

## **Briefing: Tackling financial inclusion through the FinTech Review**

### **The FinTech Review**

The Treasury-commissioned review of FinTech, undertaken by Ron Kalifa with support from Innovate Finance, was published last week (26 February 2021). The Review explored ways in which the growth of UK FinTech can be supported and encouraged to maintain its global status, and will establish priority areas for industry, policy makers, and regulators to explore.

Five workstreams provided recommendations on: skills and talent, investment, national connectivity, policy, and international attractiveness.

The UK fintech sector is estimated to be worth around £7 billion to the economy and employs around 60,000 people up and down the UK. The Review will help to ensure UK fintech has the resources to grow and succeed, that conditions are right for the widespread adoption of financial technology, and that the UK's global reputation for innovation is maintained and advanced.

### **Tackling financial inclusion through FinTech**

A main focus for the Review should be what the FinTech sector can contribute through employment, much of it outside London and the South East, and in challenging financial exclusion. We are pleased that the Review lists one of the main prizes of a flourishing fintech sector as:

**“Inclusion and Recovery:** Supporting citizens and small businesses to access more, better and cheaper financial services – and doing so in a sustainable way to help “build back better”.

Financial inclusion is the means by which people can make their money work well for them, enabling them to maximise opportunities, move into employment, become more self-reliant, and enhance physical and mental wellbeing. Financial inclusion contributes to greater social mobility and levelling up, a more effective welfare system and greater national resilience from economic shock.

We believe that the FinTech sector can make a significant contribution in addressing the very real problem of financial exclusion. This is because, unlike many legacy financial services, their products and services can be tailored to the way that many people lead their lives today. The impact of Covid-19 has demonstrated the importance of FinTech and accelerated its adoption, with six million people downloading a banking app in the first month of lockdown. However, the Commission are concerned that there remain barriers – many beyond the scope of the Review – that inhibit progress in this regard.

There is a very real overlap between digital and financial exclusion. There is a danger that unequal access to digital infrastructure and existing and future exclusive designs may continue to drive financial exclusion and lead to a new form of exclusion. We have no publicly available robust data about people's experiences of shifting online. There are major barriers in the form of poor connectivity and consumer capability which prevent many accessing the technical solutions that could enhance financial well-being. As we look to the recommendations of the Review and beyond, investment in digital access must remain a crucial component moving forward.

As the Review points out, FinTech could and should be an important ingredient in the post Pandemic/post Brexit levelling up agenda to Build Back Better. The UK remains one of the key players at the forefront of the FinTech industry, but investment is needed to support our financial and technical talent and help contribute to employment as we begin to emerge from the pandemic.

We look forward to working with the FinTech Review team to ensure financial inclusion remains central moving forward.

We would encourage you to use the Review recommendations – and the Budget - to flag the importance of UK FinTech in providing employment opportunities, especially for young people, and reducing inequalities and exclusion.