# UK regulators shift stance on stablecoins, legalise digital assets, and combat crypto fraud



The governor of the Bank of England, Andrew Bailey, has notably shifted his stance on stablecoins, now advocating for their inclusion within the UK financial system, albeit under stringent regulatory oversight. This marks a significant reversal from his previous scepticism towards cryptocurrencies. Bailey's change of heart reflects growing recognition of the role stablecoins could play in the payments landscape, particularly as 12% of UK adults—around seven million individuals—own cryptocurrencies. The UK government has concurrently taken steps to clarify the legal status and protections for digital assets, including mechanisms for inheritance, highlighting a broader effort to balance innovation with security.

Bailey publicly outlined his updated view in a Financial Times article dated October 1, 2025, stating that it would be inappropriate to oppose stablecoins categorically. He proposed that if stablecoins become widely used for payments, they should come under regulations akin to those of traditional money. This would entail depositor protections, insurance schemes, dispute resolution measures, and access to the Bank of England’s reserve facilities, thereby enhancing financial stability and safeguarding users without reliance on potentially fragile crypto exchanges. This regulatory approach is expected to be further detailed in an upcoming consultation paper from the BoE, which will clarify how eligible stablecoins might access central bank accounts.

Bailey’s softened position contrasts with his earlier reservations expressed in July 2025, when he expressed doubts about the necessity of stablecoins, citing concerns over their potential to divert deposits from banks and thus constrict credit availability. However, his more recent statements differentiate stablecoins used for payments from other crypto trading tools, suggesting a nuanced approach that recognises stablecoins as a legitimate monetary instrument when properly regulated. Bailey’s shift appears influenced by international developments such as the US GENIUS Act, which mandates stablecoins be backed 1:1 by low-risk assets, enhancing their safety and credibility. Industry voices like Janine Hirt of Innovate Finance have welcomed the Bank’s “greater openness,” though she has urged further reforms to ensure the UK remains competitive globally, including FCA guidelines expected by the end of 2026 which will govern exchanges and custody companies.

Alongside regulatory reform, legal advances address a long-standing challenge in the crypto space: the inheritance of digital assets. The Property (Digital Assets etc) Bill, introduced to the UK Parliament on 11 September 2024, formally classifies digital assets—including cryptocurrencies, NFTs, and digital carbon credits—as personal property under English and Welsh law. This legislative development, stemming from a 2023 Law Commission study, closes a critical gap by providing clear legal status and protections for owners of digital assets. It ensures such assets can be included in estates, accessible to creditors, or used as collateral, thereby reducing risk of loss and dispute. This is especially significant given the UK’s large base of crypto owners and the financial magnitude involved, with English law governing transactions valued at around £250 billion globally.

Legal experts point out that prior to this law, digital assets lacked conventional property designation, which complicated efforts to secure them for heirs or creditors. The bill introduces a distinct category for digital items, despite a somewhat broad definition that allows common law to evolve. It mandates that wills explicitly mention digital assets to facilitate their transfer, addressing the practical difficulty caused by private keys and the decentralised nature of crypto holdings. Stuart Downey of TWM Solicitors highlighted the risks involved, noting families could lose millions if inheritance mechanisms remain ambiguous. The bill also reinforces the UK’s jurisdiction over assets held by non-residents and supports the country's prominent role in international business arbitrations.

A more pressing concern overshadowing regulatory and legal reforms is the vast scale of fraud associated with digital assets and financial services. Globally, fraud losses are estimated at £4.01 trillion, with fraud accounting for 41% of all crimes in the UK. Addressing this threat, Themis acquired the AI-driven platform Pasabi in October 2025 to enhance fraud detection in due diligence and anti-money laundering efforts. Pasabi’s advanced AI monitors transactions and identifies suspicious activities in real time, a crucial capability given that Interpol estimates only 2% of illicit financial flows are currently detected. Financial institutions like Barclays and Monzo have faced significant FCA penalties for lapses in due diligence, underscoring the regulatory emphasis on robust compliance. AI solutions like Pasabi’s promise to reduce false positives by 40%, streamlining investigations and improving overall financial security.

Bailey’s regulatory openness towards stablecoins, together with legal recognition of digital assets and enhanced fraud detection measures, reflects the UK’s evolving approach to integrating cryptocurrency technologies safely into the mainstream financial system. Industry analysts note that this change is driven by the dual imperative to protect consumers and uphold market integrity while fostering innovation. A City AM study from May 2025 found that nearly half of UK millennials are interested in digital assets, underscoring the need for a regulatory framework that supports growth without compromising security.

Looking ahead, the Bank of England’s forthcoming consultation and the FCA’s evolving guidelines are expected to define clear criteria for stablecoins to operate within the financial ecosystem, ensuring they are properly capitalised and safeguarded. Meanwhile, the Property Bill lays crucial groundwork for the legal treatment of digital wealth, a foundational step as more individuals accumulate and wish to bequeath these assets. Industry figures emphasise that while technology like AI can help combat fraud and improve safety, customer vigilance remains essential to prevent loss through scams and weak security practices.

