No Country For Young Fintechs: The U.K.'s Debanking Of Crypto Blockchain And Web3

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Covering fintech, crypto and digital assets, and sustainable finance.

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Access denied rubber stamp. GETTY

A survey of U.K. fintech and crypto firms found that 50 percent of the firms surveyed have been rejected from opening a bank account or had an account closed by a major U.K. bank. Only 14 percent managed to successfully apply for a bank account with one of "the CMA 9" - the nine biggest mainstream banks in the U.K. - without it being closed at a later date.

These figures will shock policymakers following a decade of promoting the U.K. ecosystem as the global home of fintech and crypto, as well as the new Labour Government, with its stated intention of supporting innovation and digitization.

The lack of access to this basic universal service has meant that firms from across the fintech, crypto, blockchain, and Web3 ecosystems have faced challenges in innovating and scaling, limiting their capacity to introduce new products and services while remaining competitive on a global scale.

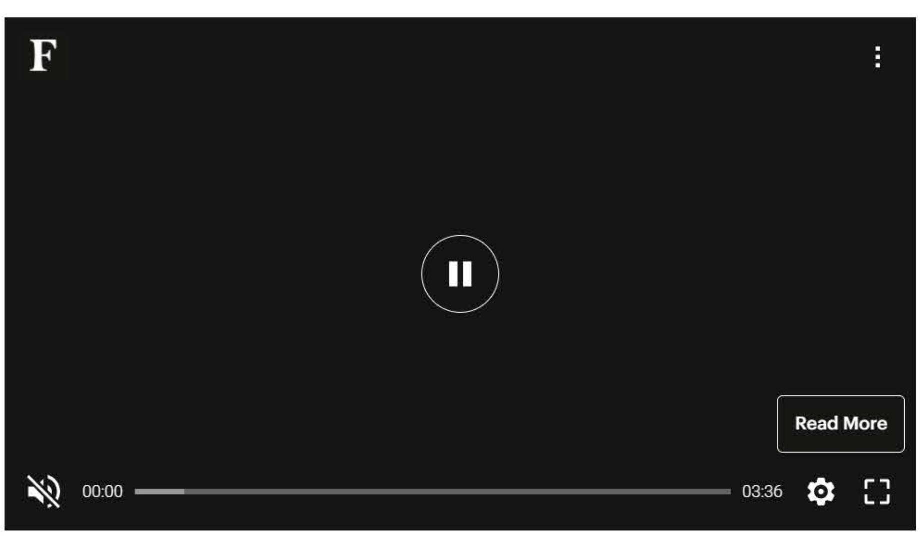
Katie Harries, who leads Stand With Crypto's U.K. initiative commented, "The growing difficulties firms face is a huge barrier to growth. It's not an issue reserved for start and scale-ups but also one medium and large companies face too. We are hugely supportive of Labour's ambitious growth and investment plans but we currently have a situation where some of the U.K.'s most innovative companies are effectively being deprived of access to basic banking services – hampering these objectives."

The survey, conducted by the Startup Coalition , the U.K. Cryptoasset Business Council (UKCBC), and Global Digital Finance (GDF) found that 81 percent of respondents were legally based in the U.K. with 98 percent having activities in the U.K.

"These challenges pose a significant threat to the U.K. Government's ambition to lead the global race in digital assets, as highlighted by the City Minister in a recent speech. Without meaningful action and progress in tackling barriers such as this, this vision will fall short," commented Simon Jennings, executive director of the UKCBC.

Regulatory Roadblocks And Risks

On the debanking crisis, the U.K. Financial Conduct Authority (FCA) stated in their report in September last year, "given the limitations of the data, [they] had not been able to draw detailed conclusions on the types of personal or business customers affected by suspensions, terminations and declines."



One firm surveyed and rejected by HSBC indicated on their survey response that they were "[rejected because of our] business profile (despite that we are an FCA Regulated firm)."

The survey found 81 percent of firms agreed that difficulties accessing banking services are a significant barrier to their company succeeding in the U.K. and 70 percent had found that this made it more likely they would leave the U.K.

"This obstacle has pushed many U.K. based firms to consider expensive alternatives like setting up accounts in locations such as Estonia, Poland, and Bulgaria," says Marcus Foster, head of policy campaigns at the Startup Coalition.

