

UK fintechs smashed funding records in 2021: Why they'll do it again this year

Article

The news: UK fintechs raised a record of more than \$11.6 billion in funds across 713 deals last year—a 217% increase from 2020, per [Innovate Finance](#), an industry body representing

UK fintechs, using data from PitchBook.

UK fintechs accounted for 11% of all deals globally, placing the country at No. 2, behind the US but well ahead of Europe and any other region.

More on this: During 2020, UK funding stagnated for the first time in years due to the pandemic and uncertainty caused by the UK's departure from the European Union. The smashed record shows that investors have fully recovered their confidence in the sector.

Data drilldown: Mammoth funding rounds drove the figures, including those of [Revolut](#), [Monzo](#), [Copper](#), [Checkout.com](#), and [Starling](#).

- Late-stage and early-stage rounds got the most funding, pulling in \$7 billion and \$27 billion, respectively.
- Growth-stage level followed with \$1.6 billion.
- By number of deals, the seed stage saw a decrease in funding (securing less than \$1 million). UK venture capital firms have [typically](#) been later-stage investors, meaning startup founders have had to rely on angel investors, bank loans, and even their own cash for early funding. In October, Clarus Investments [found](#) that UK **Pre-Series A funding peaked in 2018 at \$339.8 million** and declined in both 2019 and 2020.

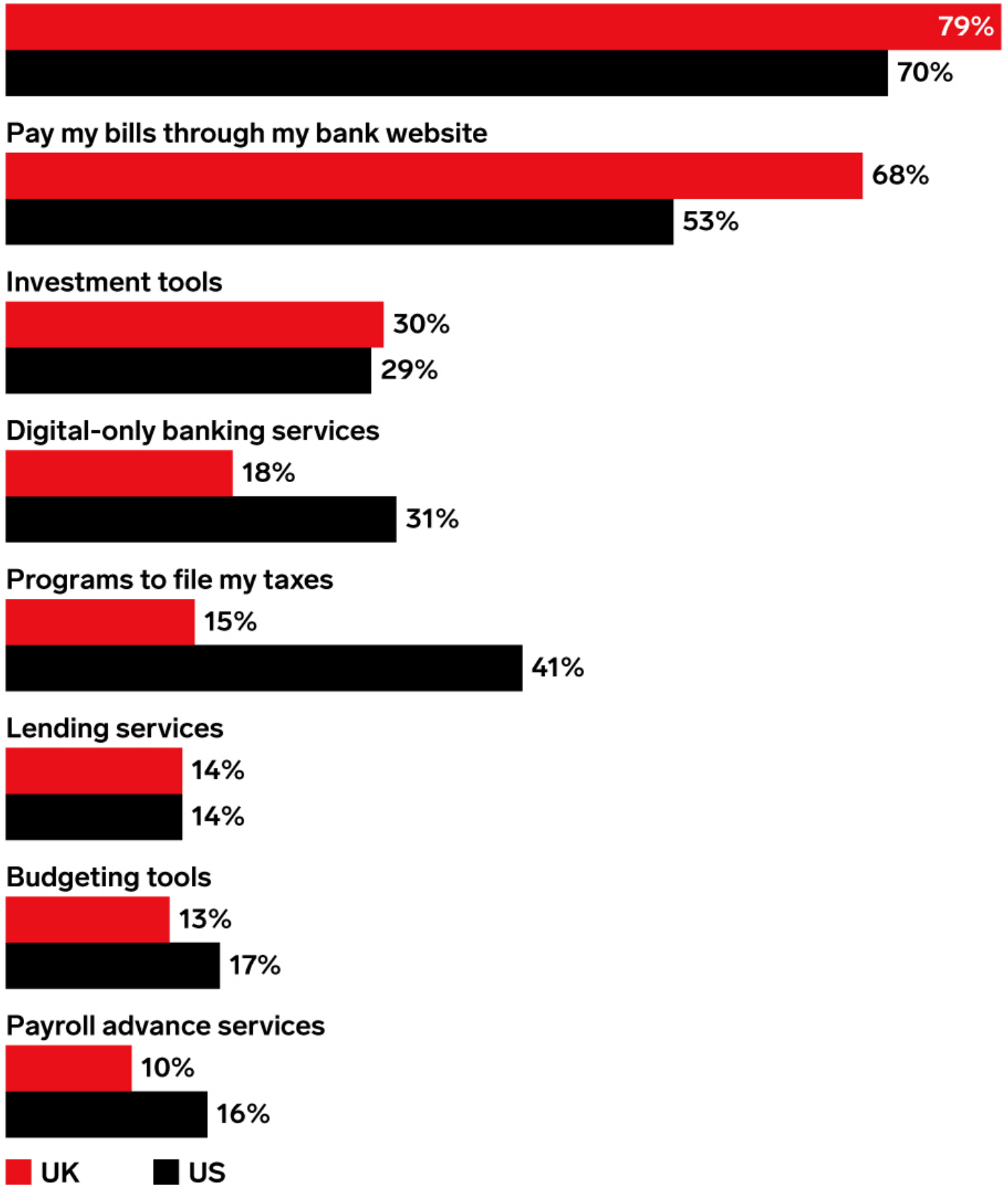
Behind the numbers: The UK's heritage as a center of global finance, coupled with a [supportive regulatory environment](#), has made the vibrant fintech scene a [bright spot](#) in its economy.

- London is home to **3,018 fintech companies**, more than in any other city globally, [per](#) The Guardian. And they focus on at least 23 different [specialties](#), including banking, regtech, insurtech, and cash flow management.
- Fintech products are used by [8 in 10](#) British citizens.

