UK Financial Services

A data driven overview for the Financial Conduct Authority

March 2025

Beauhurst

Contents

Executive Summary

Financial services are vital to the UK economy. Private companies within the sector have a **combined turnover of £1.08 trillion** and account for almost a tenth of all jobs nationally. The City of London is recognised globally as *the* place to invest in financial services (second only to New York). UK financial services have drawn in over **£4.7 billion in equity investment** since 2011 and companies often have much higher valuations than the national average.

As a result, UK financial services are one of the fastest growing sectors of the British economy. Financial services are one of the fastest growing sectors of the UK economy. Since the foundation of the Financial Conduct Authority in 2013, the number of **active financial services companies has grown by 48%.** The rate of change is even faster for 'high growth' companies (e.g. firms which have received equity investment, are academic spin-outs or classified as scaleups).

Effective and targeted regulation has been pivotal to the success of UK financial services. But not all sectors have responded positively to new regulation. Beauhurst's report shows through case studies on three sub-sectors driving growth — Banking, Cryptocurrencies and FinTech — that companies are beginning to exit the market in large numbers following the introduction of the Financial Services Act (2021) and Consumer Duty (2023).

While many businesses agree with the underlying principles of much of the new regulation, others are concerned they increase their company's risk profile and are deterring investment. Following the launch of it's recent Strategy 2025/30, we hope the findings of this report help inform FCA policymaking in the years ahead.

£4.7 billion

Funding received by UK financial services companies since 2011

£1.8 trillion

Combined turnover of UK financial services

48%

Increase in the number of 'active' financial services companies since 2011

Methodology

Beauhurst has provided a comprehensive analysis of the UK's financial services sector (FSS) from the inception of the FCA in 2013 through to March 2025. Many traditional analyses of UK FSS focus exclusively on companies in the FCA's Financial Services Register. However Beauhurst's approach encompasses both firms on the FCA's list and companies engaged in financial services but it may not be their main line of business (e.g. consultancy).

Beauhurst has used a series of internal 'industry and 'buzzword' tags to accurately identify the cohort of UK FSS companies. To do this Beauhurst uses a combination of machine learning, human data curation and Companies House data to 'tag' companies into relevant sub-sectors outlined in Box 1.

Beauhurst also utilised additional data on the payments industry from Hackford Data. All data used in Beauhurst's analysis is correct as of March 2025.

Within the identified cohort, Beauhurst measures the activity of both 'active' and 'high growth' UK FSS companies. For the purposes of our analysis 'active companies refers to firms which are trading and regularly filed accounts with Companies House throughout the measured period.

The 'high growth' companies cohort represents firms which meet at least one of Beauhurst's in-house growth signals (e.g. received equity funding, attended an academic spin-out or is a scaleup). More information on the 'high growth' signals can be found on Beauhurst's website.

Box 1 - Beauhurst analysis sub-sectors

- **Accountancy & Tax**
- **Alternative Finance**
- **Banking**
- **Budgeting & Financial Management**
- **Challenger Bank**
- **Credit Ratings & Scores**
- **Crypto-Currencies**
- **Currency Exchanges**
- **Asset & Investment Management**
- **Digital Security**
- **Funding Platforms**
- **Insurance**
- **InsurTech**
- **Investment Banking & Corporate Finance**
- **Loans**
- **Debts & Grants**
- **Payment Processing**
- **Trading Platforms & Wealth**
- **Private Equity & Venture Capital**
- **FinTech**

Introduction

The UK is home to one of the world's leading financial services markets. Britain consistently outperforms regional peers in financial services exports, with the City of London considered the second best market for financial services globally (second only to New York). Financial services has grown exponentially over the last decade and remains a fundamental cornerstone of the UK economy.

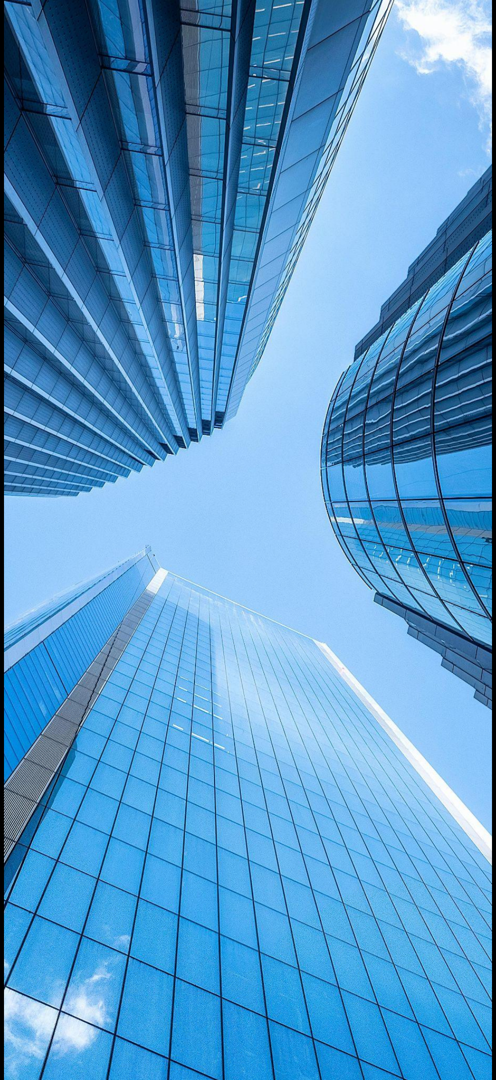
Among other factors, an effective and targeted regulatory regime has been critical to the success of UK financial services. However not all corners of the sector have responded positively to new regulations introduced by Parliament and the Financial Conduct Authority (FCA).

Beauhurst has analysed data on over 116,000 firms operating within the UK's financial services sector to provide the FCA with unique insights into the real-term effects of regulation on company performance and investment decisions. The remainder of this report provides an overview of market and fundraising trends, alongside specific sub-sector case studies outlining responses to regulation throughout the FCAs lifespan.

Sector Overview

01

The UK is home to one of the world's leading financial services sectors



There are currently 116,290 companies operating across the UK's financial services sector (FSS). Financial services companies have a combined turnover of £1.08 trillion and employ over 3.5 million people, accounting for almost a tenth of all jobs nationally (9.74%).

Despite a public perception being dominated by major high street banks (e.g. Barclays and HSBC), the UK's FSS has a higher rate of 'seed' (24.3%) and 'venture' (19.4%) stage companies than the national average.

