact of a payment?" she asks.

"The supply chain for most fintechs is almost entirely digital. Their staff are often remote or partly remote, and their product or service is often hosted on the cloud," says Manuel Antunes, venture investment manager at Triple Point, a purpose-driven early-stage venture capital firm. Its portfolio includes Credit Kudos, which was acquired by Apple earlier this year for a reported $150m (£122m).

> Given their size and the nature of the industry, they tend not to be heavy emitters. Environmental impact may not be a strategic focus

"Of course, delivering a product or service via the cloud does come with an energy cost – it's just less visible."

There are steps fintechs can take to address the E in ESG. These include using a carbon-offsetting platform to balance their footprint and at the same time make a pledge to reduce emissions. They can also work with partners that are committed to decreasing fossil fuel financing.

Another way in which fintechs can reduce their environmental impact is by choosing suppliers and vendors that are socially responsible by screening them for their own sustainable practices.

Globally, measuring environmental metrics is still largely optional. This has meant that fintechs can struggle to understand what data is available and relevant and how it should be captured. Frank points out that if fintechs are unable to build the capacity in-house, they should engage an external organisation that can assist them in the measuring and reporting.

Things are beginning to change. As of 6 April this year, 1,300 of the largest UK-registered companies and financial institutions are subject to TCFD (Task Force on Climate-related Financial Disclosures) reporting. When ESG reporting becomes mandatory for companies of all sizes, it should become clearer to fintechs how they should be measuring environmental metrics.

This will be a good thing. Not only does reporting accurate data help to guide internal efforts, but transparency is key in winning the trust of external stakeholders. It'll also be crucial for securing future funding.

The research from ESG_VC shows that startups tend to become slightly better at addressing the environmental aspect of ESG the more funding that they raise. Fourteen per cent of series A companies scored three out of four stars compared to 20% for those that had gone through at least a series C round.

This suggests that investors are playing a part in bringing about change. And an area that investors are increasingly interested in is climate fintech – those startups that are keen to drive the green economy. Venture capitalists invested $1.2bn in the cross-cutting sector in 2021, according to CommerzVentures. Carbon accounting and climate risk management were the two sub-sectors that drew in the most money, with $410m and $304m respectively.

Novus is a climate fintech and the UK's first B Corp-certified sustainable neobank. It donates a portion of fees collected from transactions made on its debit cards to green causes. It has also embedded indirect carbon emission data into its app so that users can conveniently monitor their spending's footprint.

"Investors are consistently looking for solutions to fill unmet needs in the market," says Novus co-founder and chief growth officer Shruti Rai. A solution which addresses an environmental challenge, while demonstrating a monetisation strategy, generally wins the race for funding.

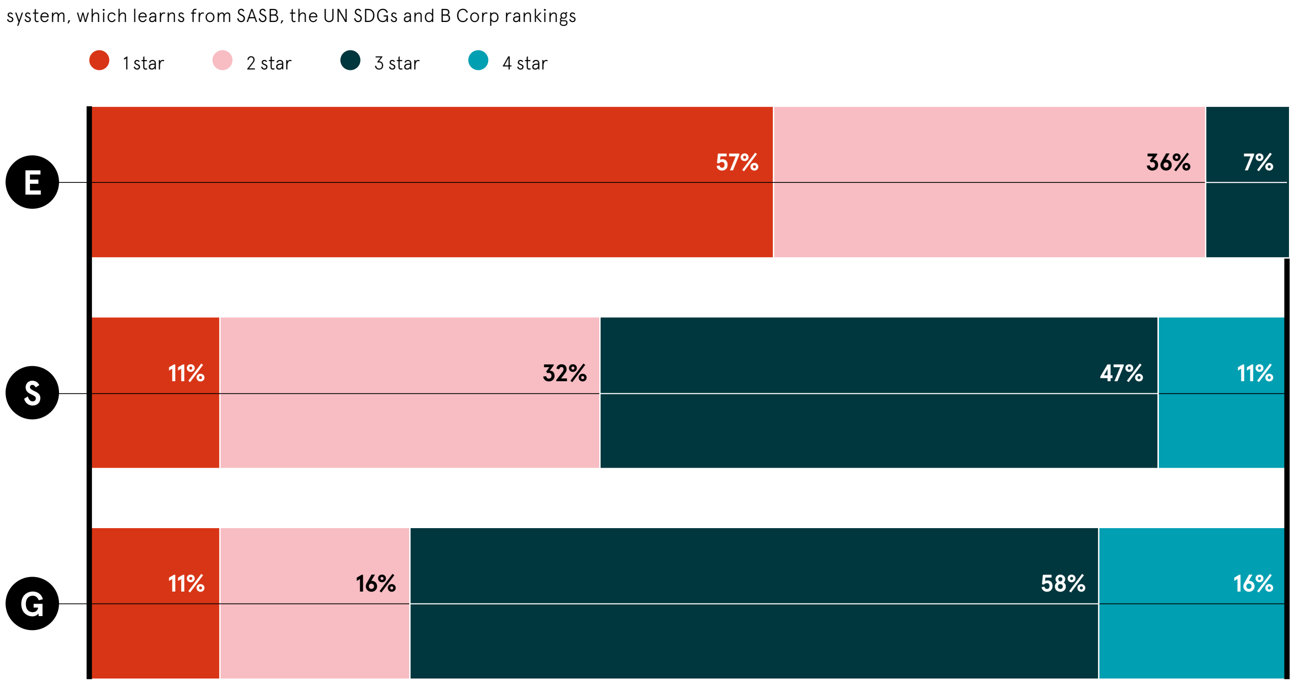
"It doesn't matter how attractive or forward-thinking a climate fintech is, though, investors will want to see beyond the brand and are looking at the people behind it," Rai stresses. "Investment in the right people is critical."

Frank agrees: "Getting the data right is one thing. "But equally important is having engaged leadership and employees. ESG is about a company's impact, and that's something that touches everyone who works there."

HOW FINTECH PERFORMS ON THE ESG FRONT

ESG_VC, 2022

Percentage of VC-backed fintech firms who scored 1-4 stars according to ESG_VC's benchmarking system, which learns from SASB, the UN SDGs and B Corp rankings



Commercial feature

Embracing embedded payments' full potential

Embedded payments can transform the way business is done. Here co-CEOs of Enfuce, **Denise Johansson** and **Monika Liikamaa**, tell us why they believe it's time for this fintech innovation to get full credit and explain how diversity can drive the industry forward

Q Fintech is traditionally dominated by men, but Enfuce leads the way with two female co-CEOs. How is diversity moving the industry forward?

A It's all about having role models. For those growing up today, you want to see that, as a female, you can be a bank CEO or head a financial start-up or challenger. But it's bigger than that too; it's about delivering diversity of all kinds. The mindset should be anyone can become anything. Monika and I, as female founders in finance, want to support and encourage everyone and show there are no limitations. By encouraging and ensuring diversity among fintech leaders from all different backgrounds and different parts of the world, you gain diversity of thinking to create new services that solve new problems across the industry.

Q Why are embedded payments so important?

A Anyone who generates transactions at some level will need to use embedded payments if they want to provide a great service in the future. Funds move directly between the two parties digitally without needing a plastic card. The service provider can either choose to give the transaction insight and revenue to other third parties, or take this opportunity to own their transaction flows and reduce the fees they pay.

Q What problems will embedded payments go on to solve?

A Mobility is a growing area. For example, a single app could allow tourists to access all the various payment methods and apps now needed to travel in cities on trains, tubes, metros, and buses – or to pay for electric charging and parking spaces if in a car. Embedded payments would link into all these individual services and users then pay from one place via top-up credit.

Q What are the key challenges right now for embedded payments?

A This technology is now a hot topic within fintech; it's not a buzzword. As more digital services are developed, this method offers a user-friendly, accessible, and attractive proposition for transacting. Originally fintech was just expense management and lending and then came the digital banks. Now we have the likes of mobility, crypto, and payroll tech, plus many more emerging verticals, and those working within these might not have an extensive background in the traditional financial industry. If embedded payment technology is the right direction for them, partnering with a service provider might be the better option rather than developing this area themselves.

