# UK venture capital faces dilemma as foreign ownership threatens its tech future



The British Venture Capital Association (BVCA) recently hosted Chancellor Rachel Reeves in an effort to stimulate the so-called "stuck" UK economy, highlighting the critical role of venture capital in nurturing innovative companies. However, the reality reveals a significant challenge: Britain has struggled to cultivate and retain high-tech or AI leaders that can flourish into global industry giants like those found in Silicon Valley. Despite a robust ecosystem at research universities generating intellectual property and patents, key firms have increasingly slipped away, often acquired by foreign entities or absorbed by private equity firms.

Prominent examples include Arm Holdings, DeepMind, and Darktrace—companies that once symbolised British tech ingenuity but have been sold off or taken over by overseas interests. This ongoing trend raises concerns about the failure of private capital to sustain these companies domestically, a situation compounded by underwhelming government support and what some describe as ineffectual business secretaries. Notably, in the cybersecurity sector, the Cambridge-based AI firm Darktrace agreed to a takeover by US private equity firm Thoma Bravo in April 2024 in a deal valued at approximately $5.3 billion (£4.2 billion). This acquisition offered a premium of over 40% on Darktrace’s recent share price and reflects continued foreign appetite for UK tech firms, even as it prompts worries about longer-term UK leadership in the sector.

Private equity’s influence is double-edged. While venture capitalists are often seen as the positive force propelling businesses forward, private equity groups have been criticised for a more extractive approach, acquiring firms only to burden them with debt, restructure, and ultimately erode their value. Examples include Advent International’s breakup of aerospace pioneer Cobham, which resulted in the UK losing control over significant flight refuelling technology. The sector’s reach extends into mainstream industries as well, with private equity ownership impacting supermarket chains such as Asda and Morrisons, as well as veterinary services, NHS surgeries, legal practices, and real estate. This widespread involvement has sparked debate over the sector's tax advantages, especially the ‘carried interest’ regime, which allows private equity moguls to avoid higher income and corporation taxes, exacerbating public concern about asset stripping and loss of domestic control.

The erosion of Britain’s pharma and life sciences leadership concerns many policymakers and industry participants. The recent cancellation of a £1 billion research centre by global pharmaceutical giant Merck is a stark example of the challenges facing the sector. Rising levies on medicines sold to the NHS—jumping from 15.5% to almost 25% with trajectories toward a 32% charge—have been cited as disincentives for investment. This has spurred warnings from the industry, including the Association of the British Pharmaceutical Industry (ABPI), that the UK risks losing its standing as an attractive location for pharma investment. Significant British firms have also been absorbed by international rivals or private equity buyers: Merck’s acquisition of Verona for £7.4 billion and America’s Danaher buying antibody maker Abcam for £4.2 billion are recent illustrative transactions.

Yet, it is not all bleak. Deep tech venture capital continues to fuel innovation in areas such as AI, health tech, sustainability, and space. London-based IQ Capital recently closed its fourth venture fund at $200 million, increasing its deep tech assets under management to $1 billion. Their portfolio boasts successful exits to major players like Oracle, Google, Apple, and Facebook, and they have invested in over 100 start-ups generating thousands of jobs. This reinforcing of Britain’s deep tech foundation contributes to the country maintaining a foothold in cutting-edge sectors, as shown by record venture capital investments in AI startups, which raised $2.4 billion in the first half of 2025—a remarkable 30% share of overall UK venture capital funding. Major funding rounds for firms such as Synthesia, ElevenLabs, and DeepMind spinout Isomorphic Labs highlight continuing vitality in the sector.

However, the overall landscape reflects a tension between burgeoning innovation and a reliance on foreign capital and ownership, with private equity’s contentious role playing a significant part. Chancellor Reeves and the Business Secretary reportedly face urgent calls to implement more robust protections, including leveraging the National Security and Investment Act more decisively, to safeguard UK strategic assets from overseas takeover and ensure that the country reaps the full benefits of its innovation ecosystem. Without decisive action, the cycle of British-origin innovations being developed abroad—rather than becoming globally dominant UK-based businesses—looks set to continue, a worrying trend for the nation’s economic future and technological sovereignty.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/44b9884b-0b7b-4cb7-b372-0b390ed96947), [[4]](https://www.the-independent.com/business/uk-cybersecurity-firm-darktrace-to-be-bought-by-us-private-equity-firm-b2535213.html), [[7]](https://www.theguardian.com/business/2024/apr/26/cybersecurity-firm-darktrace-agrees-sale-to-us-private-equity-business)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/44b9884b-0b7b-4cb7-b372-0b390ed96947), [[3]](https://www.cnbc.com/2024/04/26/uk-tech-darling-darktrace-rallies-after-agreeing-5point32-billion-sale-to-private-equity-firm-thoma-bravo.html), [[4]](https://www.the-independent.com/business/uk-cybersecurity-firm-darktrace-to-be-bought-by-us-private-equity-firm-b2535213.html), [[7]](https://www.theguardian.com/business/2024/apr/26/cybersecurity-firm-darktrace-agrees-sale-to-us-private-equity-business)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.ft.com/content/44b9884b-0b7b-4cb7-b372-0b390ed96947), [[3]](https://www.cnbc.com/2024/04/26/uk-tech-darling-darktrace-rallies-after-agreeing-5point32-billion-sale-to-private-equity-firm-thoma-bravo.html), [[4]](https://www.the-independent.com/business/uk-cybersecurity-firm-darktrace-to-be-bought-by-us-private-equity-firm-b2535213.html), [[7]](https://www.theguardian.com/business/2024/apr/26/cybersecurity-firm-darktrace-agrees-sale-to-us-private-equity-business)
* Paragraph 5 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.iqcapital.vc/news/iq-capital-raises-400m-to-invest-in-transformative-deep-tech-companies), [[6]](https://www.uktech.news/ai/ai-drives-record-share-of-uk-venture-capital-investment-20250703)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)