There are also 4,563 'high growth' FSS companies operating across the UK. 'High growth' firms have a combined turnover of £74.4 billion (6.8% of industry total) and employ 347,962 people.

The number of active FSS companies identified by Beauhurst is higher than the list of firms currently regulated by the FCA. Beauhurst's classifications successfully identify companies engaged in FSS activities even if it is not their primary area of operations. More information can be found in Beauhurst's methodology (S.4).

Financial services are a major part of the UK economy

£27 trillion

Assets held by UK financial services companies

£4.7 billion

Funding received by UK financial services companies

46.5%

Financial services companies in the ‘seed’ stage of development

UK financial services companies held assets valued at over £27 trillion in 2022, more than the total assets held by all Eurozone central banks combined. FSS companies also contributed £208b to the British economy in 2023, equivalent to 8.8% of the country’s entire economic activity.

Financial services are invaluable to public finances. Taxes on UK FSS companies accounted accounted for almost a tenth (9%) of total government receipts in 2022/23 (£79.3b).

UK FSS is also a major recipient of international investment. The sector has successfully secured £4.7b through 9,579 fundraising events since 2011. The average equity stake taken by external investors during this period was 14.5%, higher than the national average. The median investment valuation for UK FSS companies was also £431,000.

High levels of investment has had a positive impact on sector valuations. UK FFS companies received an average post-money valuation uplift of 11.8%. Investment is frequently used as force accelerator within the sector. Almost half of companies receiving external funding were in the ‘seed’ stage of development (46.5%), with a further third (33.3%) classified as ‘venture’ stage firms. A significantly smaller share of funding went to ‘growth’ (12.6%) and ‘established’ (7.5%) FSS companies.

Geography of UK financial services

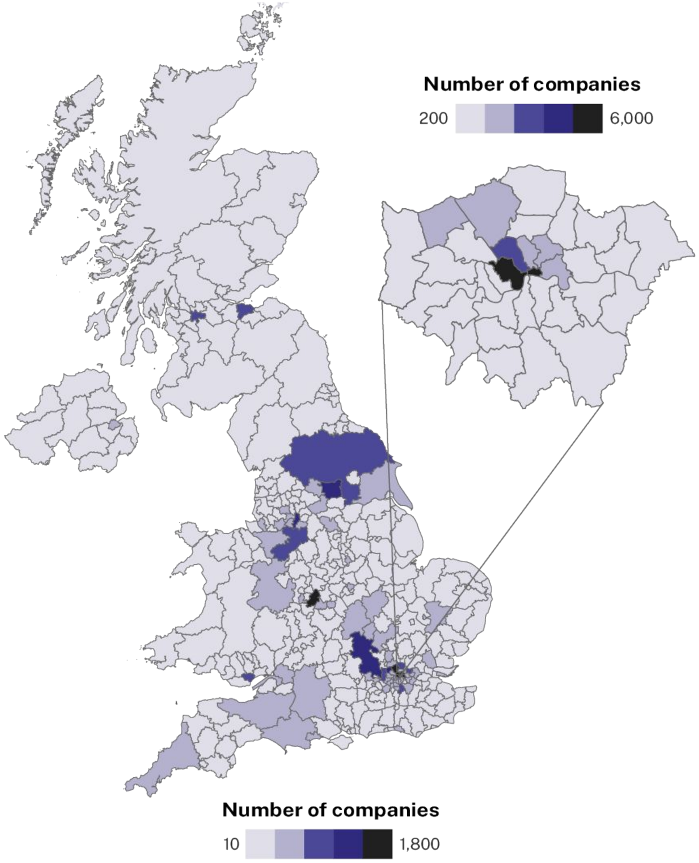
Britain has one of the most geographically imbalanced economies in the Europe. In turn, financial services are heavily concentrated in the nation's capital. 32.8% of UK FSS firms are based in London, with 5% alone based in the City of London's 'square mile'.

However there are also growing sector hubs across England's other core cities. Birmingham (+31%), Manchester (+24%) and Leeds (+20%) have experienced upticks in the number of active UK FSS firms over the last decade,

Although often centred around English cities, financial services play a key role in the economies of other 'home nations'. Wales - and in particular Cardiff - has established itself as a hub for insurance companies which account for almost half (49.6%) of sector firms in the country.

Scotland's financial services sector is gaining significant international recognition. In 2014 both Edinburgh and Glasgow were outside of the top 50 cities globally for financial services - behind Almaty and Mexico City. By 2024 Edinburgh had risen to 29th and Glasgow 32nd in part due to an efficient regulatory regime around the latters International Financial Services District (IFSD).

Figure 1: Geographic distribution of UK financial services companies (March 2025)



Source: Beauhurst

Market Trends

02

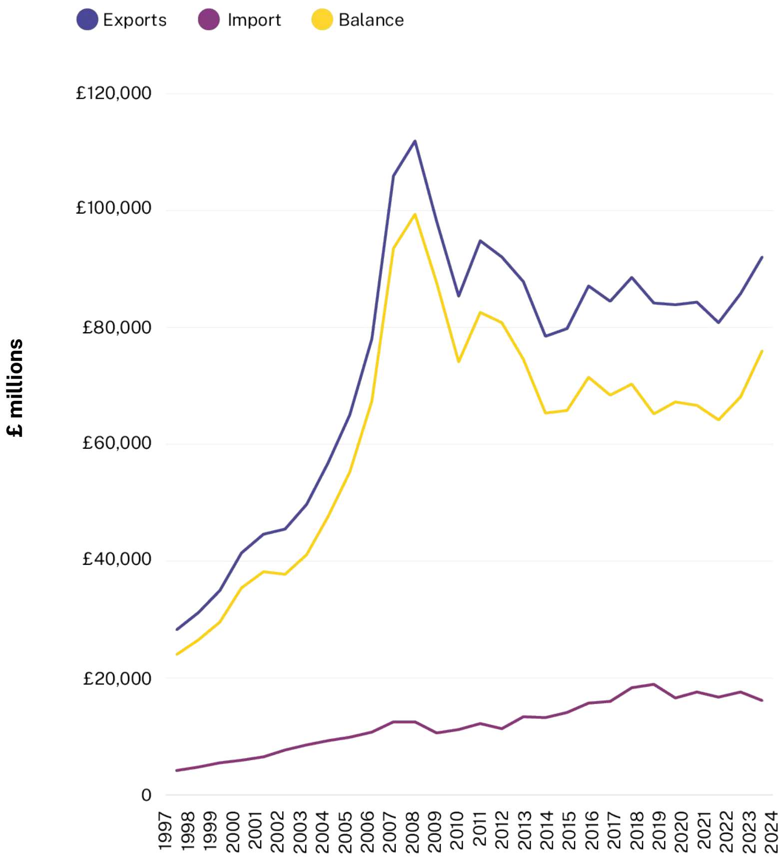
Financial services are vital to Britain's economy

Financial services are one of the UK's largest exports. Total FSS exports were valued at £91.8b in 2022/23, and remains one of the few areas where the UK retains a large export surplus (Figure 2).