Preferred Payments and Banking Channels According to UK vs. US Fintech Users, July 2021

% of respondents

Payment services



Source: Plaid, "2021 Fintech Report: The Fintech Effect: Fintech's Mass Adoption Moment" conducted by The Harris Poll, Oct 12, 2021

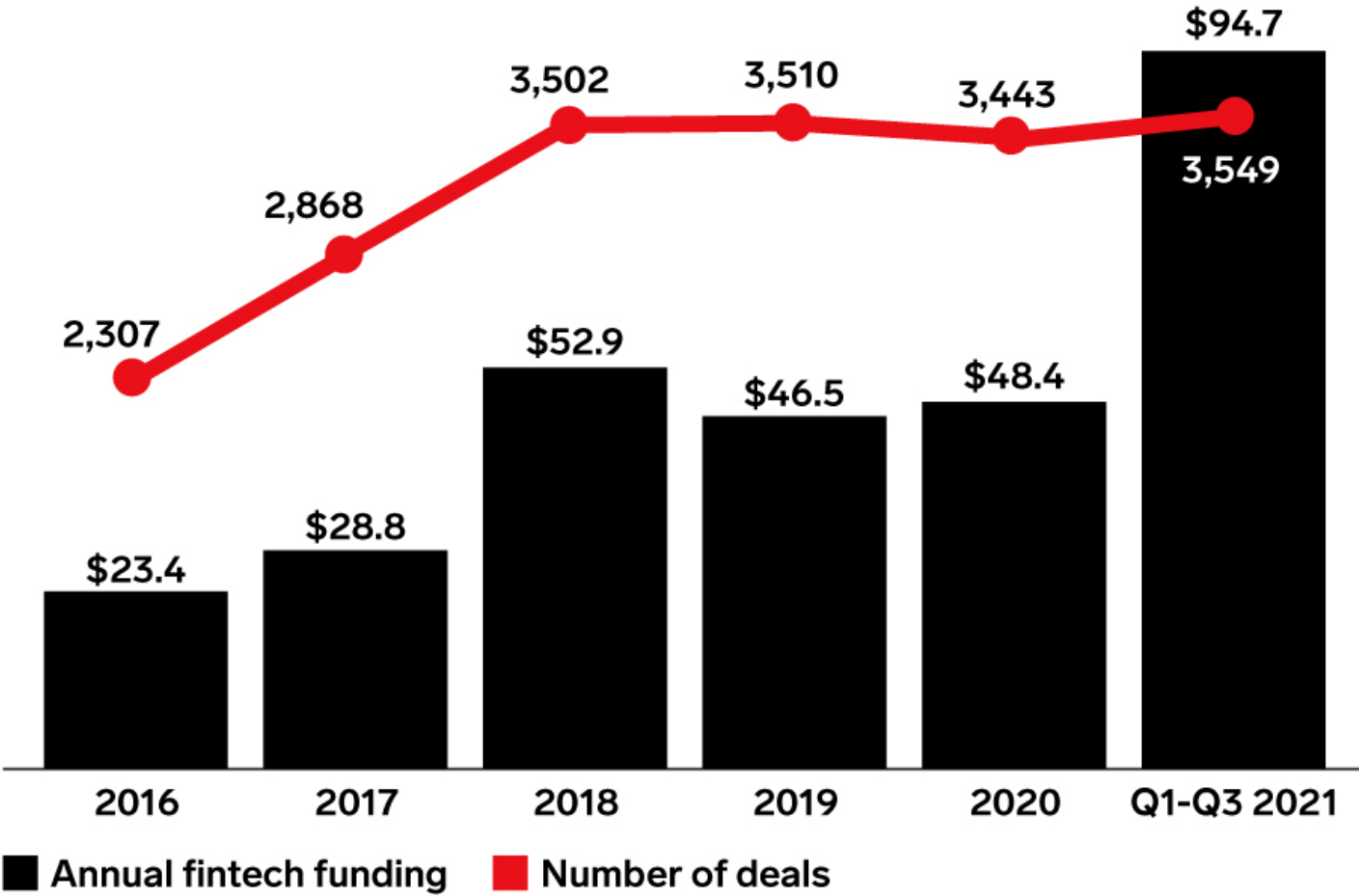
Government helps grease the wheels: The UK government wants to ensure that despite Brexit pressures, the country remains a global fintech hub and a hospitable environment for startup launches.

- The UK's regulator, the Financial Conduct Authority (FCA), has taken an active role in developing the industry. For example, it has established [a world-class sandbox](#) where approved fintech firms can test products with real consumers.
- The UK government also sponsored the [Kalifa Review of UK Fintech](#), which recommended strategies to stimulate fintech development, including a dedicated **\$1.28 billion Fintech Growth Fund** to fill the existing funding gap.
- [Tech Nation](#), a network for accelerating fintech growth, is funded by the UK Department for Digital, Culture, Media & Sport.
- The UK government also plans to support fintechs by introducing new visa routes for foreign workers, enhancing its regulatory toolbox, reforming its market-listing rules, and exploring a [central-bank digital currency](#).

Bottom line: We [predict](#) that **global fintech funding will reach a new apex during 2022, surpassing the \$150 billion mark**. Despite growth in Latin America and countries in the EU, the UK is likely to keep contributing an outside share.

Annual Fintech Funding Worldwide, 2016-Q3 2021

billions and number of deals



Source: CB Insights, "State of Fintech Q3'21 Report," Oct 26, 2021

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