Q How do you see embedded payments developing over the next five years?

A Sustainability will have a huge influence. We are going to own less and rent more, from cars to clothes, and embedded payments will be central to pay for those services quickly and easily. This method is also becoming vital within developing countries where populations are skipping the traditional evolution from cash to plastic payment cards. They are moving straight to digital wallets and embedded payments because as telco infrastructure improves, more apps are launched, and digital embedded payments become the norm.

Q What advice do you have for business leaders looking to adopt embedded payments?

A It is important to work with a company who puts your business goals at the centre of any suggested solution. Usability is what it's all about; reducing the clicks to make a payment, and most companies won't have the dedicated knowledge or technical skills. It is also critical to ensure all payments are compliant with local and international laws and regulations to protect the business and its end users. A trusted partner has this expertise, allowing leaders to stick to their core business and not need to be experts themselves.

For more information please visit enfuce.com

Enfuce

Commercial feature

Future of banking: what next-generation operating models are required?

Composability, partnerships with fintechs, and meeting customers on their preferred channel are all vital, according to a roundtable of experts

Oliver Pickup

Financial services operators were, according to ServiceNow's Keith Pearson, "the white knights of the pandemic". They came to the rescue of people and businesses stricken by the fallout of the coronavirus crisis. But, with the global economy in peril, they must saddle up again.

And yet, despite being saviours for many in the last two-and-a-half years, there is an incredible demand for banks, in particular, to evolve rapidly and offer personalised services and an omnichannel customer experience to rival the best in other industries.

To gallop along with change, steer clear of disruption, and continue to fight the good fight, those wishing to lead the way in the future of banking must partner with fintech experts, argues Pearson, AVP of financial services industry go to market at ServiceNow.

He points to a recent Gartner report, 2022 CIO Agenda: A Banking and Investment Perspective, which captures the challenge. "We are in a time of indefinite volatility, making it difficult for banks to plan for an indefinite future," it reads. "Mastering business composability prepares banks to maximise business value regardless of ongoing uncertainty."

Fay Wood, head of retail strategy at Natwest, sets the scene. "There is a looming cost-of-living crisis after unprecedented events – a global pandemic and a war in Europe – that few would have predicted three years ago," she says. "Money management and supporting customers with budgeting and financial tools will be critical for the industry. As a result, these services are becoming much more embedded in people's lives."

Increased duty of care

Concurrently, regulators argue there is a greater responsibility on regulated firms to hold customers' hands, metaphorically, and support them. Interestingly, some new financial terrains, whether it's cryptocurrencies or buy now, pay later products, for instance, are not yet regulated.

Indeed, the Financial Conduct Authority's final regulations on its new Consumer Duty will be available at the end of July and, following consultation, appear likely to force regulated firms to deliver "the best outcomes" for retail clients, says Wood. As an example of how NatWest better educates customers, the recently acquired Rooster Money app, with a pre-paid pocket-money card for those aged three and up, is currently free to access for the bank's 17 million customers. "We wanted to do more for children," she adds, highlighting the role acquisition is playing in the future of banking.

Metro Bank's David Thomasson, managing director of digital and products, concurs that banks have to support customers better, whether online or offline, and build on the trust generated in the last two-and-a-half years. "Now, more so than before, they need to talk to somebody at the bank," he says. "While digital is clearly becoming more important, seeing someone face to face is also vital. Our data shows that customers might not use a Metro Bank store for two months or even two years, but knowing that there is someone in a trusted environment nearby who can speak to you at a time that suits you is crucial."

> **You must be prepared to think differently about your organisation's structure and operating model and follow that through with your technology investment**

It is not just individuals who crave that support. Thomasson states that 80% of Metro Bank's business customers gained since the start of the pandemic operate within an eight-mile radius of a branch. "This shows the importance of the bank within a community," he continues. "A service-led proposition and being there for communities will differentiate financial services organisations going forward."

Banking in the metaverse

The "big difference" identified by Nadya Hijazi, global head of wholesale digital channels at HSBC, is that banks have to go to customers, not vice versa. In March, HSBC revealed it had bought a plot of virtual real estate in The Sandbox, an online gaming space, marking the bank's first significant foray into the metaverse. She says: "It's about ensuring your services are available wherever your customer wants to be, whether that's in the metaverse or using WeChat in China. You must embed your services and be at the heart of the community."

Banks can't afford to ease up on innovation, and a mindset change is required to develop products and services that don't need to be fixed, per se, Hijazi warns. "When you've got a revenue stream, there is no driver for change," she says. "Usually, things change because something is not working. But now it's dangerous to be complacent because if you don't keep improving, then you will lose connectivity with customers."

This concept chimes with Jasmeet Narang, chief transformation officer and head of operations at Santander UK. "Customers want choice and convenience, not just a load of off-the-shelf products," he says. "The old stack-them-high and sell-them-cheap approach doesn't work anymore. Instead, you have to understand customer needs, and most critically, you have to have that human touch."

He stresses the importance of collaborating across the business and "organising design around the customer", using their predicted wants and requirements as the guiding star, and justification, for any innovation. "Otherwise, you'll always function in silos." However, humans must be involved in the service, whatever technology is used. "It is those touch points with customers that are gold dust and will define the winners and the losers in the future of banking."

Culture conundrum and composability

Narang says leaders have to activate a cultural change to drive innovation. "Top-down sponsorship is essential," he adds. "Once you have that and a clear, long-term structure, other things follow. Also, you have got to be true to your convictions. The world will throw pandemics and wars at you, and at times you might have to be agile and flexible, but those that will succeed will keep the overall destination in mind."

Yorkshire Building Society's chief commercial officer, David Morris, believes the "evolution of banking distribution models is going to have quite pronounced effects, whether that's embedded finance or banking in the metaverse, among many examples. New entrants, whether challenger banks or technology companies, will find ways of competing in the value chain in different ways. Therefore, that's going to have big implications for business models."

He continues: "How do you make sure you're not left behind or not investing in the wrong technology? And how do you build that in an environment where you have to handle legacy infrastructure, macroeconomic uncertainty, and evolving regulations? Running an enterprise and building something different is incredibly difficult, and requires careful prioritisation and creative solution design."

ServiceNow's Pearson counters that bold banking leaders who look to partner with fintechs, use the agility of the cloud, and are willing to rip up old plans will triumph. "You must be prepared to think differently about your organisation's structure and operating model and follow that through with your technology investment."

He suggests the quicker banks can focus on building "composability" – essentially, a system design principle that deals with the interoperability of components – at scale, the better. "That's what the future of banking will look and feel like," Pearson concludes.

Roundtable attendees

Nadya Hijazi
Global head of wholesale digital channels, HSBC

David Morris
Chief commercial officer, Yorkshire Building Society

Jasmeet Narang
Chief transformation officer and head of operations, Santander

Keith Pearson
AVP, financial services industry go to market, ServiceNow

David Thomasson
Managing director of digital and products, Metro Bank

Fay Wood
Head of retail strategy, Natwest

OPEN BANKING

Banks need to cash in on plug-and-play providers

Banks can connect to fintech providers over the cloud in days or weeks. So why are they so slow to take advantage?

Charles Orton-Jones

Sen via Unsplash

Keeping up with banking can feel like trying to watch a *Star Wars* spin-off with too many characters. The latest cohort of fintech innovators includes Ordo, Kasko, Mantl, Kani and Tuum (respectively – a payment processor, product distributor, customer onboarder, reconciliation specialist, and a core banking provider).

The ecosystem is bulging with startups with colourful names but a similar premise: offering a cloud-hosted service, connected via an API, to offer something the bank can't build internally.

BioCatch is a great example. It monitors behavioural patterns to distinguish between users and criminals. In the UK, reported losses to fraud amounted to £754m in the first half of 2021, a rise of more than a quarter, so banks are keen to explore any tech they can find. BioCatch is thus booming, signing up 62 customers that include Barclays, Citi Ventures and HSBC. BioCatch is cloud-hosted, so there is nothing for the banks to run or maintain. They simply connect via an API.

