# Fintech attracts $724 million in UK amid sector evolution and regulatory shifts



The allure of financial technology (fintech) continues to captivate investors, with the sector demonstrating remarkable resilience even amid a shifting economic landscape. Recent data indicates that while the health and life sciences sector attracted a staggering $1.8 billion in equity investment during the first quarter of 2025, fintech still managed to secure a healthy $724.1 million in the UK, demonstrating its capacity to attract significant capital despite challenges. Across Europe, fintech firms raised a total of $4.1 billion, trailing slightly behind the health sector's $4.4 billion.

Historically, the fintech landscape was dominated by consumer-facing challenger banks like Revolut and Monzo, whose meteoric rise defined the initial phase of this industry. However, as the sector has matured, attention has shifted toward innovative payment solutions and backend tools aimed at enhancing operational efficiency within financial institutions. This cyclical evolution highlights a continued appetite for solving persistent issues that have long plagued traditional finance.

Jam Hammer, a partner at the venture capital firm Index Ventures, notes that the fintech ecosystem is shifting into a new wave. “Fintech has delivered breakthrough after breakthrough,” he explains. “The first wave of entrepreneurs have now graduated to become mainstream, paving the way for a second wave where operators are becoming founders.” This observation reveals a transformative journey within fintech, as seasoned professionals leverage their experiences to tackle the next set of challenges in the financial sector.

The shift in focus includes burgeoning interest in areas like insuretech and compliance technology. James Codling of VolutionVC notes significant opportunities beyond traditional financial services, anticipating substantial disruptions over the next 10 to 20 years as fintech continues to evolve and expand.

Among the innovative companies making waves in compliance technology is Duna, which recently raised $10.7 million from Index Ventures. Duna's platform is designed to streamline the cumbersome onboarding process that requires rigorous “know your customer” (KYC) checks, which can impede economic activity. Co-founder Duco van Lanschot underscores the inefficiencies of traditional methods, recalling how onboarding with a major bank took almost three months. Duna's solution utilises data from multiple sources to reduce onboarding times from several days to just a couple of hours, demonstrating that there is still room for improvement even in areas that already appear to be well-served.

Payment solutions also remain ripe for innovation. As highlighted by Bogdan Uzbekov, founder of Apron, traditional business payment processes are lagging behind their consumer-focused counterparts. With his expertise garnered at Revolut, Uzbekov aims to simplify and expedite payment operations for small businesses. “Business payments lagged behind by a decade,” he remarks. By consolidating multiple functions into a single tool, Apron seeks to dramatically cut down the time small business owners spend managing their financial obligations.

A broader analysis reveals that the fintech sector not only benefits from its own innovations but also from external drivers such as regulatory changes. The European Union is working on harmonising regulations like the eIDAS 2 directive, aiming to modernise identification requirements and promote the adoption of compliance tools across the continent. Meanwhile, UK Finance Minister Rachel Reeves has outlined intentions to overhaul existing regulations perceived as burdensome to ensure the UK maintains its status as a global financial hub. These evolving regulatory frameworks seek to provide clarity and support for fintech innovation while balancing the need for consumer protection.

Despite the momentum, there are notable challenges. The European capital markets remain fragmented and underdeveloped, hindering the continent's capacity to support local startups. Markus Villig, a prominent entrepreneur, points out that many European firms are forced to seek funding beyond local borders, particularly in the US. The European Commission has recognised the need for systemic reform, relaunching initiatives to develop a cohesive capital and investment framework. However, regional political resistance and the complex regulatory landscape continue to pose significant hurdles.

The fintech sector's longevity is bolstered by the expertise of seasoned professionals who are leveraging their knowledge to build new ventures. As Hammer notes, the sector is compounding, with advances in artificial intelligence and data analytics revealing fresh opportunities for disruption. This ongoing evolution appears set to redefine not only fintech but also its integration into the broader economic landscape, retaining a critical role in the global innovation economy.

In summary, the fintech industry's capacity to attract investments, solve complex problems, and adapt to regulatory landscapes positions it as a key player in the future economic framework. As the sector continues to mature, it will be essential for stakeholders to remain vigilant and responsive to both emerging trends and existing operational challenges.

### Reference Map

1. Paragraphs 1, 2, 3, 4
2. Paragraphs 5, 6
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6. Paragraph 10
7. Paragraph 11