Over a third of UK FSS exports (34%) were to the European Union (EU), valued at £32b in 2023. Luxembourg, France, Germany and the Netherlands are the largest recipients of UK financial services. However the US is the UK's largest export market for FSS, with trade in services valued at £29b in 2023.

The UK's export surplus has shrunk 28% since 2008. This decline has in part been driven by post-Brexit trade barriers with the EU and the rising challenger markets competing for international investment (e.g. Paris, Frankfurt and Singapore). However the UK still retains a significant share of global financial services exports, with the City of London ranked as the second best market for financial services globally - second only to New York.

Figure 2: UK Financial Services Trade Balance (1997 - 2024)



Source: Office for National Statistics

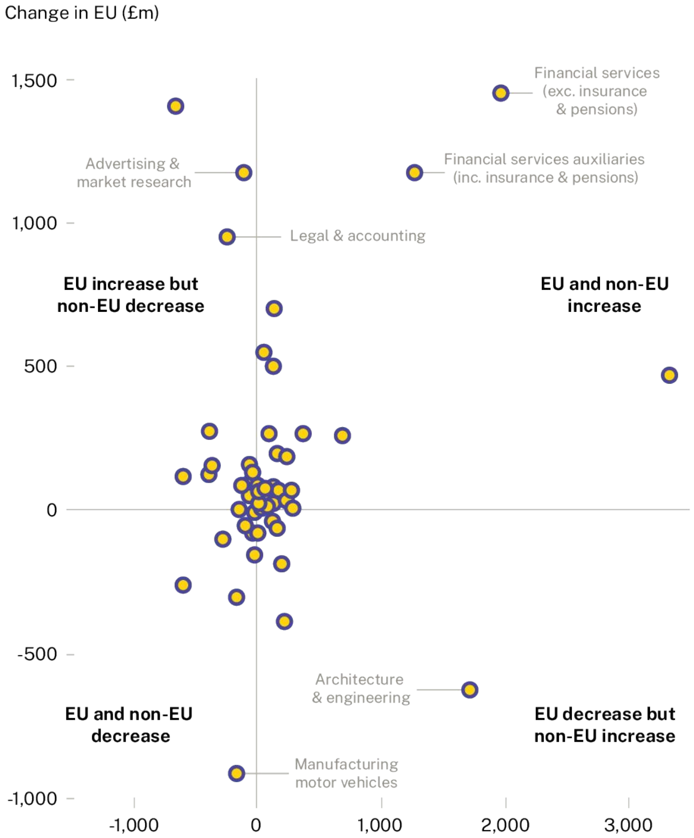
Financial services export trends

Despite the challenges posed by Brexit on cross-border trade, UK financial services have increased their presence within the European Union (EU).

As shown in Figure 3, financial services (excluding insurance and pension funding) had the largest increase in EU exports in 2018. UK FSS significantly outperformed peer sectors, such as legal and accounting services, marketing and R&D exports.

Financial services have also significantly increased their export presence amongst non-EU markets. 'High growth' companies such as Monzo and Revolut expanded their operations in Latin America, India and the United States in 2022.

Figure 3: Change in UK industry exports (EU v non-EU markets) (2017 - 2018)



Source: Office for National Statistics

International competitiveness of UK financial services

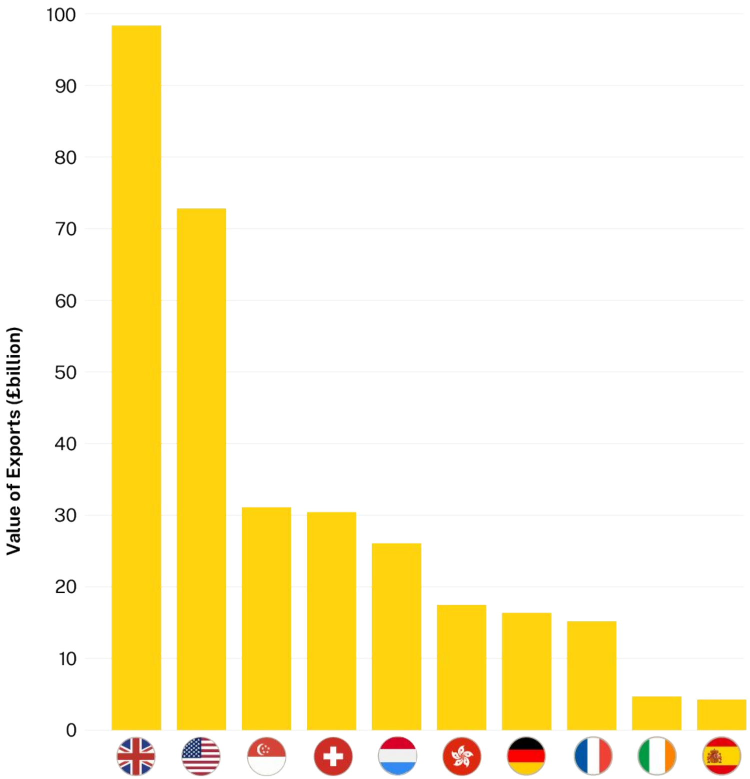
Due to a combination of targeted regulation and the City of London's innovate ecosystem, the UK remains the largest net exporter of financial services globally (Figure 4).

Taken together, the combined financial services exports of other key European economies such as Switzerland, Luxembourg, France, Germany, Ireland and Spain is still significantly smaller than UK FSS exports.

Britain remains competitive for numerous reasons. Although financial services underscores the economic 'north / south' divide within the UK, the City of London is internationally renowned as one of the best places for financial services globally. London is second only to New York in the Global Financial Centre Index (GFCI).

The City also significantly outperforms other European peer markets such as Paris (17th), Frankfurt (11th) and Geneva (15th) - further illustrating the competitiveness of the UK's financial services sector.