If banks need to, they can outsource every aspect of operations. Options include Thought Machine for the core operating system, Jumio for AI verification, FintechOS for the onboarding interface, Feedzai for fraud detection and so on. A systems integrator such as Synpulse or GFT will build the entire thing if needed.

It has led to an analogy with Lego. The parts snap together. If a block isn't working well, rip it out and replace. The challenge for the industry is to assess how well this works in practice. Investments in fintech average $170bn (£135bn) a year. If banks are offered services but are reluctant to experiment with plug-and-play providers, then a lot of that VC cash will be wasted.

The speed of adoption can be exaggerated. "The actual connectivity is straightforward," says Michael Mueller, CEO of Form3, one of the most high-profile cloud-native payment processors for banks such as Lloyds, Barclays and N26. "We have had clients who received access to our API in the morning, and they managed to get connected in the afternoon." Yet the timeline is considerably longer.

"Banks are probably as conservative as they've ever been," Mueller says. "But that conservatism is not necessarily rooted in the bank itself, but in the environment that they are operating in. All our bank customers must adhere to strict security, certification and audit criteria. There is no time for risk when dealing with payments that drive the global economy."

> **If banks are offered services but are reluctant to experiment with plug-and-play providers, a lot of venture capital cash will be wasted**

Delays can be frustrating to fintech providers, who are keen to connect to banks as fast as possible. Ivan Maryasin, co-founder and CEO of Monite, a Berlin-based provider of embedded finance systems to banks, confirms there are serious delays.

"The typical experience for most fintechs is for a deal with a bank to take 12 to 18 months for something that the decision-maker already approved to materialise," he says. "There are all kinds of additional steps such as due diligence, legal compliance, and the list goes on."

Often, it's just about dealing with bureaucracy, according to Maryasin: "Currently, it feels there are thousands of unnecessary steps in that process and people from all sorts of departments become involved, even if they will later have nothing to do with the service.

"In the worst case, it prevents them from improving the service. At best, it massively slows integration."

Neobanks are faster in connecting to third-party services, proving how much traditional banks could improve their performance. "Neobanks are close to the Lego concept – they're built from composable blocks and use a lot of their infrastructure as a service. And this gives the opportunity to grow very fast and surpass traditional banks," Maryasin observes.

Three things may accelerate the rate of adoption of new cloud-hosted services. The competition from fast-moving neobanks is prime. The regulators are increasingly comfortable with cloud-hosted innovation. And then there is the maturity of banks in dealing with API-connected services – this model is the new normal.

"Banking is becoming more experimental, but we're still in the early stages," says Iana Dimitrova, CEO of OpenPayd, which offers banking and payments via an API. "The real experimentation and innovation will come in the next few years."

Dimitrova is optimistic that the potential exists for truly rapid iteration. "Banking-as-a-service providers really can connect their clients in a matter of days," she says. "I would compare banking technology to electricity. A hundred years ago, if you wanted a light bulb in your house it took a team of workers to install all the wiring, sockets, connections and bulbs you needed. Today, though, an electrician can do the same job in under an hour; every component and process has been standardised. This is the change that banking has gone through in the last decade."

Ultimately, the rise of plug and play for banking will reshape what it means to be a bank. We are on the cusp of true composability, where an entire organisation is composed of third-party services, with all parts able to be switched out. When Banca Mediolanum Group launched Flowe, a new digital-only bank for younger customers, it did so using a composable banking structure. It went live in just five months and attracted 600,000 customers in its first half year.

Varo Bank, another tech-first digital bank in the US, claims to run at 25% of the cost of a traditional bank. It attracted four million customers in its first 13 months.

Banking is awash with brilliant new services, from core banking and payments to AI fraud detection and automated ID. The challenge for banks is to accelerate the adoption cycle to make the most of these opportunities. There is a galaxy of innovation out there just waiting to be explored.

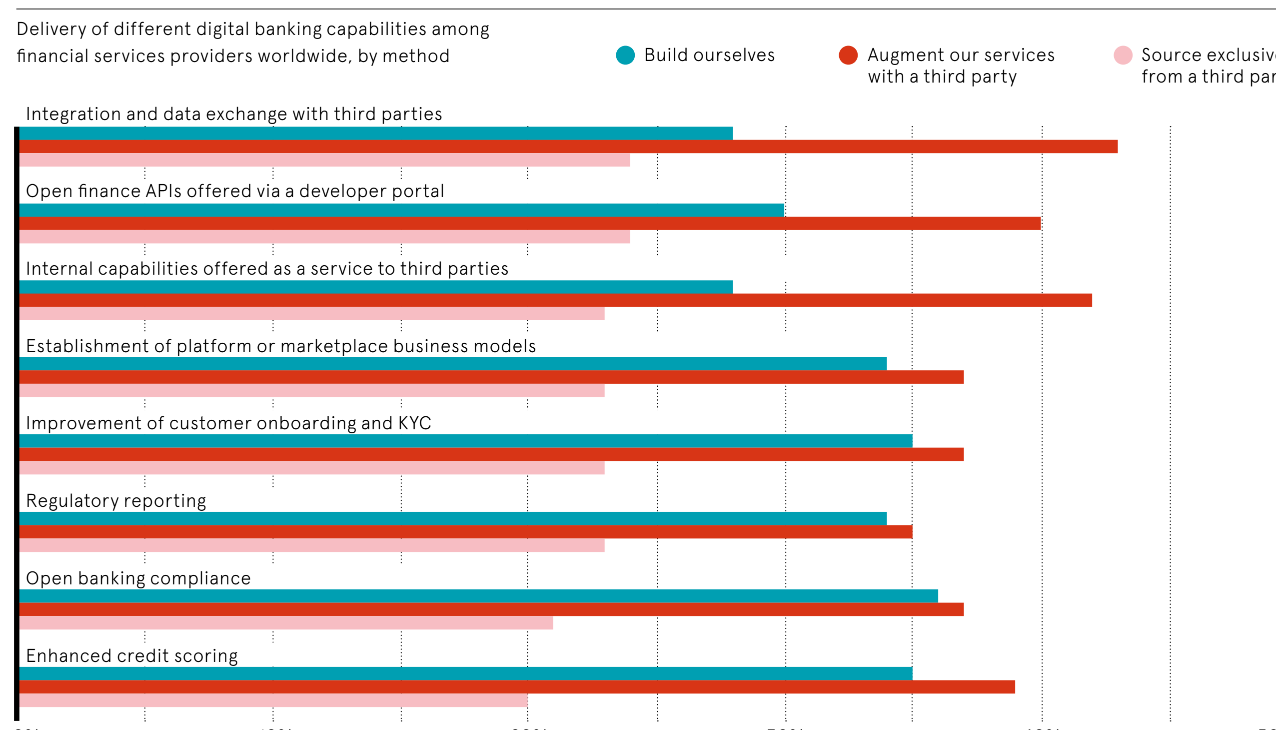
£754m

total reported losses to fraud in the UK in H1

UK Finance

WHO IS EMBRACING PLUG AND PLAY?

Delivery of different digital banking capabilities among financial services providers worldwide, by method



Sopra Banking and Forrester Research, 2021

EQUALITY

Levelling up the gender imbalance

New research shows that women are reaching retirement age with the biggest pension savings gaps on record. A new wave of fintech startups aims to change that – by helping women to become more financially aware

MaryLou Costa

10'000 Hours via Getty Images

Now in her 50s, women's wealth coach and former banker Kim Uzzell had her two children in the 1990s. This prompted her to stop the payments she was contributing to her retirement fund. Having the money to pay for more urgent needs such as childcare became more important than her own future.

It's a cycle that mirrors the life events that create and amplify the gender pay gap. But Uzzell warns that the gender pension gap – the difference between the financial security men and women respectively have on retirement – is far worse.

