FEB 01
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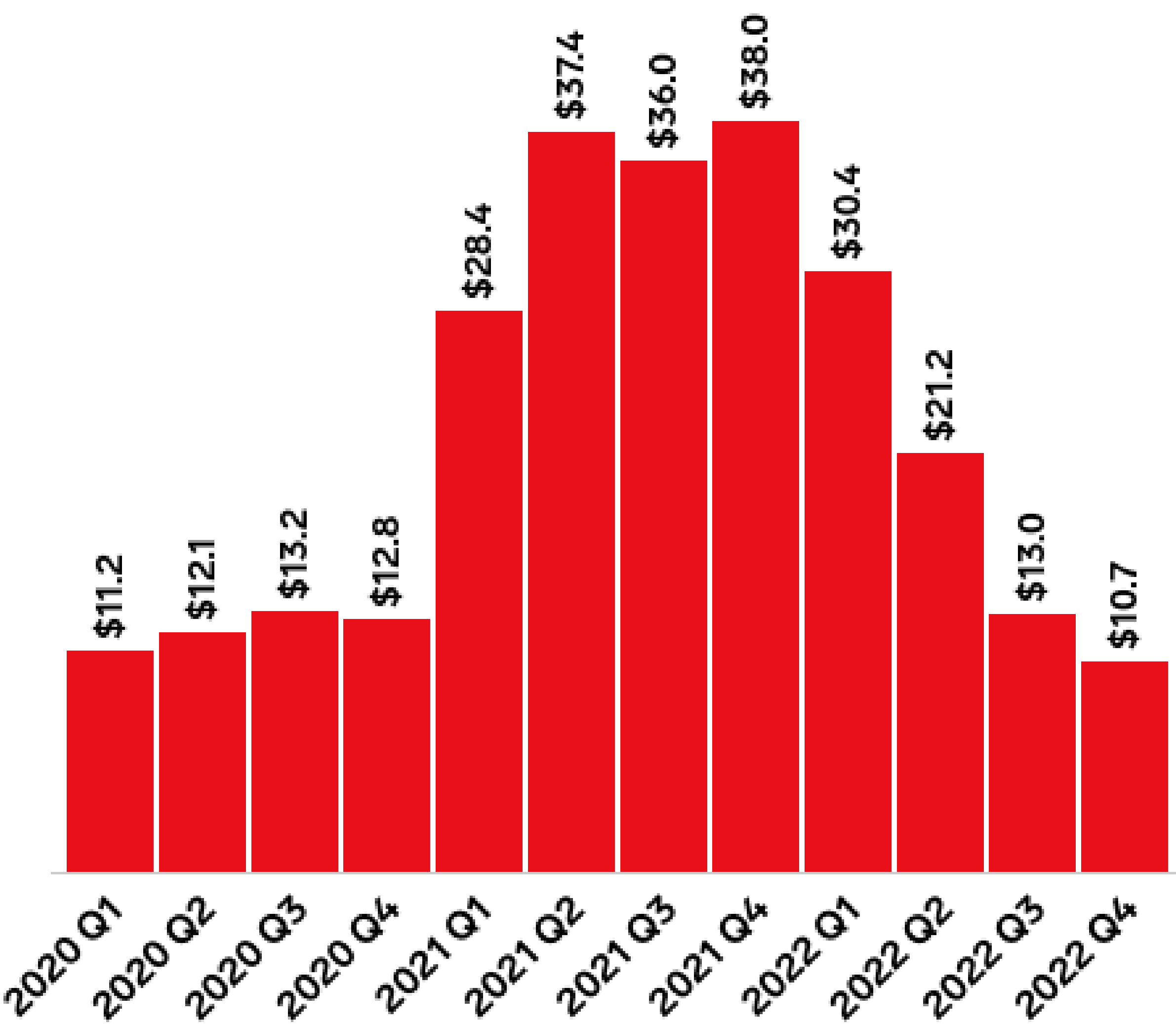
Why three fintechs attracted investment from shrinking UK funding pool

Article

The trend: UK fintech funding shrank last year but proved resilient amid a larger decrease in global investment.

- UK fintechs received $12.5 billion of investment in 2022, an **8% drop year over year** (YoY), according to industry body Innovate Finance.
- The decline was dwarfed by a **30% YoY global decrease**.
- The **UK remained second globally** in fintech investment, behind the US.

Quarterly Fintech Funding Worldwide
Q1 2020-Q4 2022
Billions



Source: CB Insights, "State of Fintech Q4 2022"

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The deals: Despite shrinking funding for UK fintechs, there's still investment to be found. These three firms all secured financial backing in the last week of January.

1. London-based **Liberis** raised €30 million ($31.5 million) in debt financing to expand across Europe, particularly in Poland and Germany. The embedded finance specialist uses machine learning to analyze small and medium-sized enterprises' (SMEs') risk profiles and maximize the amount of funding they can attract.
2. Challenger **Monument Bank** sold a 9% stake for an undisclosed sum to Dubai Investments. The lender claims to be the only UK bank focused exclusively on mass-affluent customers, offering lending and savings services digitally.
3. **LendInvest** bagged £120 million ($140.9 million) to expand in the UK mortgage market. The property-focused fintech told City A.M. it can disrupt the market by simplifying the mortgage process.

Three takeaways: Fintechs will need to work harder to lure investors amid global recession fears which have seen funding fall to its lowest level in four years. But some sectors will be less affected and standout firms can still secure funds.

1. **Disruption draws backers.** Fintechs like LendInvest are still securing funds despite the bleak UK mortgage market. That's because of its disruptive potential in a relatively stagnant industry. Fintechs that can innovate to offer customers something new can still win new users and funding.
2. **Embedded finance is proving resilience.** The comparatively upbeat funding environment for embedded finance is partly explained by expected growth: It powered around $2.6 trillion of US financial transactions in 2021, and that number is expected to hit $7 trillion by 2026, per Bain.
3. **The funding squeeze is uneven.** Monument Bank's wealthy customers are more immune to economic downturns and still need banking and investing services. Fintechs in industries more shielded from recessions will find it easier to draw financial backing and sustain growth.

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