# Builder.ai collapse exposes risks behind uk’s ai startup hype



The recent collapse of Builder.ai, a London-based startup once celebrated for its supposed no-code AI platform, marks a significant setback for the UK's ambition to position itself as a leader in AI innovation. Builder.ai had generated much excitement in the tech community, drawing in a remarkable $445 million in funding from major investors including Microsoft and the Qatar Investment Authority. However, the narrative of Builder.ai’s rise has taken a dramatic turn following its recent filing for insolvency.

Initially marketed as a revolutionary platform where users could assemble custom applications without coding knowledge, Builder.ai's allure prominently hinged on its purported use of artificial intelligence. Central to this was a virtual assistant named "Natasha," which was claimed to facilitate user interactions with the app development process. Yet, an investigation revealed that much of the platform's functionality was dependent on a workforce of approximately 700 human engineers, undermining the company's claims of being a cutting-edge AI solution.

Growing questions about its operational honesty began to surface in 2019 with reports that highlighted discrepancies in Builder.ai's marketing, including allegations of inflating customer numbers and using logos of companies with which it had no formal partnership. Such revelations sparked growing suspicions among investors. A series of leadership changes and scrutiny into the company’s financial practices further compounded its troubles. Specifically, severe adjustments to revenue forecasts—down by almost 25% for the latter half of 2024—painted a picture of a company struggling to meet its projections. As reported, these changes followed concerns raised by former employees regarding inflated sales figures, pressing the company to hire two of the "Big Four" auditing firms to scrutinise its finances from the past two years.

Amid these upheavals, founder Sachin Dev Duggal has also found himself navigating legal turbulence. Media sources note that he faces scrutiny related to two separate criminal cases, including allegations of money laundering. Meanwhile, there are reports of Duggal working on a plan to buy back the company amid growing concerns over his leadership. The burden of such critical challenges has led to the appointment of Manpreet Ratia as the new CEO, with Duggal stepping back to a role as 'Chief Wizard', a rebranded title reflecting his ongoing involvement without the responsibilities of daily management.

The situation at Builder.ai serves as a cautionary tale for other startups navigating the tumultuous waters of AI-driven innovation. The excitement surrounding AI technology can contribute to a rush for investment, which may obscure the need for sound operational practices and honest marketing. As reported, many startups similarly feel pressured to embrace emerging technologies to remain competitive; a sentiment echoed in a survey which highlighted that 82% of SME leaders feel compelled to integrate new tech solutions.

However, as the Builder.ai debacle shows, founders must ensure diligence and transparency when promoting their products. Blindly trusting in AI as a flawless replacement for human input can lead to significant pitfalls. While AI offers substantial opportunities for enhancing efficiency and scaling operations, the blend of human creativity and oversight remains indispensable.

As the UK government continues its push for AI innovation through its AI Action Plan, the case of Builder.ai serves as a reminder to the tech community: while the horizon of AI is rapidly expanding, it is essential to proceed with caution and a critical eye. For entrepreneurs, educating themselves on the capabilities and limitations of such technologies is crucial to leveraging them for genuine success, rather than being ensnared by the seductive allure of AI hype.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://startups.co.uk/news/builder-ai-collapse/), [[2]](https://www.ft.com/content/f41297ee-0bd8-4c9b-8b5b-04b15e30951f)
* Paragraph 2 – [[1]](https://startups.co.uk/news/builder-ai-collapse/), [[3]](https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536), [[4]](https://www.pymnts.com/business/2025/builder-ai-announces-third-party-audit-after-allegations-of-inflated-sales-figures/)
* Paragraph 3 – [[5]](https://www.ctol.digital/news/builder-ai-ceo-steps-down-new-leadership-takes-over/), [[6]](https://finimize.com/content/builderai-faces-revenue-troubles-spurs-investigation), [[7]](https://pune.news/business/microsoft-backed-builder-ai-cofounders-embroiled-in-legal-quagmire-facing-allegations-in-two-separate-cases-158438/)
* Paragraph 4 – [[1]](https://startups.co.uk/news/builder-ai-collapse/), [[2]](https://www.ft.com/content/f41297ee-0bd8-4c9b-8b5b-04b15e30951f), [[5]](https://www.ctol.digital/news/builder-ai-ceo-steps-down-new-leadership-takes-over/)
* Paragraph 5 – [[1]](https://startups.co.uk/news/builder-ai-collapse/), [[3]](https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536), [[4]](https://www.pymnts.com/business/2025/builder-ai-announces-third-party-audit-after-allegations-of-inflated-sales-figures/)

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## Bibliography

1. <https://startups.co.uk/news/builder-ai-collapse/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/f41297ee-0bd8-4c9b-8b5b-04b15e30951f> - This article discusses Builder.ai's collapse amid a suspected revenue inflation scandal, jeopardising over $500 million in investments from major firms like Microsoft and SoftBank. Founder Sachin Dev Duggal faces legal scrutiny but is reportedly exploring a buyback plan. The piece also touches on the Trump administration's aggressive moves into the cryptocurrency space and other corporate developments.
3. <https://www.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-3958536> - Builder.ai, a London-based AI startup backed by Microsoft and the Qatar Investment Authority, has revised its sales figures downward and initiated an audit of its accounts from the past two years. This follows concerns raised by former employees about inflated sales figures. The company reduced its revenue forecasts for the second half of 2024 by approximately 25% after certain sales channels failed to materialise.
4. <https://www.pymnts.com/business/2025/builder-ai-announces-third-party-audit-after-allegations-of-inflated-sales-figures/> - Builder.ai has hired two of the Big Four auditing firms to review its finances from 2023 and 2024. The audit was announced after the company lowered its revenue estimates for the second half of 2024 by 25% and after unnamed former employees alleged that it inflated sales figures. CEO Manpreet Ratia stated that the discrepancies in sales reporting could be due to discounts offered to customers.
5. <https://www.ctol.digital/news/builder-ai-ceo-steps-down-new-leadership-takes-over/> - Builder.ai has appointed Manpreet Ratia as its new CEO, replacing founder Sachin Dev Duggal, who will remain on the board as 'Chief Wizard'. The leadership change comes amid rapid growth and significant investment for the UK-based startup. Backed by major investors including Microsoft, SoftBank, Qatar Investment Authority, and Insight Partners, Builder.ai has raised $450 million in funding to date.
6. <https://finimize.com/content/builderai-faces-revenue-troubles-spurs-investigation> - Builder.ai, an AI company supported by Microsoft and Qatar Investment Authority, is encountering major revenue reporting issues, leading to an investigation into their financial practices. The company has significantly lowered its sales forecasts for 2023 and 2024 due to underperformance in key sales channels, resulting in a 25% reduction in revenue estimates for the second half of 2024. Concerns raised by former employees about these discrepancies have led to an audit.
7. <https://pune.news/business/microsoft-backed-builder-ai-cofounders-embroiled-in-legal-quagmire-facing-allegations-in-two-separate-cases-158438/> - The cofounders of AI-focused startup Builder.ai, backed by tech giants like Microsoft and SoftBank’s DeepCore AI-focused fund, find themselves in troubled waters as they face legal battles in connection with two separate criminal cases. According to reports from the Financial Times, Sachin Dev Duggal, the chief executive and a co-founder, has been implicated in an alleged money laundering case, while another co-founder, Saurabh Dhoot, is entangled in an alleged loan fraud case.