"A 10% pay gap in the UK is shocking enough. But nobody is talking about the fact that the pension gap is 43%. We're addressing one part of the jigsaw but the pension gap is incredibly wide. And it isn't moving in the right direction because the gap is so big," Uzzell states.

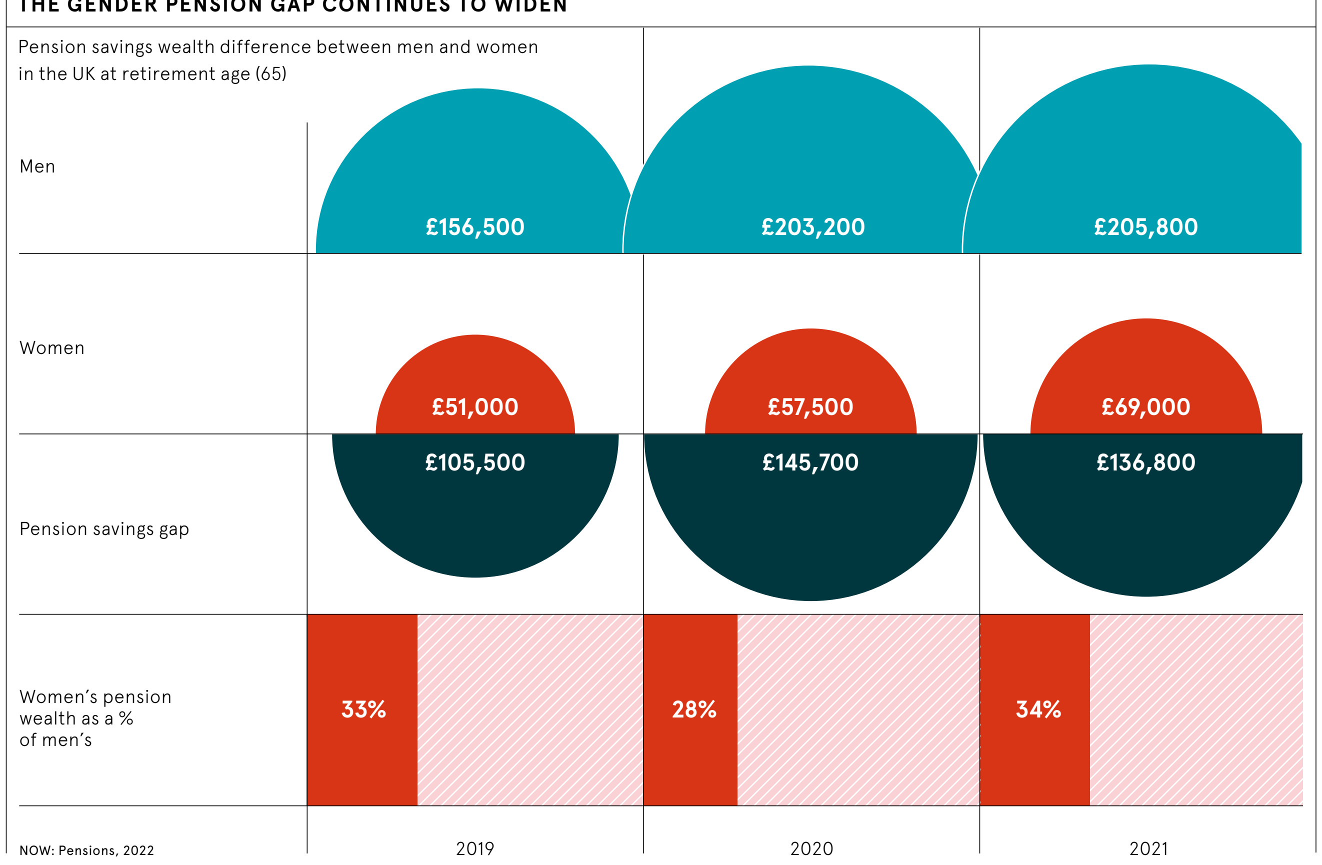
"We've left it so late that there's a good chance that one half of a relationship can afford to give up work when they reach retirement age, and the other half then has to either become financially dependent or to carry on working."

New research commissioned by NOW: Pensions reveals that women are reaching retirement age with the biggest pension savings gaps on record. The average woman in her mid-60s will have a pension pot of £69,000, while an average man of the same age will have accumulated pension savings of £205,800. Women would have to work an additional 18 years, full time, to reach this amount, according to NOW: Pensions.

A new wave of fintech startups could help to change this, though, by making women more financially aware and confident in decision-making. Financielle and Smartpurse are educational and coaching platforms that aim to increase women's financial knowledge. Half of UK women would choose to invest through an online platform or website, according to insights from financial advice provider Fidelity. The ability to get regular updates on their investments is the main motivator for 27%, while 19% say that regular nudges and reminders are a key benefit of managing their investments online.

But these apps and websites aim to do more than repackage finance for a female market. For Olga Miller, a former Swiss banker who co-founded Smartpurse in 2019, it's a chance to redress the biggest gender inequality issues that have plagued the wider finance sector for years. Fintech startups are purposeful and agile about hiring female financial advisers, who are lacking in mainstream banking – which alienates women from finance and taking personal responsibility, according to Miller. Smartpurse's own research shows that 54% of UK women rate their financial planning for retirement as poor.

THE GENDER PENSION GAP CONTINUES TO WIDEN



NOW: Pensions, 2022

"There are too few women in key roles in financial services. But even if you receive applications predominantly from men, the women are there but it just takes double the effort to seek them out. It's part of an overall value chain that starts from recruitment, through to management practices," says Miller. "A newly forming fintech company with a team of just five people doesn't have the same challenges as a large company to achieve the right level of diversity."

A further issue, Miller continues, is that a traditionally male-dominated finance industry has resulted in banking and pension brands communicating with language and imagery that doesn't appeal to women or is belittling – something which Smartpurse and its counterparts aim to reverse. When challenger bank Starling analysed 600 stock finance images last year, it found that men are frequently pictured with notes, while women are shown with coins; and men are portrayed signing documents more often than women.

But Miller warns it is easy for this same issue to translate to the digital space, with many fintech businesses still falling short of catering to tailored customer journeys.

"Very few of them look at the language, so women still feel excluded. Initiatives like ours – and others' – aim to create a safe space where women are welcome to learn about what matters and are not patronised," she says. "Women want an adviser who starts the conversation from what it is that the person wants to do with their money, rather than just pitching the next product. It's hard for the industry to change. Fintechs can see things differently."

> A 10% pay gap in the UK is shocking enough. But nobody is talking about the fact that the pension gap is 43%

Doing just that also involves building a community, and using the language they use, says Laura Pomfret, who co-founded Financielle in 2018.

"We use our customers' words in our copy. Women say they're 'overwhelmed' and 'intimidated' but, at the same, they 'want to get their act together'. So that's one of the biggest things we say," Pomfret explains. A lot of fintech companies get this wrong, she adds, by focusing on the solution without understanding and reflecting their customer voice.

Financielle's online community is also supportive of its members aged over 50, Pomfret notes, overcoming any tech barriers for older users. She gives the example of a member whose partner of 19 years had left her, with no pension or financial security. Getting advice from the community, she worked out what she needed, and found a pension product that suited her and her ideal monthly contribution.

"Now she's completely on track and is helping others with the same problem. The community is the best because they've seen it all before and help people learn from their mistakes. It's really cool," Pomfret says.

Financielle's sweet spot, though, is women aged 25 to 40. Pomfret is adamant that targeting women early and making finance as easy a topic of conversation as wellness or entertainment will resolve the gender pension gap – without it becoming the sole domain of fintech.

Uzzell, who estimates that around 60% of her all-female client base comes to her with pension concerns, agrees with this assessment. She elaborates, though, that financial education should be more established and emphasised in schools, with employers continuing this: "Big corporations have a responsibility. The government has a responsibility. Schools and educators have a responsibility. And the media has a responsibility to raise awareness of the gender pension gap – in the same way as they did with the gender pay gap, and make it unacceptable."