Adds Foster, "In the absence of adequate banking services, these firms are being pushed to seek out riskier financing and banking options. This also makes the U.K. a less attractive place to found a crypto or Web3 startup."

What Can The U.K. Learn From Other Countries?

In France, the law governing cryptoasset regulation has a specific provision for the treatment of Virtual Asset Service Providers (VASPs) or crypto-related businesses, to ensure that they cannot be discriminated against in terms of banking services. The law specifically states that they cannot be denied a bank account by virtue of being a designated VASP.

Elise Soucie, executive director of global policy and regulation at GDF says, "Beyond France, other jurisdictions have implemented clear policies to enable access to banking for fintechs. For example, the Hong Kong Monetary Authority has issued guidance stating that banks should endeavour to support licenses virtual asset service providers (VASPs) their legitimate need for bank accounts in Hong Kong, and the incoming U.S. administration has also made it clear that they plan to support the crypto and broader tech industry."

The U.S. crypto industry was prepared, to some extent, for regulation by enforcement in 2023, following the collapse of FTX, but evidence of Operation Chokepoint 2.0 sent a chill down the spines of crypto CxOs and financiers. Yet, in the past year, with Blackrock and a growing list of financial institutions launching hugely successful bitcoin ETPs and strong crypto overtures from a new incoming U.S. administration, positive changes appear afoot in the U.S.

In public remarks leading up to the election, President Elect Trump made his stance clear vowing to create a "bitcoin and crypto presidential advisory council." A promise he has already delivered on with the nomination of David Sacks, the crypto and AI czar and Bo Hines as executive director of the incoming administration's new "Crypto Council."

"The rules will be written by people who love your industry, not hate your industry," stated Trump.

MoneyLion, a fintech platform focused on personal finance, has partnered with Beast Games, created by the popular YouTube personality MrBeast. This partnership includes the MoneyLion Beast Games Giveaway, a $4.2 million sweepstakes with over 1,000 prizes. Users can participate for free, with additional entries earned through daily logins on the MoneyLion app. By integrating gaming and financial tools, this collaboration combines entertainment with tangible financial rewards, making the platform appealing and engaging for users.

The partnership with Beast Games is an example of how fintech companies are collaborating with entertainment and media brands to expand their reach. By associating its platform with a widely recognized and trusted influencer like MrBeast, MoneyLion not only enhances its brand visibility but also appeals to a younger, entertainment-driven audience. This innovative strategy highlights the versatility of gamification as a tool for customer acquisition and retention in the highly competitive fintech market.

Why Gamification Works

Gamification works by making financial tasks feel less like chores and more like enjoyable challenges. Enhanced engagement is one of the primary outcomes of this approach. Gamified features, such as progress bars, daily rewards, and competitive leaderboards, keep users motivated to interact with the platform. For example, users may feel incentivized to log in daily, complete challenges, or reach milestones to unlock rewards, creating a habit-forming loop that strengthens their connection to the app.

Behavioral nudging is another significant advantage of gamification. By rewarding positive financial behaviors—such as saving consistently, investing wisely, or improving credit scores—gamified platforms encourage users to make better financial decisions. This approach not only benefits the individual user but also aligns with the broader mission of fintech companies to promote financial well-being and literacy.

What Lies Ahead for Gamification in Fintech

Gamification in financial services is evolving at a rapid pace. New technologies like artificial intelligence (AI) are shaping the next generation of interactive tools. These tools focus on personalizing user experiences, making financial management more accessible and engaging.

Partnerships between fintech and gaming companies, such as the MoneyLion-Beast Games collaboration, are likely to become more commonplace, driving both innovation and market growth. These collaborations not only expand the reach of fintech platforms but also open new avenues for integrating entertainment and financial services. By staying at the forefront of these trends, fintech firms have the opportunity to redefine customer engagement and set new benchmarks for success in the digital economy.

Gamification is more than just a trend; it's a strategic imperative reshaping how consumers engage with financial services. As fintech firms continue to pioneer this approach, they're not only winning market share but also setting new benchmarks for customer engagement in the digital economy. For industry leaders, this is a space worth watching closely.

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