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The Spring Budget: How does it impact fintech?

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Jeremy Hunt, UK chancellor of the exchequer, presented his Spring Budget to a raucous House of Commons earlier today.

It has been speculated this is the last budget this government will present, with the potential of a UK General Election looming.

From a fintech perspective, Hunt said the UK is on track to become the world's next Silicon Valley. This is a plan he announced in his 2022 Autumn Statement, before commenting the work is "not done" towards this goal in his 2023 Autumn Statement.

Key announcements from the budget which impact fintech:

further two years to the end of March 2026.

7. Economic Crime Levy adjustment – From 1 April, the rate at which entities with UK annual revenue greater than £1 billion, and which are regulated for Anti-Money Laundering (AML) purposes, will pay the Economic Crime Levy will increase from £250,000 to £500,000 per annum.
8. Crypto-Asset Reporting Framework – The government is launching a consultation to seek views on how best to implement the Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard. This was an announcement made at the end of last year.

Next Silicon Valley

In response to Hunt's comments, Ryta Zasiekina, founder and co-CEO of fConcryt said: "While Hunt's ambitions to attract more investment are commendable, the reality on the ground reveals a different picture. Despite the availability of early-stage funding, scaling up remains a challenge for tech start-ups in Britain, often prompting them to seek investment from the US and even relocate their businesses. This trend underscores the need for more comprehensive support and resources to foster growth and innovation within the UK's own investment ecosystem, ensuring that promising ventures can thrive and contribute to the country's economic prosperity."

Amanda Brock, CEO, OpenUK added: "The Budget hasn't delivered much upon the promise that the UK tech sector can be evolved into the next Silicon Valley - with the budget offering little to enable skills building or to build on the current tax breaks for serious investors. Although the introduction of the new £5k individual ISA for investment in the UK is a welcome concept the scale lacks the necessary vision to meet the needs of building that sector."

Babs Ogundeyi, group CEO and founder, Kuda said: "The UK is the largest tech hub in Europe and on track to become the world's next Silicon Valley. For the UK to achieve Chancellor Jeremy Hunt's aims in which innovative entrepreneurs not only start their companies here, but also stay and list here, we need to encourage fintech. Fintech and collaboration with the Government will drive growth and such growth is key to fostering a prosperous economy. A favourable regulatory environment for fintech will both cement the UK as a global leader in technology, but will also help the burden of the cost of living crisis. Financial inclusion and initiatives aimed at promoting this and digital literacy will benefit people and the economy."

Technology investment

On some of the announced investments, Matthew Hodgson, CEO of Mosaic Smart Data said: "It's great to see the government committing to the future of technology and innovation, this continued support is critical if the UK is to bolster its reputation as a hub for innovation in fintech and continue to be a leader in AI development and implementation."

Yet Jack Fletcher, head of policy and government relations (digital currencies) at R3 argued that this did not go far enough to encourage innovation: "The introduction of specific regulatory measures to guide the development of innovative tools, like distributed ledger technology, will help to distinguish the UK as a leader in initiatives such as accelerated settlement and central bank digital currencies."

He added: "The UK has made good progress with its plans for a digital pound, but choosing the right technology will be the key to its success. The government must prioritise privacy and smart regulation to realise the potential of a digital pound."

UK ISA

Postings said: "The chancellor's plans for a new UK ISA will enhance investment in UK companies and increase the levels of retail investment. We welcome his focus on promoting ownership of UK stocks and helping more people save for the long term."

Steve Watson, Director of Policy & Research at Cushon, said: "We fully support the introduction of the 'British ISA' specifically to allow savers to invest in UK plc. This move, in addition to the Mansion House Compact and new disclosure rules for Defined Contribution pensions, should both support the economy and encourage more people to save for the future."

Others were not as positive of the benefits of the ISA scheme. John Asthana Gibson, researcher, Social Market Foundation, said: "Whilst the Chancellor's aim to channel more investment into UK equities should be applauded, the introduction of a UK ISA is the wrong way to do it. Extending the ISA allowance will largely help older and wealthier people - 29% of ISA savings are held by the richest 10% of working-age adults, 74% by those in the top half. At the same time, the measure will cost the Treasury considerable sums in forgone revenue. Government support for savers should instead be targeted towards younger people on low incomes, many of whom have little or no financial savings to fall back on."

Watson added a warning: "The government must make sure that adding a new ISA does not add unnecessary complexity if it is to heightens the uncertainty for the growth of tech start-ups and the UK's position as a leading fintech and innovation hub."

This perspective was shared by Richard Hyde, senior researcher at Social Market Foundation who said the budget provided "thin gruel" for UK SMEs. He added: "If the UK wants to close the £100 billion investment gap to the OECD average, more dramatic changes will be needed. A stronger focus upon tackling the factors that constrict cash-flow for small businesses, such as late payment by customers, will make a more substantive difference – for example, giving Small Business Commissioner powers to bring actions on behalf of small businesses against late paying larger businesses.

"Similarly, encouraging SMEs to build up their reserves, which is how the majority of SMEs fund their investments, would be a better focus for policy. For instance, retained earnings allowance in corporation tax would help businesses save for the future."

This was echoed by Theo Chatha, CFO of Bibby Financial Services (BFS): "While the small business community will breathe a sigh of relief at the 2-year extension of the Recovery Loan Scheme (RLS) announced today, more needs to be done to support UK SMEs to grow and thrive amid a tough credit environment.

"We would urge policymakers and the British Business Bank to reinvigorate the underused Bank Referral Scheme to direct SMEs to alternative funding providers. Though economic forecasts are showing signs of improvement, the next six months will be critical to returning the UK to sustainable growth. Access to a wider array of financing options for SMEs must be at the heart of this."

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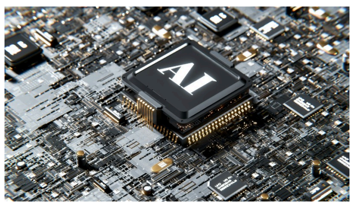

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