INSIGHTS

'It's more important than ever that we harness the power of innovation to make our financial systems work better for all'

Janine Hirt, CEO of industry body Innovate Finance, discusses how the sector will continue to grow in 2022 and how it can become a force for good

Q The UK fintech market is known as one of the most vibrant and successful in the world. Is 2022 shaping up to be another dynamic year?

A The global fintech market is expected to triple in size and be worth £380bn in value by 2030. In the UK alone, the sector is expected to employ over 100,000 by 2030.

According to Innovate Finance's *FinTech Investment Landscape* report, the UK ranked second in the world after the US for fintech investments in 2021. It attracted almost half of the total investment in Europe, worth \$11.6bn (£9.46bn).

Our preliminary research indicates that we are on track to meet or exceed these global fintech investment levels in 2022, with the amount of capital invested into fintech globally in Q1 of 2022 being even higher than it was in Q1 2021. We are cautious, however, that geopolitical factors such as the war in Ukraine and the cost-of-living crisis may impact these numbers.

Q What kind of role should the fintech sector play when it comes to social and community issues such as the pandemic, the cost-of-living crisis or the war in Ukraine?

A Fintechs are making financial services accessible to the masses, enabling customers to save, manage, grow and understand their money in a more direct and transparent way, contributing to a more inclusive and democratic financial ecosystem.

Fintechs played a key role in helping all of us navigate through the Covid-19 pandemic. From SME lending to identity verification, from alternative credit scoring to AI-assisted chatbots and recommendation algorithms, and from next generation core banking to simplification of mortgage chains, new entrants and alternative providers have been reshaping financial services to better cater to the consumer.

Fintechs also have the opportunity to shift the demographic of talent in the financial services industry. The latest survey by EY and Innovate Finance showed an increased commitment of fintechs to diversity and gender equality – and we need to ensure this momentum continues.

People are at the heart of innovation. We must do more to promote greater diversity – gender, ethnic, racial, socio-economic, LGBTQ+ and more – across leadership and the fintech and financial services workforce.

Boosting inclusion will inspire more people and prompt bolder innovation. Diversity is especially apt for fintechs, given that many solutions are designed to create a more democratic, inclusive and equitable financial services system.

Q What other issues should be top of fintech leaders' minds in 2022?

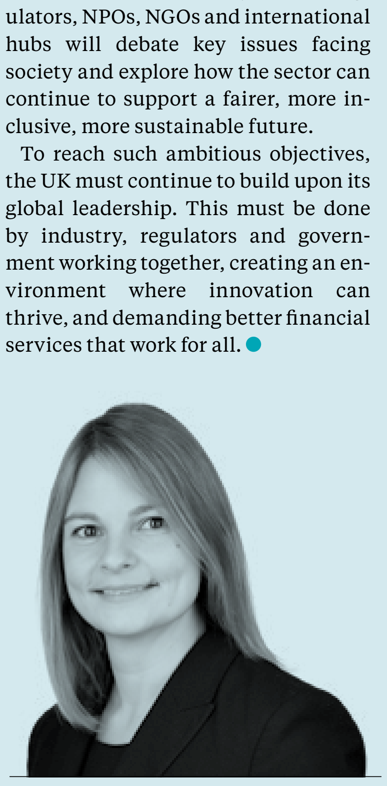
A Fintech entrepreneurs, founders and innovators have proven that, by harnessing the powers of technology, fintech can create a more inclusive and diverse financial services sector.

The fintech community understands the critical role that the industry has when it comes to the ESG agenda. The financial innovation sector has the opportunity to take a position of global leadership, and create plans, processes, and policies that will shape the future.

We are on the brink of a cost-of-living crisis expected to result in the largest fall in living standards since records began nearly 70 years ago. This will increase debt, erode people's financial resilience and health, and cause many small businesses to struggle. It is now more important than ever that we harness the power of innovation to make our financial systems work better for individuals and SMEs.

In October, Innovate Finance will host the second edition of the annual FinTech as a Force for Good summit. Fintech founders, senior government officials, investors, policymakers, regulators, NPOs, NGOs and international hubs will debate key issues facing society and explore how the sector can continue to support a fairer, more inclusive, more sustainable future.

To reach such ambitious objectives, the UK must continue to build upon its global leadership. This must be done by industry, regulators and government working together, creating an environment where innovation can thrive, and demanding better financial services that work for all.



Janine Hirt
CEO,
Innovate Finance

Commercial feature

Why embedded finance needs to go beyond infrastructure alone

While everyone is focusing on backend services, that's just half the story

Embedded finance has fast become one of the most revolutionary movements in the world of finance. Wresting control from traditional banks and putting power into the hands of ordinary businesses, it allows for the democratisation of finance, with all that entails.

It has been a change equivalent to the arrival of the introduction of Amazon Web Services (AWS) for the internet and data handling, reckons Nigel Verdon, co-founder and CEO of Railsr (formerly Railsbank), an embedded finance experience provider. "Beforehand, you had data centres, and it was a real pain," he says. "You had to buy servers, power supplies, all this stuff to get you up and running." Now, it takes 10 minutes and a credit card.

The same is true for embedded finance: what was once a convoluted, complicated process is now easy. "Many, many more people can now participate," says Verdon. "Whereas before you had to have deep pockets, now price points have come way down, and the speed to market has too." It's simpler than ever to embed finance – whether loans, payments, or a wallet – into your existing customer experience.

That's meant a plethora of businesses have popped up to serve the sector, many of them focusing intently on eking out incremental improvements on infrastructural innovations. "Most of the market talks about functionality," says Verdon. But that's not the whole story.

The world's best infrastructure is meaningless if the customer experience that users encounter is poor. People need to be able to use financial services that companies provide, and feel confident in the experience. "What we like to think about is that customers are driven by experiences," says Verdon. He equates it to unboxing an iPhone, where the packaging is almost as important as what's within it, or how you don't just buy a car, you buy financing alongside it – and want that to be an integrated experience.

> **Despite the perceptions, the world of embedded finance isn't about cards and wallets and payments**

Railsr's tools, technology and platform enable customers to put finance at the relevant point for their consumers. "That's what makes a real difference to their customer experience," says Verdon. The company's position as a full turnkey stack provider means it provides a seamless solution, without the need for third party complications, that meets regulatory and user requirements. "We do all the settlement, the clearing, the money stuff in the background, so Manchester United or Marks and Spencer or Sainsbury don't have to do it," says Verdon. "That's the real difference with us." To compare it to the pre- and post-AWS revolution in data, it's the equivalent of not having to deal with Cisco routers any more.

Early adopters are beginning to recognise the potential of embedded finance-enabled customer experiences. One of those is McLaren, which is working with Railsr on a partnership that builds end-user loyalty for both businesses. "The concept is to try and embed finance in esports," says Verdon. Customers will be able to buy a skin for their car to make it McLaren, earning reward points that can be spent on a McLaren branded credit card in the real world. "It's about developing a brand new market for the McLaren brand, because it's so powerful," says Verdon.

Despite the perceptions, the world of embedded finance isn't about cards and wallets and payments. It's about creating an economic flywheel. "Anybody who's been in Amazon will see drawings of flywheels on the back of napkins," says Verdon. A business could use rewards to drive customer behaviour – for instance, a sports club has rewards funded by the sponsor that are fed into an official app, and are spent alongside money with sponsors. "Using that data, you're able to then show cause and effect," says Verdon. "A dollar of sponsorship actually generates \$5 of income for the sponsor. It's using the tools of finance to drive these economic flywheels of revenue and engagement."

For more information please visit railsr.com

INFLATION

When the going gets tough, the tough get counting

Consumers are wising up to money management tools to track budgets due to squeeze on incomes

Ben Edwards

Charles May runs the local convenience store in Coombe Bissett, a leafy village just outside Salisbury in the south of England. In common with many people across the UK right now, he is feeling the pinch from the rapidly escalating cost of living crisis.

May is also one of a growing number of people who are turning to fintech solutions for help. He uses the budgeting app called You Need A Budget to help him to keep track of his expenses and to navigate the squeeze on his finances, as prices rise at their fastest pace in 40 years.