In sum, the UK is attempting to strike a balanced path that embraces the transformative potential of cryptocurrencies and stablecoins while instituting robust safeguards. The changing stance of key regulators like Andrew Bailey, the implementation of new legal protections, and the deployment of cutting-edge AI in fraud prevention collectively signal a maturing ecosystem ready to support digital finance’s next chapter.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/widely-used-stablecoins-need-be-regulated-like-money-boes-bailey-says-2025-10-01/)
* Paragraph 2 – [[1]](https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/widely-used-stablecoins-need-be-regulated-like-money-boes-bailey-says-2025-10-01/)
* Paragraph 3 – [[1]](https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/), [[3]](https://www.gov.uk/government/publications/property-digital-assets-etc-bill), [[4]](https://www.gov.uk/government/news/new-bill-introduced-in-parliament-to-clarify-cryptos-legal-status)
* Paragraph 4 – [[1]](https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/), [[3]](https://www.gov.uk/government/publications/property-digital-assets-etc-bill), [[4]](https://www.gov.uk/government/news/new-bill-introduced-in-parliament-to-clarify-cryptos-legal-status)
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* Paragraph 6 – [[1]](https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/widely-used-stablecoins-need-be-regulated-like-money-boes-bailey-says-2025-10-01/)
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## Bibliography

1. <https://prolificlondon.co.uk/baileys-stablecoin-shift-a-change-in-the-rules-as-crypto-inheritance-laws-change/> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/boards-policy-regulation/widely-used-stablecoins-need-be-regulated-like-money-boes-bailey-says-2025-10-01/> - Bank of England Governor Andrew Bailey stated that stablecoins widely used for payments in the UK should be regulated similarly to traditional banks. This includes implementing depositor protections and granting access to BoE reserve facilities. While Bailey has historically been skeptical of cryptocurrencies, he clarified in a Financial Times article that he is not opposed to stablecoins in principle. The BoE plans to release a consultation paper in the coming months outlining its regulatory approach, including the proposal for UK stablecoins to have accounts at the BoE to reinforce their credibility and monetary status.
3. <https://www.gov.uk/government/publications/property-digital-assets-etc-bill> - The Property (Digital Assets etc.) Bill, introduced to the House of Lords on 11 September 2024, aims to clarify the legal status of digital assets in England and Wales. The bill establishes that digital assets, such as crypto-tokens and non-fungible tokens, can be considered personal property, thereby providing legal protections for owners and ensuring these assets can be part of estates, available to creditors, or used as collateral for loans.
4. <https://www.gov.uk/government/news/new-bill-introduced-in-parliament-to-clarify-cryptos-legal-status> - The UK government introduced the Property (Digital Assets etc.) Bill to Parliament on 11 September 2024. The legislation aims to classify cryptocurrencies, non-fungible tokens, and digital carbon credits as personal property under English and Welsh law. This marks the first time digital assets will be explicitly recognized in British property law, granting them legal protections similar to those afforded to physical assets.
5. <https://www.reuters.com/business/finance/eu-risk-watchdog-calls-urgent-safeguards-stablecoins-2025-10-02/> - The European Systemic Risk Board (ESRB), led by European Central Bank President Christine Lagarde, has issued a warning calling for urgent safeguards on stablecoins that are only partially issued within the European Union. These concerns stem from potential vulnerabilities in 'multi-issuer' stablecoin arrangements, in which issuers inside and outside the EU collaborate. Policymakers fear this discrepancy could lead investors to prefer redeeming stablecoins within the stricter and safer EU framework, potentially causing a liquidity shortage.
6. <https://www.reuters.com/world/uk/bank-englands-ramsden-sees-inflation-falling-target-jobs-market-weakens-2025-09-29/> - Bank of England Deputy Governor Dave Ramsden expressed confidence that inflation in the UK is on track to fall to the central bank's target, citing a weakening labor market and normalizing wage growth as key factors. Speaking at a European Central Bank panel in Frankfurt, Ramsden noted that the loosening of labor conditions supports disinflation and justifies the current interest rate stance. While the Monetary Policy Committee (MPC) recently voted 7-2 to maintain the benchmark interest rate at 4%, Ramsden suggested there is room for further rate cuts.
7. <https://www.reuters.com/world/uk/keeping-interest-rates-high-too-long-is-risky-boes-breeden-says-2025-09-30/> - Bank of England Deputy Governor Sarah Breeden warned that maintaining high interest rates for too long poses risks to the UK economy, including reduced output and employment, which could ultimately pull inflation below the target. Speaking at Cardiff Business School, she countered concerns raised by fellow policymaker Catherine Mann about persistent inflation, stating that the recent rise in inflation is likely temporary and not indicative of long-term inflationary pressure.