Figure 4: Global net financial service exports (2023)



Source: The CityUK

Financial services are also one of the UK's most productive industries

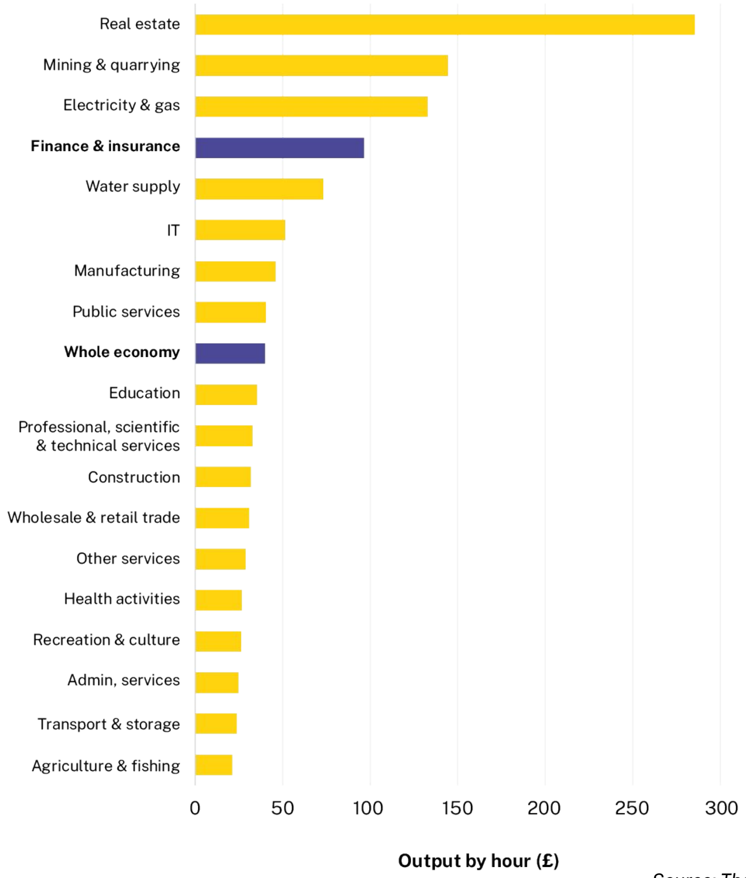
Much of the ability of the UK financial services sector's international competitiveness is built upon the high levels of productivity. In 2021 finance and insurance workers was £96.3 per hour, over double the average for the whole economy of £40 (Figure 5). A year later in 2022, financial services accounted for £12 of every £100 of economic activity within the UK.

Although Figure 5 shows industries such as 'real estate' and 'mining' have higher levels of output per hour compared to financial services, standard measures often do not account for the greater levels of risk associated with UK FSS.

However productivity is not evenly distributed across the UK. Financial services are heavily concentrated in London, which accounts for half of UK FSS output. Financial services activity and output reflects the UK's broader 'north / south' divide, with regions such as the North East and Northern Ireland each only accounting for only 1% of total FSS output.

While productivity is stagnating across the wider UK economy, financial services appears to be an outlier. Financial services Gross Value Added (GVA) was £197b in 2024, up an addition £10b compared to pre-COVID-19 levels.

Figure 5: UK output per hour by industry sector (£) (2021)



Source: The CityUK

Sector Analysis

03

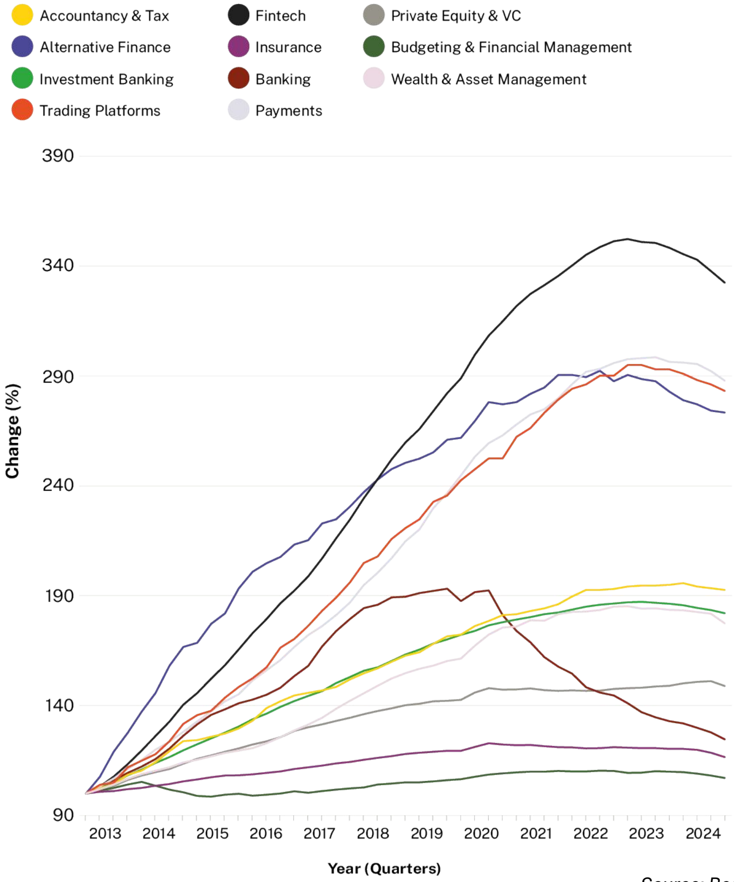
How are businesses responding to FCA regulation?

The UK's financial services sector is compiled of a wide array of complementary sub-industries which do not respond uniformly to macroeconomic and regulatory events. There are wide disparities in relation to the growth of active companies across UK FSS since the foundation of the FCA in 2013.

Although sub-sectors such as FinTech and Alternative Finance have been key drivers of UK FSS growth for much of the last decade, many others have plateaued (Figure 6). Over the same period the number of active Budgeting & Financial Management and Insurance companies have grown by only 7 and 16 percentage points respectively.

Discussions with some business leaders indicate that while many FCA regulations have been 'well intentioned' there is a prevailing sense they have increased the 'regulatory burden' on smaller 'law abiding' firms. Evidence suggests this may be a factor in high numbers of market exits and low rates of incorporations in some areas of UK FSS - especially in relation to BitCoin and Cryptoassets.