"The biggest impact is inflation. My money is not going as far as it used to, each month. It used to be reasonably easy to save up for something. But now I have less disposable income because I have to spend more on necessities," he explains. "The app helps me to search out better interest-paying accounts to hopefully reduce the effect of inflation on funds held back for future spending – on tax, for instance – and to budget for non-essential spending so that I can get there in the end."

A third of households in the UK were spending more than they earnt even before the pandemic and the cost of living crisis hit, according to the Office for National Statistics. A sky-high energy bills compound the squeeze, households need more help than ever to manage their finances.

In response to this, budgeting app Snoop, for instance, has introduced a feature that calculates changes in the cost of living. It helps users to correctly understand the impact of rising costs.

"Because inflationary pressure won't impact everyone in the same way, we've provided customers with personalised breakdowns that show how increased prices and taxes will impact their finances, along with ways to mitigate and offset the pressure," says Scott Mowbray, co-founder of Snoop. "We've endeavoured to take the cost of living beyond the headlines and use data to help people identify their own personal inflation figure in pounds and pence."

The app then suggests ways to cushion against the price increases, such as switching to better deals at the right time.

Nous is another fintech app that aims to help people to manage the cost of living crisis. It currently provides a free dashboard that consolidates a user's spending, then forecasts how those expenses are likely to change over the next 12 months. The aim is to help users to plan better and avoid sudden financial shocks. A Nous survey in March revealed that two-thirds of households believe their expenses will only increase by a maximum of £1,000 over the next year. In reality, the average working family with two incomes is likely to see a net increase of more than £4,000 once government support has been considered, Nous data shows.

"The punishing insight here is that households don't budget as they should," says Greg Marsh, founder and CEO of Nous. "We're trying to raise awareness of the scale of the financial tsunami that is facing UK households."

Marsh says just 17% to 25% of households currently plan a budget, with a typical household also missing out on around £800 of potential annual savings because they are not as engaged with their finances. Not switching car insurance every year, for instance, can mean that policyholders are hit with a loyalty penalty when insurers ramp up prices and count on them not shopping around for a better rate.

"There are two communities of households that are exploited by the way large vendors often prey on their inertia – the less well-off and the squeezed middle," Marsh says. "The first group on lower incomes tend to be less financially literate and less confident in managing those vendor relationships, while those on middle incomes are too busy to keep on top of renewal notices and therefore often let contracts roll over to more expensive tariffs. To help tackle this, Nous is building a subscription-based automation tool that will remove the responsibility of the consumer to manage those vendor relationships.

"Where necessary, it will put the boot in if a company is taking advantage of a customer. Or it will switch you to an alternative vendor when that's appropriate," says Marsh. "We think the answer to this problem is not to provide people with more budgeting tools but to take the problem away from them."

The challenge, of course, is how to reach those consumers who most need help with budgeting but are less likely to be engaged with their finances. Anna Porra is European strategy director at payments company Marqeta. Sharing the benefits of using budgeting tools is, she says, the best way to make sure that vulnerable groups of society are not left behind.

"A greater focus on inclusive product design can help improve the experience for many users, including minimising financial jargon, using plain English to remove unnecessary complexity, and building in accessible features like text-to-speech to these apps," says Porra. "This way, fintech companies can ensure that everyone is brought along on the digital journey."

Attitudes to budgeting are also starting to change as the cost of living crisis intensifies. A Nous survey in February showed fewer than a third of respondents (31%) had discussed the rising cost of living with anyone outside their household. By April, that number had risen to 67%.

"People are having conversations about finances that they maybe weren't having six months ago," says Marsh.

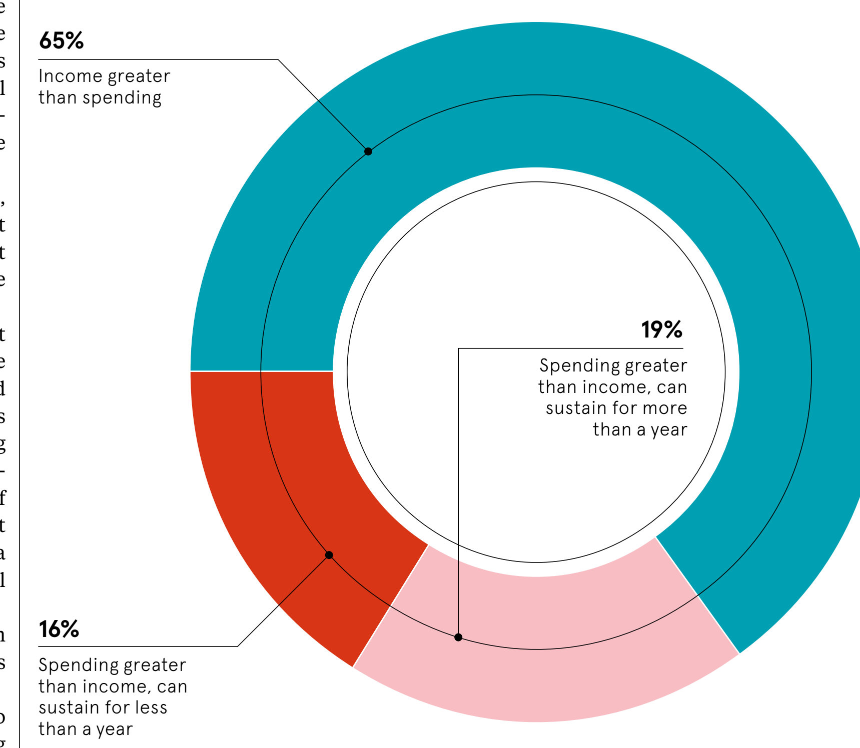
The severity of the squeeze on incomes and the need to have a better understanding of their personal finances could mean that, once the current crisis subsides, people will remain more engaged with their money.

"The cost of living crisis has come as a big catalyst for action," says Mowbray. "If we come out of it with more people tuned in to their money, financially aware and not prepared to let big businesses lean on inertia for their profits, it will be something to take from the difficult times that people are dealing with now."

> Households are missing out on around £800 of potential annual savings – because they are not engaged with their finances

HOW IS THE UK COPING WITH THE COST OF LIVING CRISIS?

Percentage of British households with spending greater than income and whether they can sustain overspend for a year



Office for National Statistics, 2022

PAYMENTS

SMEs take up short-term credit

Thomas Barwick via Getty Images

Companies such as Klarna have made it easy for consumers to access credit at the point of purchase online. How does it work in business-to-business transactions – and are the risks the same?

Tom Ritchie

The past few years have seen buy now pay later (BNPL) become a staple at online checkouts. Since November 2021, 17 million UK shoppers have accessed credit at the point of purchase.

This trend is quickly becoming prevalent in business-to-business payments, with many solutions entering the market and garnering investment. Billie, a Berlin-based solution that uses Klarna's technology to offer BNPL at B2B checkouts, recently announced a $100m (£83m) investment round. The offer of credit at checkout is as attractive to businesses as it is to consumers.

"Part of the appeal of B2B BNPL is that it benefits buyers and sellers," says Yasamin Karimi, global head of product strategy at Codat, an application programming interface provider that helps small businesses track their data.

"Sellers benefit from embedded processes, immediate payments and reduced admin as they don't have to worry about reimbursement. Buyers benefit from increased supplier loyalty, reduced risk and avoid the reputational damage associated with making late payments."

> **The small business community survived the impacts of Covid-19, lockdowns and disruption. But it has done so swimming in debt**

But Karimi points out that BNPL is, essentially, already a widespread factor in B2B transactions. Payment within 30 days is the statutory norm but – depending on terms – invoices can take up to 180 days to be paid.

The appeal therefore also lies in a possible solution to a situation many small businesses have faced for years: extended invoice terms and late payments.

According to the Federation of Small Businesses (FSB), 61% of small companies were impacted by late payment of invoices in Q1 2022. The organisation estimates that 50,000 companies close every year because of late payments.

