Finovate Global UK: Regulatory Complexity, Tech Innovation, and Keeping Consumers Safe

David Penn
Research Analyst
Finovate

January 16, 2026

Heading into 2026, there are some challenges to banks, fintechs, and financial services companies that are almost universal. How can firms navigate regulatory uncertainty? What is the most sustainable pace for the adoption of enabling technologies like blockchain and AI—much less basic modernization and digital transformation? What do consumers expect from banks and financial services providers in 2026 and how can these institutions do a better job of serving them?

With FinovateEurope coming to London in less than a month, this week's *Finovate Global* will examine these issues in the context of fintech in the United Kingdom. Future editions will look at how these trends are playing out in Western and Southern Europe, the Baltics, as well as Central and Eastern Europe.

Navigating Regulatory Complexity: Balancing Innovation and Risk

More than a decade later, the consequences of the UK's decision to leave the European Union continue to reverberate throughout the region: and its financial sector is no exception. In the years since Brexit, the UK's Financial Conduct Authority (FCA) has created and implemented its own financial regulations, including guidelines for the use of enabling technologies like crypto assets and AI, that diverge from those in the EU.

The UK's Financial Services and Markets Act (FSMA), for example, regulates stablecoins through use cases related to payments, whereas the EU's Markets in Crypto-Assets (MiCA) Regulation, is broader, including asset-based tokens as well as e-money tokens. Policies in both regions have been credited for their emphasis on consumer protections. Nevertheless, some have suggested that the UK's approach, by comparison, is more focused on balancing innovation with risk management, in alignment with the UK's efforts to position itself as an international hub for digital finance.

Unsurprisingly, this pattern is also apparent in the differing approaches the UK and the EU have taken toward AI regulation in financial services. Whereas the UK's approach seeks to grant more space for financial institutions and fintechs to experiment with AI technologies and relies on existing regulators (i.e., the FCA) to ensure compliance, the EU approach, with its AI Act, puts a primary focus on risk management. The Act itself categorizes AI systems by "risk levels" (high, limited, minimal) and mandates risk assessments, transparency disclosures, and compliance with other technical standards.

Accelerating Technological Transformation: Early Embrace Leads Broad Adoption

The UK's early embrace of open banking has helped the region not only develop a robust open banking and finance ecosystem, but also has fueled its embedded finance industry. The combination of an active regulator in the FCA, innovations such as standardized APIs, and the availability of regulatory sandboxes have helped the UK reach a point where analysts believe its embedded finance market alone could double from 6.5 billion pounds ($8.7 billion) in 2024 to 15.8 billion pounds ($21 billion) by 2029. This far surpasses the EU's embedded finance growth expectations of $194.6 million by 2030.

While fraud and cybersecurity threats are as much a concern in Europe as they are in the UK, the UK's status as a major international financial hub also means that it suffers from a disproportionately high rate of cybercrime and fraud. Even innovations like Faster Payments have had the unfortunate consequence of making certain types of fraud—such as Authorized Push Payments (APP) scams—easier for cybercriminals to pull off. It is true that the UK does an exceptional job when it comes to fraud reporting; in the UK tracking and analyzing fraud data is more centralized compared to the EU where this data is predictably more fragmented. However, this alone does not account for the difference in fraud rates.

One area of transformation that still haunts much of the UK banking and financial services sector is the reliance on outdated infrastructure. The persistence of outdated core systems significantly limits the ability of banks and other financial services providers to innovate and scale. Successfully modernizing and digitizing their systems is key to enabling them to take advantage of some of the enabling technologies noted here: from AI and blockchain technology to faster payments and tougher cybersecurity protections.

It is true that both the UK and the EU suffer from more mainframe-based core banking infrastructure and layers of middleware than is beneficial to either region's financial sector. This is especially true when the less developed areas of both—the UK's north and the EU's east—are taken into account. What is interesting is that the demand for modernization is greater in the UK, where there is both strong pressure from regulators and from increasingly digitally savvy consumers. The dominance of a few major banks in the UK also puts significant constraints on modernization, and encourages a tendency to innovate and modernize "around the core" rather than engage in wholesale replacement.

Meeting Customer Expectations: Incentivize Innovation, Increase Engagement

The UK banking and financial services customer is sophisticated, digitally savvy, and is willing to experiment with new banking and fintech innovations across payments, lending, investments, and more. Because of this, the UK enjoys a relatively high trust in banks, creating a virtuous circle that, along with these other factors, incentivizes innovation in financial services and a higher degree of engagement among financial services consumers.

As such, it is no surprise that the chief concern for UK banking consumers is financial crime and fraud. If anything, it is refreshing that a population open to new technologies and methods in an area as delicate as finance is similarly focused on ensuring that these new financial products and services are secure. Moreover, because fraud fears are a consistent, but not necessarily dominant concern, it is worth noting that much of what drives concerns over financial crime involve recent developments such as faster payments and greater personalization. In this light, it is clear that the key to ensuring continued adoption of innovations in fintech and financial services—for individuals as well as businesses—lies in a path to adoption that is accessible, transparent, regulated, and safe.

Here is our look at fintech innovation around the world.

Latin America and the Caribbean

- Brazilian fintech Agibank filed for an IPO in the US with a goal of raising $1 billion.
- Latin American stablecoin infrastructure platform VelaFi raised $20 million in funding.
- Uruguay-based fintech infrastructure company Skyblue Analytics, secured strategic funding.

Asia-Pacific

- WeLab, a Pan-Asian fintech that operates a number of digital banks in the region, raised $220 million in a debt and equity round involving HSBC and Prudential.
- Liminal Custody, a digital asset custody firm, joined the Fintech Association of Japan.
- Temenos and Myanmar Citizens Bank partnered to fortify core banking operations and facilitate real-time payments.

Sub-Saharan Africa

- Capital.com secured a license from Kenya's Capital Markets Authority (CMA).
- Caisse des Dépôts et Consignations de Côte d'Ivoire announced an investment in local fintech GREEN-PAY.
- US fintech PayServices filed a lawsuit in US federal court against the Democratic Republic of Congo (DRC) over a failed banking and payments infrastructure modernization project.

Central and Eastern Europe

- German insurtech Enzo raised an additional €4 million in seed extension funding.
- Banking Circle opened a new branch in the Czech Republic.
- Berlin-based wealthTech NAO and ARK Invest Europe forged a strategic partnership.

Middle East and Northern Africa

- Payment orchestration platform MoneyHash teamed up with Spare to promote open banking payments in the UAE.
- Oman's first licensed payment service provider Thawani Technologies inked a Memorandum of Understanding (MoU) with Oman-based fintech Monak.
- Floss, a fintech based in Bahrain, secured a $22 million credit facility arranged by UAE-based investment company Shorooq.

Central and Southern Asia

- Leading banks in India announced a plan to deploy more than 17,000 ATMs across the country's banking network to promote cash recycling.
- Crowdfund Insider looked at how Pakistan's fintech industry is dealing with a payments ecosytems that is still dominated by cash.
- TBC Uzbekistan introduced its *TBC Plus* subscription service to expand its range of financial and lifestyle offerings.

Photo by Deeana Arts