Figure 6: Number of active financial service sector companies (Q2 2013 - Q4 2024)



Source: Beauhurst

‘High growth’ company performance

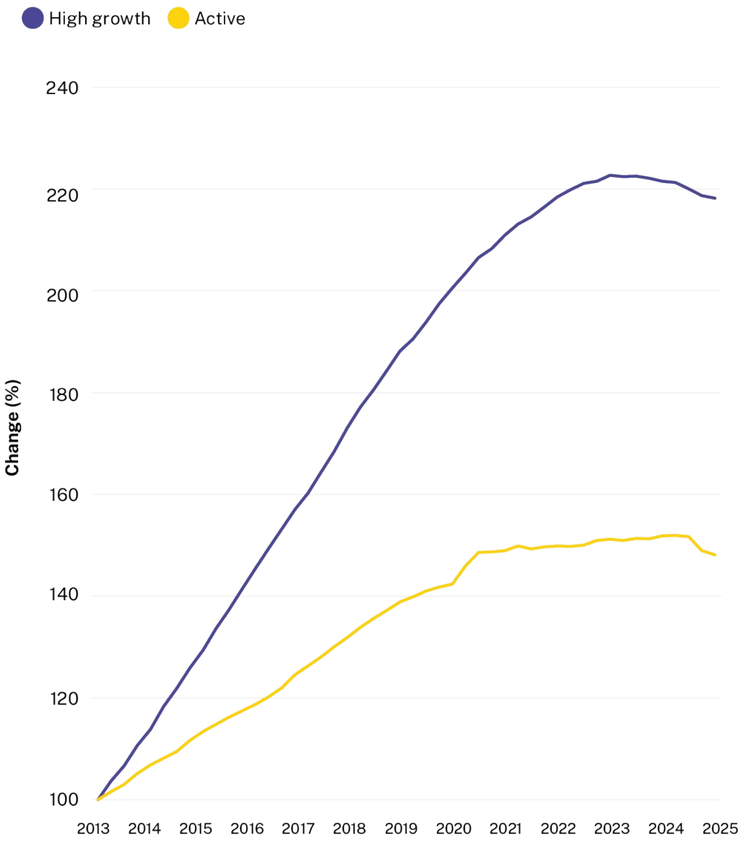
Trends within ‘high growth’ UK financial services companies have generally been more concentrated and linear. The number of active ‘high growth’ companies have grown by an average of 118 percentage points across all measured sub-sectors since the inception of the FCA in 2013.

This is a significantly faster rate of growth compared to the number of ‘active’ FSS companies which have grown by 48 points over the same period (Figure 7).

However there are similarities. High growth company trends are also driven primarily by FinTech and Payments. Likewise, Beauhurst’s data indicates that many sub-sectors are beginning to experience a higher rate of company cessations than activations - albeit at a slower rate than the wider UK FSS.

Beauhurst’s discussions with businesses indicate there are multiple causes of this downward trend. UK FSS is recording high levels of market exits in part due to the worsening global economic conditions and the impact of government sanctions (e.g. risk of penalties and greater compliance burdens).

Figure 7: Change in the number of active and ‘high growth’ financial services companies (2013 - 2025)



Source: Beauhurst

Case Studies

04

Case Study: Banking

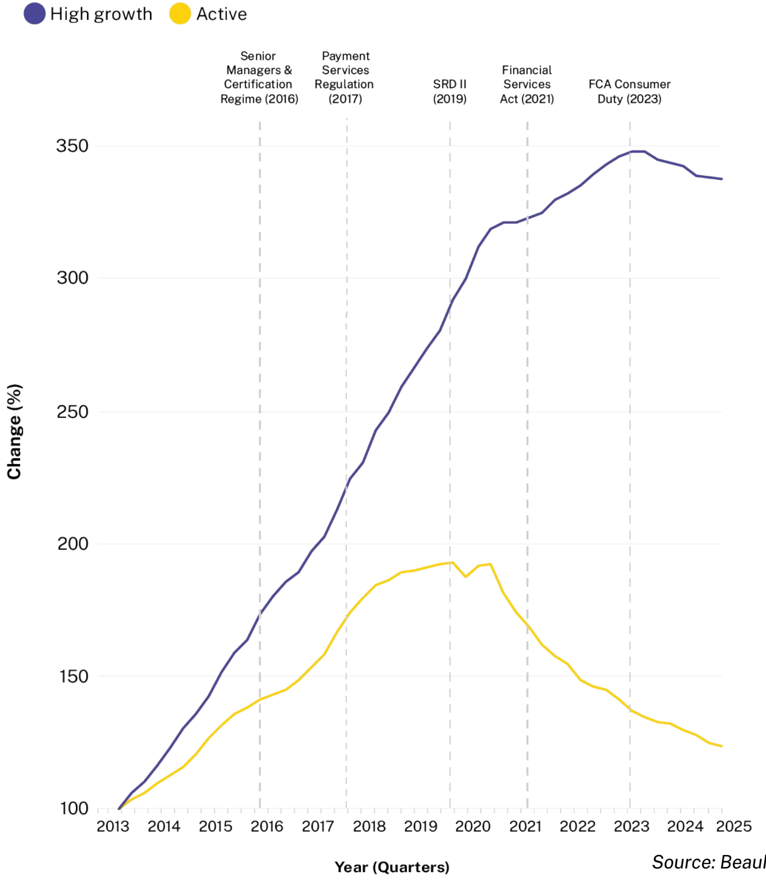
FCA regulation appears to have made a tangible impact on the growth of individual financial services companies since 2013. Both 'high growth' and active banking companies responded positively to the FCA Senior Managers & Certification Regime (2016), with significant upticks in company activations.

However there is a marked deviation between both cohorts following the introduction of the Payment Services Regulation (2017). This period saw the establishment of new nimbler challenger banks which responded well to the new regulation, whereas traditional banks struggled to adapt.

The number of active banking firms has continued to decline alongside the introduction of successive pieces of FCA regulation, specifically SRD II (2019) and the Consumer Duty (2023).

This trend was further compounded by parliament's Financial Services Act (2021). The Act also marks a turning point for 'high growth' banking companies, with the number of firms meeting Beauhurst's internal signals plateauing following its introduction. Furthermore, the number of 'high growth' banking firms has begun to decline in response to the FCA's Consumer Duty.