"A worsening late-payment crisis adds to the cash-flow burden on small businesses," says FSB national chair Martin McTague. "Small businesses are at the same time wrestling with spiralling operating costs, supply chain disruption and a widespread labour shortage."

Even when invoices are paid on time, long payment terms can have profound effects on cash flow. These terms and conditions are generally enforced onto smaller businesses by bigger operations and can prohibit small businesses from scaling, as they don't necessarily have the liquidity to invest in new hires, products or marketing.

"SMEs have a wild number of issues in this market," says Jamie Beaumont, CEO of Playter, a B2B BNPL provider.

"They can't afford to pay for new talent because they're not getting paid themselves. They can't afford to grow the business. They can't invest in certain sides of their business because they don't have good cash flow. They have to slow down."

Playter offers SMBs access to funds up to £300,000 each year, in exchange for a yearly subscription fee rather than charging interest. Beaumont describes the service as a credit facility that allows clients to pay suppliers quickly, and then pay back Playter over six to 12 months.

The current economic situation has raised serious questions about how consumers are using BNPL solutions.

According to Citizens Advice, 42% of recent BNPL shoppers needed to use credit cards or other forms of lending to pay off their debts. Is this irresponsible borrowing likely to affect businesses?

Both Karimi and Beaumont point out key differences between the two markets. Beyond a credit check, there's little barrier to funds at a consumer checkout. The average spend of B2B transactions tends to be much higher than B2C, therefore requiring a much more stringent underwriting process that uses better quality data.

"With access to this data, B2B BNPL providers can overcome many of the challenges typically seen in consumer BNPL, such as poor risk mitigation, huge defaults, and a lack of affordability checks," says Karimi.

Beaumont also points to that fact that consumers make far more purchases online than businesses, leading to frivolous decisions and more exposure to credit at the point of sale.

"Most businesses have different types of expenditure than a consumer," says Beaumont. "These are better-informed purchases. They're already paying for their marketing, recruitment, legal development, rental software – costs like that. We're looking after business expenditure as a whole, not a single transaction."

There are, of course, still risks. McTague says many small organisations don't have the scope to bring on additional debt due to the significant borrowing taken on since 2020. Bank of England research estimates SME debt in the UK has increased by 25% since the onset of Covid-19. "While BNPL services offer small businesses one potential option for financing, many small firms have already taken on significant debts," he says. "The small business community survived the impacts of Covid-19, lockdowns and disruption. But it has done so swimming in debt. They should not have to resort to complicated financial instruments to access what they are owed."

Karimi offers a warning to both businesses accessing credit and the suppliers of BNPL credit. Part of the appeal of traditional loans is speed but this can create problems for both parties.

"It's about balancing risk with rapid decisioning. Small businesses expect speedy decisions, but this shouldn't be at the expense of effective risk assessment. Access to real-time data direct from the accounting, banking, and commerce systems that SMEs use is key to mastering this challenging balancing act," says Karimi.

"Businesses should take time to consider the decision, be confident in their ability to repay and ensure they have a thorough understanding of penalties and terms."

Beaumont accepts there is heightened risk for businesses that access BNPL in the current economic climate. While Playter ensures that its clients are financially solvent and they "take a stringent view on underwriting", this uncertainty, coupled with the nascent processes of B2B BNPL does carry risks.

"The B2B world is new. How you underwrite a person is much easier than underwriting an entire business. The considerable risk is that you can get it wrong. And businesses generally go into this wanting more. It's easy to sell money; it's difficult to get it back." ●

61%

of small companies were impacted by late payments in Q1 20227

50,000

companies close every year, it is estimated, due to late payments

Federation of Small Businesses, 2022

42%

of recent BNPL shoppers had to use credit cards or other forms of lending to pay off their debts

Citizens Advice Bureau, 2022

Commercial feature

CX is a key strategic asset that financial institutions mustn't forget

Financial services firms have reaped the rewards of investments in customer experience, but as a more normal business environment resumes it'll prove costly to allow complacency to set in

The unique pressures on companies during the pandemic triggered a golden age for customer experience. While the initial transition to remote working and a fully digital service model without physical branches was no doubt difficult, the outcomes for trust and loyalty were hugely positive.

This was a long time coming, of course, and stay-at-home mandates merely accelerated, albeit very suddenly, the digital transformation strategies that financial services companies have been honing for a decade or more. The digitisation of other consumer services has recalibrated customer expectations, but to keep up financial institutions have first had to deal with their legacy systems.

The extreme circumstances of lockdown forced them to finally make the investments in cloud modernisation required to interact with consumers on their desired terms. A high-touch operating model for acquiring, servicing and advising customers was no longer fit for purpose. At the heart of investments was a focus on a more frictionless customer experience, powered by technologies such as artificial intelligence to facilitate self-service and hyper-personalisation.

"As customers have gotten more used to the digital experience offered by non-industry players like Netflix and Amazon, the question they have often asked is: why can't my bank offer me the same experience?" says Rahul Kumar, senior director of financial services strategy at Talkdesk, a global leader in customer experience solutions. "We absolutely saw an increase in the adoption of digitisation, and cloud-based modernisation of legacy systems, during the Covid-19 pandemic."

"Unable to rely on their physical branches for the first time, financial institutions had to meet customers when and where they wanted to meet with them, on the device of their choosing," says Kumar. "As a result, there has been rapid demand for the emerging innovations needed to offer the experience that customers are looking for, including digital tools and automation technologies like AI. It may have been out of sheer necessity but it really boosted customer trust and loyalty."

The return to pre-pandemic behaviours, however, appears to have caused some complacency. Assured by their Covid-era enhancements, along with the return of physical branches, many companies feel they can handle additional call volumes while also serving customers across digital channels without further investment. Such complacency could harm them in the long run.

The impact is already being felt. A recent report by a leading CX analyst found customer experience quality has fallen back to early 2020 levels, reversing gains made in 2021. Meanwhile, customer trust in banks fell for the first time since 2018.

A separate study by Talkdesk found that seven in 10 customers are more loyal to financial services companies that are actively investing in customer experience and accelerating their pace of innovation. However, expectations are failing to be met, in large part because banks are using traditional contact centre solutions which are not built specifically for financial services firms.

"The pandemic forced people to break their routines and come out of their comfort zones. Crucially, they no longer needed to maintain loyalty with a bank just because it was the closest branch to their home or on their commute to work," says Bhavana Rana, director of product and industry marketing, financial services and insurance, at Talkdesk. "That caused a change in customer behaviours and, naturally, warranted quite urgent investments in customer experience."

> **As customers have gotten more used to the digital experience offered by non-industry players like Netflix and Amazon, the question they have often asked is: why can't my bank offer me the same experience?**

"Customer loyalty was up for grabs. If an organisation did not quickly adapt to the changing behaviours, they'd very quickly lose customers," Rana continues. "But now, with continued supply chain issues and volatility in the market, the focus seems to be shifting more towards cost-saving measures, with less emphasis on customer experience. That's a mistake. Reverting to the old way of doing things will alienate customers. Financial services firms must continue to use customer experience as a strategic asset."

Talkdesk, whose automation-first cloud-native contact centre solutions optimise the customer experience, has been working with financial services institutions to help leverage their CX learnings from the pandemic and, importantly, maintain momentum. Last year, it launched the first enterprise-grade contact centre platform built specifically for financial services firms. Talkdesk Financial Services Experience Cloud enables banks, credit unions and insurers to deliver connected, intelligent and secure interactions more effortlessly, across any communication channel.

The modern, unified customer experience platform is tailored to meet financial services needs, with features and functionalities that support essential industry workflows and bespoke AI models that solve specific issues within the financial sector. The plug-and-play solution includes pre-packaged industry integrations, significantly accelerating the timeline for any digital transformation happening in the financial services industry, enabling organisations to realise value from investments in days rather than years.

An innovative contact centre solution designed to address banks' and insurers' top customer service priorities, such as account servicing, lending, policy servicing and claims, will be vital as customers continue to expect hyper-personalised experiences accessible immediately on the device and channel of their preference.