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## Bibliography

1. <https://www.dailymail.co.uk/money/comment/article-15089601/Reeves-predators-ball-Chancellor-end-plundering-UK-plc-says-ALEX-BRUMMER.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.ft.com/content/44b9884b-0b7b-4cb7-b372-0b390ed96947> - In April 2024, US private equity firm Thoma Bravo agreed to acquire UK-based cybersecurity company Darktrace for £4.3 billion. This deal, offering a 20% premium over Darktrace's previous closing share price, highlights the ongoing interest from overseas firms in UK-listed companies. Darktrace, founded in 2013, specializes in AI-driven cybersecurity services and plans to use the acquisition to support its growth, particularly in the US market. The deal also benefits stakeholders like Mike Lynch, who has a stake in Darktrace, despite his ongoing fraud trial related to his previous company, Autonomy.
3. <https://www.cnbc.com/2024/04/26/uk-tech-darling-darktrace-rallies-after-agreeing-5point32-billion-sale-to-private-equity-firm-thoma-bravo.html> - British cybersecurity firm Darktrace announced an agreement to be acquired by US private equity giant Thoma Bravo for an all-cash offer of $5.315 billion. The deal represents a 44.3% premium to the average volume-weighted Darktrace share price in the three months leading up to April 25, 2024. Darktrace, founded in 2013 and based in Cambridge, specializes in AI-based protection against cloud attacks for large companies and events, employing approximately 2,300 people worldwide. Thoma Bravo aims to scale the business globally through this acquisition.
4. <https://www.the-independent.com/business/uk-cybersecurity-firm-darktrace-to-be-bought-by-us-private-equity-firm-b2535213.html> - UK cybersecurity firm Darktrace is set to be acquired by American private equity group Thoma Bravo in a deal valued at $5.32 billion (£4.25 billion). The cash deal offers $7.75 per share, a 44% premium on Darktrace’s average share price over the last three months. Founded in 2013, Cambridge-based Darktrace is renowned for using artificial intelligence to detect hacks and data leaks within IT networks. The acquisition follows previous discussions between Thoma Bravo and Darktrace in 2022, which did not result in an offer at that time.
5. <https://www.iqcapital.vc/news/iq-capital-raises-400m-to-invest-in-transformative-deep-tech-companies> - IQ Capital, a leading London-based deep tech venture capital firm, has announced the final close of its fourth Venture Fund at $200 million, bringing its assets under management in deep tech to $1 billion. The firm focuses on investing in innovative European deep tech start-ups, particularly in sectors such as AI, health tech, sustainability, and space. IQ Capital has a history of successful investments, including exits to Oracle, Google, Apple, and Facebook, and has invested in over 100 deep tech start-ups, creating over 4,000 deep tech jobs.
6. <https://www.uktech.news/ai/ai-drives-record-share-of-uk-venture-capital-investment-20250703> - In the first half of 2025, UK AI startups raised $2.4 billion (£1.7 billion) in venture capital funding, marking the highest share of VC investment for the sector on record. AI companies represented 30% of all venture capital funding secured by British companies during this period, up from 13% a decade earlier. Notable funding rounds included Synthesia’s £146 million Series D, ElevenLabs’s £184 million Series C, and the £440.8 million raised by DeepMind spinout Isomorphic Labs in its first external round.
7. <https://www.theguardian.com/business/2024/apr/26/cybersecurity-firm-darktrace-agrees-sale-to-us-private-equity-business> - The Cambridge-based cybersecurity and artificial intelligence company Darktrace has agreed to a $5.3 billion (£4.2 billion) sale to US private equity firm Thoma Bravo. The cash offer values Darktrace at $7.75 per share, a significant premium over its valuation when it floated in London in 2021. Despite its advanced cybersecurity technology, Darktrace has faced challenges, including concerns related to its founding co-investor, Mike Lynch, who owns a 6.8% stake in the company and is involved in ongoing legal proceedings.