Figure 8: Change in the number of 'active' and 'high growth' banking companies (2013 - 2025)



Source: Beauhurst

Case Study: Cryptocurrencies

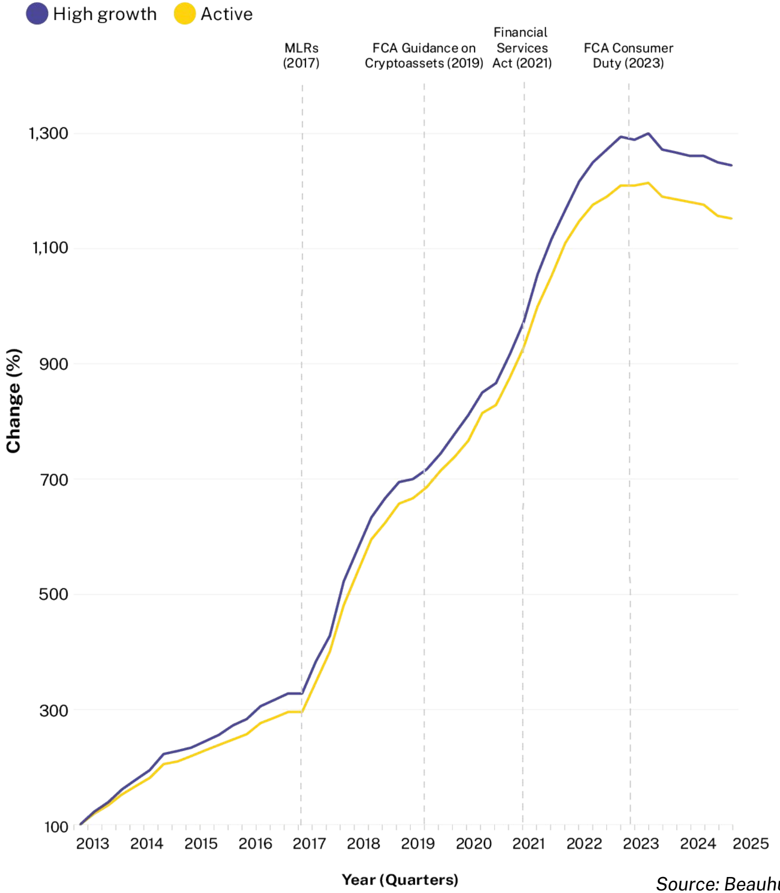
Cryptocurrencies are the fastest growing sector of the UK financial services sector. Given the relative infancy of the sub-sector, the number of active and 'high growth' crypto firms has grown in lockstep since 2013.

Unlike banking, the sub-sector has generally responded positively to FCA regulation. Cryptocurrency companies experienced two concurrent growth spurts following the introduction of the FCA's MLRs (2017) and Guidance on Cryptoassets (2019). The sub-sector's growth was further compounded by the introduction of the Financial Services Act (2021) in stark contrast to the more established sub-sectors such as banking, payments and alternative finance.

However cryptocurrency companies also experienced a similarly adverse reaction to the FCA's Consumer Duty (2023). Although not directly covered by the Duty, the FCA's regulation places an additional regulatory burden on companies through stricter rules on the promotion of cryptoassets. The greater risk profile for companies has been further compounded by the FCA's non-handbook guidance on cryptoasset promotions.

As a result many cryptocurrency companies are beginning to exit the UK market. The number of active and 'high growth' firms has declined since 2023, with world-leading VC firm a16z also closing its London office to prioritise instead on the US crypto market.

Figure 9: Change in the number of 'active' and 'high growth' cryptocurrency companies (2013 - 2025)



Source: Beauhurst

Case Study:
FinTech

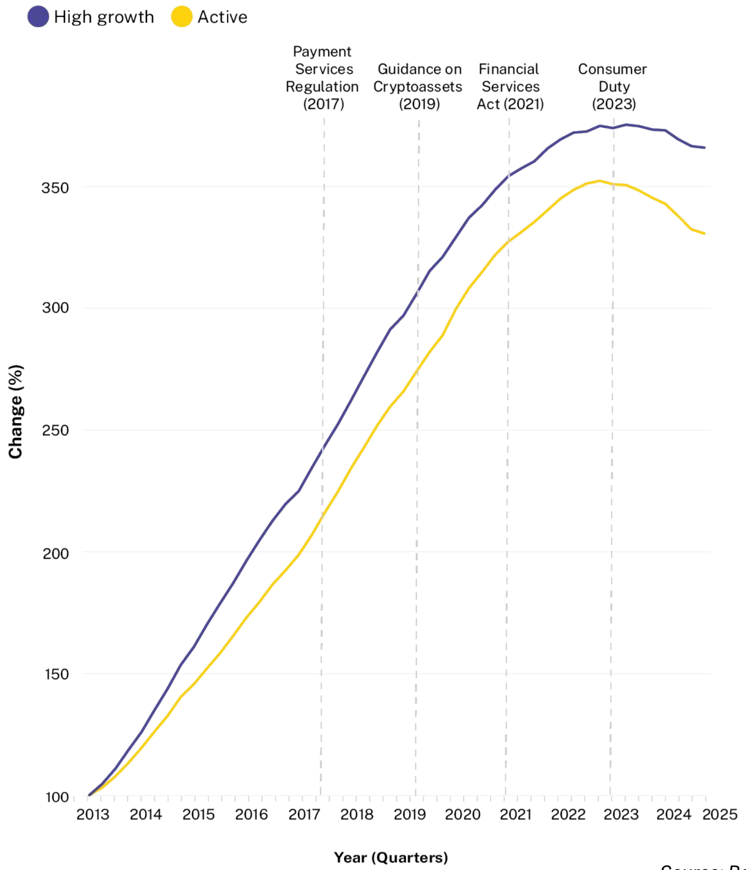
FinTech companies have been at the forefront of the UK financial service sector's growth over much of the last decade. The number of 'high growth' FinTech companies has increased over 260% since the foundation of the FCA in 2013, with the number of active companies also growing at a rapid pace over the same period.

While there are no specific FCA regulations for FinTech companies, Beauhurst's data suggests company founders, innovators and investors have responded positively to overlapping pieces of relevant regulation such as the Payment Services Regulation (2017) and Cryptoasset Guidance (2019).

Despite high levels of growth, FinTech appears to similarly affected by recent FCA and government regulations. The number of active and 'high growth' FinTech companies slowed and plateaued following the introduction of the Financial Services Act (2021). Likewise the number of sub-sector cessations have exceeded the number of new market entrants for the first time since the formation of the FCA following the introduction of the Consumer Duty (2023).

However many leading FinTech companies have directly benefited from FCA initiatives. Companies such as Laka (£25.1m) and Currensea (£11.1m) have attended the FCA Digital Sandbox and have subsequently received equity investment from external funders.