"The pandemic challenged the traditional ways that financial institutions operated, and it's crucial now that banks take those learnings forward rather than leave them in the past," says Kumar. "To differentiate themselves going forward and explore new business models, such as embedded finance, companies need to first ensure they are engaging how their customers want. Investing in a modern CX platform will allow them to deliver a connected, cohesive experience, irrespective of where the interaction starts and where it then travels."

Rana adds, "One thing that has been constant through all of the upheaval is our need for a human connection. Customers will always seek convenience and value offered through digital channels, but maintaining a human touch is equally important. Our goal is to help financial services firms deliver the greatest experience possible, utilising an end-to-end customer experience solution which gives them value on day one. That's what will deliver the loyalty that financial institutions and insurers crave."

For more information, visit talkdesk.com/financial-services

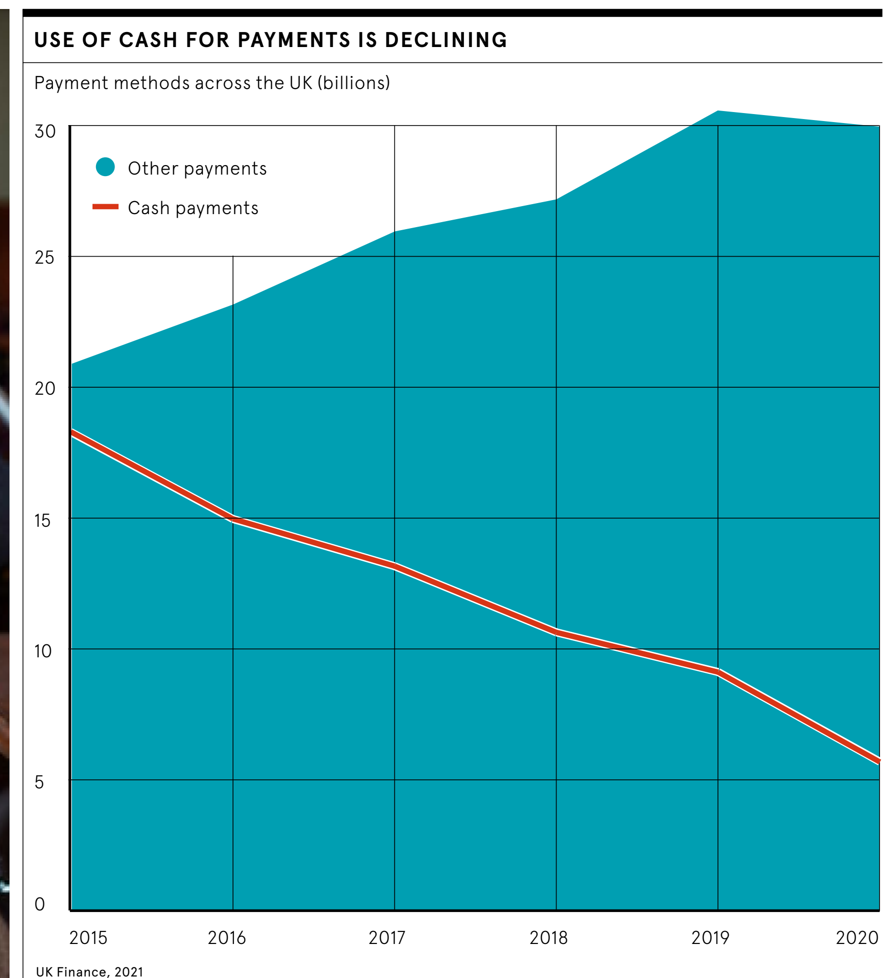
FINANCIAL INCLUSION

Boosting access for the older generation

What does the fintech revolution offer our ageing population? Companies claim to be accommodating elderly customers, but more needs to be done

Simon Brooke

vorDa via iStock



The UK faces a financial digital divide. We have a soaring fintech industry that puts a vast range of banking services in the pockets of millions of consumers. But as a country with an ageing population, a growing number of people say they are discriminated against and even locked out of financial services.

Older customers prefer to visit bank branches. Yet between 2012 and 2021, the number of bank and building society branches in the UK fell by 34%, according to the House of Commons Library. Across Europe, people aged over 55 make up a third of the population, while a fifth are over 65.

Finance Watch is a European non-governmental organisation that conducts research and advocacy on financial regulation. "Older people in Europe face an array of barriers when trying to access basic financial tools that keep them in the financial wilderness," it states.

"The current financial landscape puts older people at risk of exclusion. Going forward, society and policymakers alike must take into consideration how digitalisation, age limits, low incomes and gender imparity affect financial inclusion outcomes in the pre-retirement and retirement stages of life."

Younger consumers easily made the transition away from cash to digital payments, driven by the pandemic and lockdown. But older consumers have struggled. According to the Office for National Statistics, only 7% of over-70s are likely to be able to shop and manage their money online.

A fear of falling victim to fraud is a major contributor to the reluctance of many older people to embrace digital technology. According to US research, although those in their 60s make up just 11.5% of the American population, they accounted for 18% of coronavirus fraud victims. "Financial choice must be accessible to all customers, regardless of age," says Simon Hewett-Avison, director of services at UK charity Independent Age. "It can be difficult to support the continued shift to online while catering to loyal customers who prefer to remain offline. But maintaining this choice must remain a priority for the financial industry."

24%

of people will be over 65 by 2039

Office of National Statistics, 2022

Hewett-Avison welcomes initiatives such as the digital literacy programmes run by organisations that include Nationwide, Vodafone and Barclays. But more must be done, he argues.

"As the cost-of-living crisis really takes hold, the financial industry is in a unique position to signpost customers to extra support like Pension Credit," he says, pointing to a UK government benefit that tops up a person's retirement income and can open a range of other entitlements, such as a Council Tax reduction. Take-up is low, with more than 800,000 people missing out, Hewett-Avison says. "We urge more banks and fintechs to use their platform to promote this life-changing support."

The fintech firms themselves are keen to demonstrate their commitment to older customers. Monzo, for instance, offers customers telephone support and allows them to delegate their account access to a trusted third party, who can support them when needed. As well as using simple, clear language and offering an option for a larger font, the company is researching the accessibility provision of the various mobile phone suppliers. Monzo has seen its customers in the 70-plus bracket more than double over the last two years and has 300 customers who are over the age of 90.

Wise runs workshops and educational sessions in-house to increase its employees' understanding of customer needs and the situations in which they will use the app. It recently ran an 'empathy lab' where staff donned arthritis simulation gloves and vision impairment glasses to test the ease of use of its products.

> "It can be difficult to support the continued shift to online while catering to loyal customers who prefer to remain offline but maintaining this choice must remain a priority

Revolut points to the increase in its customer base among older age groups. Year-on-year, those in the 55 to 64 age bracket have increased by 128%, while numbers in the 65 to 74 age group are up 136%.

The government is not relying on fintech companies and banks to make access easier for elderly customers. The Financial Services and Markets Bill announced in the Queen's Speech has provisions designed to shore up the country's cash infrastructure. According to Economic Secretary to the Treasury John Glen: "We know that access to cash is still vital for many people, especially those in vulnerable groups. We promised we would protect it, and through this Bill we are delivering on that promise."

This debate takes place against the backdrop of the growth of AgeTech, technology that aims to help older people. In December, for instance, Amazon announced the launch of Alexa Together, which is intended to help families caring for elderly members who are still living independently but might need extra support. There is clearly potential for this and other technologies such as AI and machine learning (ML) to make banking technology easier and safer for older people.

Kalgera, for instance, uses ML to analyse financial transactions for signs of vulnerability in the user and the risk they could fall victim to scams. It also aims to help elderly customers share their financial transactions with trusted family and friends in secure, view-only mode, so they can also be alerted about risks or possible frauds.

The technology is available, the customer base is large and growing and the potential to tick corporate social responsibility boxes is evident. The challenge now is for banks and the fintech sector to meet the demand and make the most of this opportunity.