



All Party Parliamentary Group
FinTech

FinTech: Financial Inclusion & Driving Accessible Finance

Secretariat
Innovate Finance

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Location: Committee Room 18, Palace of Westminster

Date: Monday 26th October 2015

Time: 5 PM

Attendees:

- Adam Afriyie MP, Member of Parliament for Windsor, Chair APPG on FinTech
- Tom Harrison, Parliamentary Researcher, Office of Adam Afriyie MP
- Bill Esterson MP, Shadow Minister BIS
- The Earl of Lindsay
- Amy Cochrane, Parliamentary Assistant, Office of Lord Holmes of Richmond
- Ben Cooper, Parliamentary Intern, Office of Liz Kendall MP
- Lawrence Wintermeyer, CEO Innovate Finance
- Daniel Morgan, Head of Policy and Regulation, Innovate Finance
- Janine Hirt, Head of Community, Innovate Finance
- Sameer Gulati, Policy and Research Advisor, Innovate Finance
- Claire Allington, Group- digital inclusion, Lloyds Banking Group
- Louise Beaumont, Head of Public Affairs and Marketing, GLI Finance
- Sophie Bialaszewski, Head of Innovation Culture & Events, Lloyds Banking Group
- Louise Colwell, UKTI
- Jennifer Duncan, Senior Public Affairs Manager, MasterCard
- Lisa Jacobs, Chief Strategy Officer, Funding Circle
- Natasha Jones, Communications Manager, Funding Circle
- Sam Kent, Public Affairs Associate, FCA
- Lisa Moyle, Head of Programme- Financial Services & Payments, techUK
- Mutaz Qubbaj, CEO & Co-founder, Squirrel
- Robin Rouwenhorst, Group- digital inclusion, Lloyds Banking Group
- Laura Sainsbury, Financial Inclusion Commission Secretariat
- Nick Williams, Consumer Digital Director, Lloyds Banking Group
- Shella Ali, Lloyds Banking Group`

Apologies:

- Chi Onwurah MP
- Gavin Robinson MP
- Lord Holmes of Richmond
- Nick Hurd MP
- Rt. Hon Mark Field MP

Opening Remarks: Lawrence Wintermeyer, CEO

- Innovate Finance, the secretariat for the APPG on FinTech, looks to communicate the role FinTech can play in re-shaping the landscape of financial services, and seeks to represent a wide range of stakeholders, from pre-seed startups to large financial institutions.

Welcome: Adam Afriyie MP

- The APPG on Financial Technology will look to support the development of the growing FinTech sector in the UK, and will seek to address several areas of interest for consumers, citizens, and businesses, including (but not limited to):
 1. Digital Currencies
 2. Peer-to-peer lending
 3. Mobile banking
 4. Payment innovations (such a remittances)
- Given that approx. 1/3 of UK GDP is generated from the Financial Services industry, it is clear that financial technology can play a transformative role in shaping this sector, where access to finance and financial inclusion lie at the heart of democratising financial services for all citizens.
- The following businesses will discuss some of the key issues, challenges and solutions aimed at promoting financial inclusion both here in the UK and abroad:

Mutaz Qubbaj, CEO & Co-founder, Squirrel

- Squirrel is a financial well-being platform, which aims to help those who are financially excluded (see attached briefing for more information).
- Some of those vulnerable individuals are currently being subjected to high cost short-term loans at APR rates of between 2,000 to 6,000%.
- It is in this context that Squirrel seeks to provide a responsible alternative for individuals to manage their finances, who may not have the capacity to do so.
- According to interviews conducted by Squirrel, there are two key issues which “keep people up at night”:
 1. People find it difficult to save when they have access to their money
 2. People want to know how to best deal with their financial commitments
- The problem is that there is always “more month than money”.
- Squirrel’s solution is to enable people to become more financially resilient and does this by partnering with employers to allow individuals to save directly from their payroll, prior to gaining ‘access’ to their money.

Jennifer Duncan, Senior Public Affairs Manager, MasterCard

- MasterCard are a payments and technology company that has been around for 50 years and is present in 210 countries.
- They have sought to enhance their innovation and financial inclusion activities, for example by setting up their first R&D centre in Nairobi, Kenya.
- MasterCard's vision is to reach 500 million people previously excluded from financial services by 2020.
- Here in the UK, 2 million people remain unbanked, with 50% of them self-selecting. Moreover 13 million people in the UK could not support themselves through their savings for one month if they experienced a 25% reduction in income.