Figure 10: Change in the number of 'active' and 'high growth' fintech companies (2013 - 2025)



Source: Beauhurst

Fundraising Trends

05

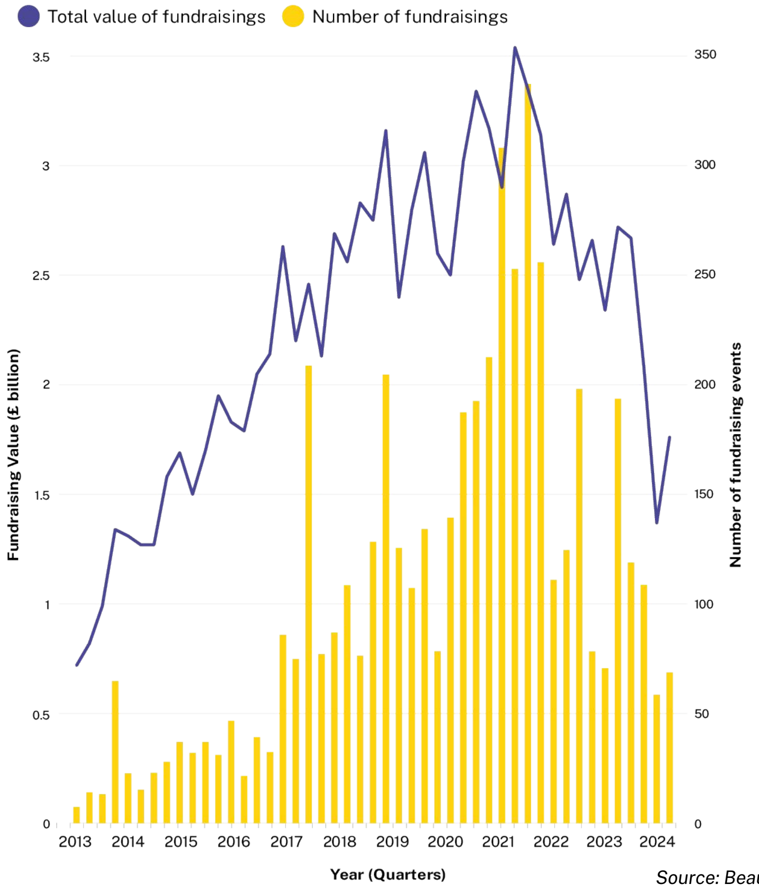
Investment into UK financial services

Financial services accounted for 26% of total fundraising secured within the UK economy in 2024. Within UK FSS most of the funding has been courted and raised by 'high growth' disruptor firms such as Monzo (£1.42b), Revolut (£1.27b) and SumUp (£771m) to accelerate growth.

The value and number of fundraising events closely reflects the regulatory environment. UK FSS experienced an upshoot in fundraising following the introduction of the FCA's MLR's in 2017 and reached record levels following the introduction of the Financial Services Act (2021). Although investment declined during the initial waves of the COVID-19 pandemic (Q1 2020), UK FSS made a rapid recovery and outperformed other key sectors of the British economy (e.g. professional services and life sciences).

However, fundraising has experienced a sharp decline following the introduction of the FCA's Consumer Duty (2023). In 2024 UK FSS recorded its lowest annualised quarterly investment rate for almost a decade (Figure 11). The number of fundraising events has also dropped to levels lower than during the COVID-19 pandemic.

Figure 11: Equity investment into private UK financial services companies (events & value) (Q2 2013 - Q4 2024)



Source: Beauhurst

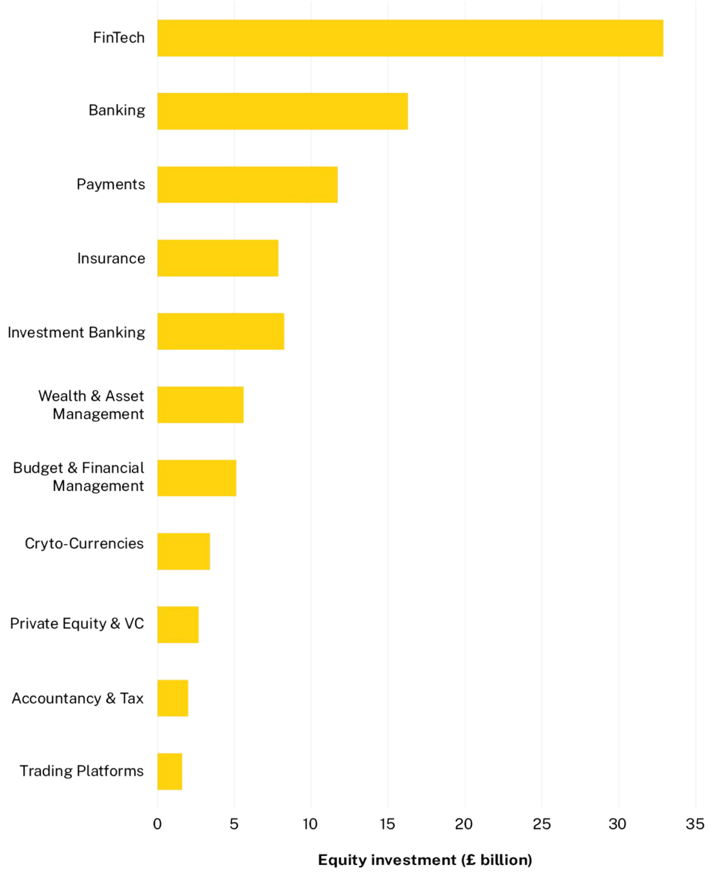
Sector investment performance

Investors look for challengers and disruptors as the 'agents of change' which can maximise their returns. In UK financial services, many investors have concentrated on the growth of 'FinTech' companies which have been the largest recipients of fundraising throughout the FCA's lifespan.

London is often hailed as the 'FinTech capital of Europe' with the city home to all of the UK's eighteen FinTech unicorns (e.g. private companies valued at over $1 billion). UK FinTech has been buoyed by active VC and Private Equity funders aiming to capitalise on the success of key challenger firms such as OakNorth Bank, Revolut, Starling Bank and Monzo.

Beauhurst's discussions with individual investors and businesses within the UK's financial services industry recognise the benefits of the FCA in nurturing the development of 'high growth' companies. Specifically, many firms have praised the FCA's regulatory sandbox as an effective mechanism for new market entrants to navigate the sector's complex regulatory environment.