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.forbes.com/sites/trevorclawson/2025/05/13/follow-the-money-why-fintech-continues-to-be-a-magnet-for-vc-cash/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/e23117c0-3fe6-4b89-b1fc-c99f49976dc0> - Europe is grappling with underdeveloped and fragmented capital markets, hindering its ability to support innovation and retain successful companies. Entrepreneurs like Markus Villig of Bolt cite limited risk appetite among European investors, pushing firms to seek US funding and listings. Despite high savings rates, Europeans invest conservatively, largely eschewing equities. The European Commission has relaunched its capital markets union (CMU) as the 'savings and investments union,' aiming to mobilize household savings, harmonize insolvency and tax laws, and improve access to capital. Persistent challenges include complex regulation, lack of a unified legal framework, and limited central supervision. Comparisons with the US highlight Europe's disjointed system and greater reliance on bank funding. Countries like Sweden exemplify successful investment cultures driven by financial literacy and public engagement. To spur change, the EU is promoting pan-European products, revisiting securitization regulations, and expanding supervisory powers. Yet political resistance and national interests remain key obstacles. Without swift, cohesive reform, Europe risks continued talent and capital flight, undermining its global competitiveness in tech, innovation, and economic growth.
3. <https://www.ft.com/content/254ce821-0d5c-4355-bcc2-cebfb9a42ca7> - Janine Hirt, Chief Executive of Innovate Finance, argues that the UK should simplify its regulatory framework to maintain its global leadership in the fintech sector, rather than dismantling it entirely as suggested by Andy Haldane. A modernized regulatory system is essential for fostering innovation, providing clarity, and building consumer trust. The UK currently leads in fintech investment, second only to the US, but faces growing competition from nations with progressive regulatory frameworks. Many existing UK financial regulations are outdated, predating modern fintech innovations like AI and open finance. Adopting so-called Regtech solutions could streamline compliance, making it more efficient and cost-effective. Post-Brexit, the UK has the opportunity to implement more innovation-friendly regulations in areas such as crypto assets and AI-powered financial services, potentially securing its position at the forefront of fintech development.
4. <https://www.reuters.com/world/uk/crisis-era-regulation-has-gone-too-far-reeves-tells-uk-finance-sector-2024-11-14/> - UK Finance Minister Rachel Reeves pledged to revamp regulations for Britain's financial sector, which she claims have hindered growth since the global financial crisis. In a speech at Mansion House, she emphasized the need to maintain the UK's status as a global financial hub and proposed five areas to drive growth: capital markets, fintech, sustainable finance, asset management, and insurance. Reeves announced that the government will publish a financial services strategy as part of a larger 10-year industrial plan. She criticized the current regulation system for its overemphasis on eliminating risk, which she believes has stifled growth. Reeves also instructed the Bank of England and the Financial Conduct Authority to align their efforts with government growth goals. Additional measures include reducing costs for finance firms, boosting capital markets, and promoting UK green finance. Opinion among financiers is mostly supportive, though some campaigners warn against deregulation.
5. <https://www.ft.com/content/ccd5ad68-9e8f-462d-ae9e-dbba2edd0d85> - La canciller Rachel Reeves ha prometido eliminar las normativas de reporte 'duplicadas e innecesarias' para las empresas de servicios financieros, modificando leyes heredadas de la UE. En una reunión con directivos de empresas fintech del Reino Unido, Reeves indicó que el Tesoro está trabajando en legislación para aliviar las reglas sobre la cantidad de datos que las empresas deben proporcionar a la Autoridad de Conducta Financiera (FCA). Esta iniciativa forma parte de un esfuerzo más amplio para simplificar la regulación en la Ciudad y así impulsar los mercados de capitales. Los servicios financieros, considerados por Reeves como las 'joyas de la corona' de la economía británica, son uno de los ocho sectores de alto potencial de crecimiento promovidos por el gobierno. La nueva legislación permitirá a la FCA eliminar normas redundantes y crear un marco regulatorio que apoye el crecimiento económico. La FCA recibe más de 7 mil millones de informes anuales sobre transacciones de mercado financiero bajo las reglas de la Directiva de Mercados en Instrumentos Financieros (Mifid), heredadas de la UE en 2018. También se están explorando maneras de mejorar la eficiencia mediante el uso de tecnología, como la inteligencia artificial y el desarrollo de versiones digitales de bonos del gobierno.
6. <https://www.ft.com/content/bbe56713-864d-41f4-99c5-b85e0bb845a5> - The UK fintech sector continues to excel despite economic challenges, with seven UK-based companies in the top 20 of Europe's Fastest Growing Companies list. Key players such as Allica Bank, Zilch, and Chip highlight the sector's success due to factors like behavior, regulation, and timing. Early digitization of money and supportive regulatory frameworks played significant roles, complemented by venture capital influx during low interest rates and the rise of digital transactions accelerated by COVID-19. The economic landscape has shifted with higher interest rates, posing new challenges for maintaining growth and profitability. Investors are now more selective, favoring high-quality enterprises, though many firms have faced valuation drops since the pandemic boom. Scaling effectively remains a constant challenge for fintech leaders, ensuring alignment across all business facets.
7. <https://www.reuters.com/world/uk/uk-financial-regulator-says-it-welcomes-focus-economic-growth-2025-01-17/> - Britain's Financial Conduct Authority (FCA) has announced plans to collaborate with the government to support economic growth. This follows finance minister Rachel Reeves' directive for regulators to eliminate barriers to growth, foster a supportive regulatory environment for investment and innovation, and focus more on growth than risk management. FCA Chief Executive Nikhil Rathi expressed willingness to take greater risks and align with the government's growth mission through to 2030. Proposals include enhancing capital investment, accelerating digital innovation, and easing regulatory burdens for startups. Notably, the FCA is considering removing the £100 cap on contactless payments to increase flexibility for businesses and consumers.