Lisa Jacobs, Chief Strategy Officer, Funding Circle

- Technology broadly represents a huge opportunity to enable inclusiveness, for example, the rise of e-commerce has enabled individuals to access goods more transparently, from a variety of platforms such as Amazon and eBay.
- A similar opportunity is present in the small business marketplace. For example, following the financial crisis traditional financial institutions retrenched from lending. This presented an opportunity for alternative finance providers to help an underserved SME market.
- Moreover alternative finance providers seek to compete on service, where for example on average it may take 2-3 months to process a loan, according to Funding Circle 60% of loan applications are made to their platform outside of business hours-enabling a more expedient service.
- The result is that Funding Circle lent £850 million to 12,000 businesses, of which 1/3 thought they would not be able to access finance elsewhere.
- The impact of gaining access to alternative finance is tangible- where businesses, which received such financial assistance, were able to go on and employ 3 additional people.

Nick Williams, Consumer Digital Director, Lloyds Banking Group

- The face of the banking industry has changed with customers now choosing to bank in new ways. This means that finance has to adapt to keep up with rapidly accelerating customer and technology-driven trends.
- For example, Lloyds banking group now has 11 million digital users- 6 million of which are mobile users. Moreover, 4,000 users per minute log on to manage their finances at midnight.
- Whilst digital can bring increased prosperity to many, it can also work against those who are left behind, either due to a lack of basic digital skills, or a poor understanding of online opportunities, or those unable to make use of core banking services and are therefore financially excluded.
- As a result Lloyds underwent a digital transformation- having invested £3/4 billion and committing to another £1 billion over the next three years. This investment has enabled a culture of innovation to prosper, where more than 50 innovation ideas have been built and tested with customers this year alone.

- To reach those who may be financially or digitally excluded (e.g. the 10% of the UK population of adults who have never used the Internet), Lloyds has focussed on a number of initiatives:
 1. Recruiting 20,000 Digital Champions amongst Lloyd's employees by 2017- to help customers, friends and family get more out of being online. E.g. when people do have basic digital skills, they can save up to £500 per year from shopping and paying bills online.
 2. Building collaborative partnerships:
 - a. Working with the Government Digital Service on inclusion strategies
 - b. Board partner of Go ON UK- helping to improve digital skills of individuals, small businesses and charities.
 - c. Working with the Tinder Foundation: to create a training programme for Lloyds employees, 8,000 of whom have pledged to become a digital champion.

Louise Beaumont, Head of Public Affairs and Marketing, GLI Finance

- Promoting awareness of alternative finance for SMEs could be worth an additional £20 billion to the UK economy by 2020. This diversification in the lending market could also promote competition in banking, where for example the top four banks in the UK account for 80% of business current accounts (and 70% of consumer current accounts).
- Similarly for SME lending alternative finance accounts for less than 2% and the top 4 banks account for 80% of the total.
- One solution which is already making it's way through the legislative process is the Small Business, Enterprise and Employment Act which mandates that the UK's largest lenders refer details of SMEs whose loan application is denied to online platforms for alternative finance.
- GLI Finance also suggests raising awareness amongst SMEs for access to alternative finance may create a structural shift in the credit ecosystem and builds on similar campaigns for Road Tax, Income Tax and Pensions.
- According to research conducted by the Cambridge Centre for Alternative Finance access to alternative finance solutions (in this case peer-to-peer lending), based on a survey of 536 businesses, led to:
 1. 53% of the businesses reporting an increase in employment
 2. 63% reporting an increase in net profit/net income
 3. Nearly $\frac{3}{4}$ of businesses reporting an increase in turnover since receiving funding

Q&A

- Targeting behavioural change may be essential to changing consumer habits and encouraging great financial resilience. For example, individuals may not see the benefit of pensions savings in their early 20s, as there is no short-term tangible benefit. However, getting consumers used to savings goals, may take them from the journey of essential habits to aspirational ones.
- Building upon this is the idea that whilst individuals' behaviour may change, financial needs may not. For example, individuals still need mortgages, loans, savings etc. the key is how people are able to access these financial services and by keeping financial issues simple enough to be understood by all citizens.

Next Steps

- Keep an eye on the upcoming list of meetings for the APPG on FinTech which will seek to cover a range of issues from the application of Blockchain technology to digital currencies and the regulatory framework required to drive innovation in FinTech.
- We also intend to produce a report in the new year setting out the APPG's policy agenda.



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