Figure 12: Distribution of secured equity fundraising by UK financial services sub-sectors (Q2 2013 - Q4 2024)



Source: Beauhurst

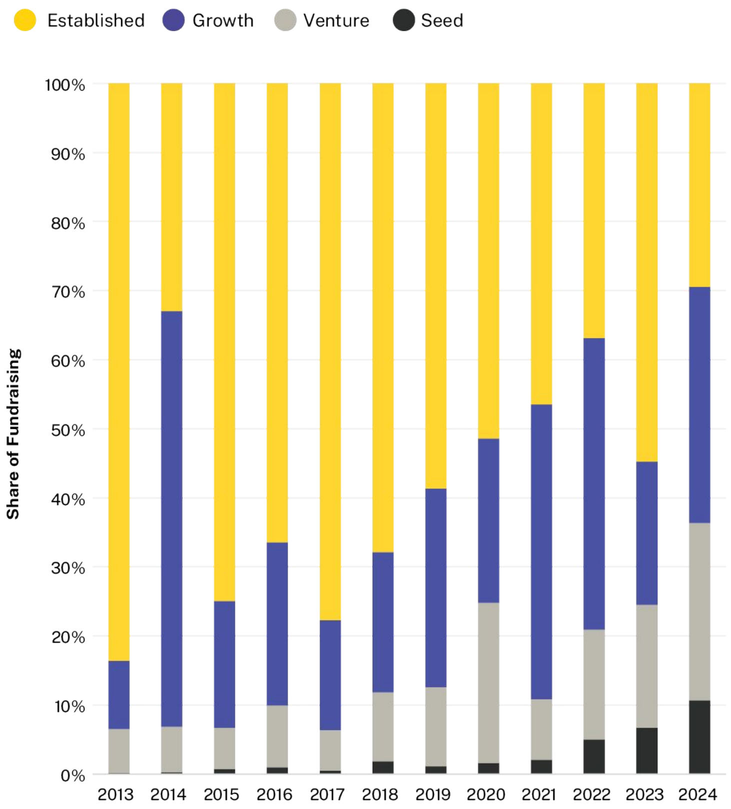
Evolution of fundraising

Established firms have consistently obtained the largest share of fundraising since the FCA's inception in 2013. However companies classified by Beauhurst as 'growth' and 'venture' stage firms have drastically increased their share of investment over the measured period. The share of investment for 'growth' stage companies has risen from less than 1% in 2013 to over 10% in 2024, with investment in 'venture' firms also growing from 6% to 25% over the same period.

The quantum of fundraising appears also to be driven primarily be macroeconomic events and regulatory reform. During the COVID-19 pandemic, investors sought to safen portfolios and were emboldened by government support initiatives for small businesses in the earlier stages of development.

Although much of this government support has now been wound up, it is clear investors are aiming to capitalise on the growth of many surviving recipient businesses.

Figure 13: Fundraising secured by stage of company development (2013 - 2024)



Source: Beauhurst

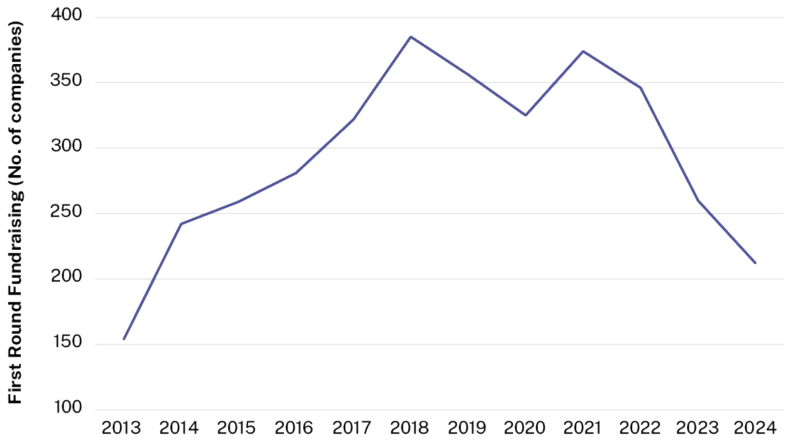
First round fundraising

212 UK financial services companies received equity investment as part of their first rounds of fundraising in 2024. This cohort of companies successfully raised £300m from investors and received an average valuation bump of 19%.

Recent fundraising continue to underscore the international attractiveness of UK financial services. Some of the largest and most active investors in first-round UK FSS firms in 2024 were Guidepost Growth Equity (US), Semapa Next (Portugal) and Söderberg & Partners (Sweden). However the average equity stake taken by investors in the last year was 14.9% - higher than the long-term sector average (14.4%). Discussions with businesses and investors indicate many are opting for safer investment terms in response to near-term geopolitical uncertainty.

Recent investment has been concentrated within new FinTech companies, which represented 43% of recipient fundraising companies in 2024. A further 8% were Cryptocurrency companies. This may reflect the rapid growth of each sub-sector in line with a 'market friendly' regulatory regime introduced by the FCA for much of the last decade.

Figure 14: First-round fundraising for UK financial services companies (2024)



Source: Beauhurst

Figure 15: Largest recipients of first-round funding (2024)

KAIZEN REPORTING	Twenty7tec	KONEXA
£42m	£16.5m	£14m

Source: Beauhurst

Conclusion

06

Conclusion

It is hard to understate the sector’s importance both in terms of jobs, opportunities and public finances. That is why fostering financial services has become central to the new Government’s ‘growth agenda’.

This report confirms many of the preconceptions about the importance of financial services, but shows the sector often doesn’t respond uniformly to new regulatory changes introduced by bodies such as the Financial Conduct Authority (FCA).

Beauhurst’s report shows that some targeted interventions such as the Payment Services Regulation (2017) and Guidance on Cryptocurrencies (2019) have often served as a force multiplier for company growth. However, other pieces of regulation - such as the Financial Services Act (2021) and Consumer Duty (2023) - have clearly impacted sector confidence and innovation company cessations overtaking activations for the first time since the establishment for the FCA.

It is clear regulation is a double edged sword. If implemented correctly - with market involvement - regulation can help ensure the UK remains one of the world’s leading hubs for financial services in the years to come.

Appendix

This research was funded as part of the FCA Economics Research Competition on growth, competitiveness and regulation in the UK financial services sector.

It may contribute to the work of the FCA by providing rigorous research results and stimulating debate. Any views expressed are solely those of the author(s) and cannot be taken to represent those of the FCA, or to state FCA policy. While the research may not necessarily represent the position of the FCA, it is one source of evidence that the FCA may use while discharging its functions and to inform its views.

To the extent that research notes contain any errors or omissions, they should be attributed to the individual authors, rather than to the FCA.

Thank you

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