

# The Future of Finance

A 2020 Report by Capital on Tap



How the  
coronavirus  
pandemic has  
shifted the future  
of business finance forever

# Foreword

In recent market shifts due to the coronavirus pandemic, billions of consumers across the globe are becoming ever more reliant on digital technology for payments. For businesses that don't want to get left behind this radical shift towards an increasingly cashless society, it's crucial to align your business strategy with these new finance trends.

In this report, we're asking the important questions businesses need to know about how changes in consumer behaviour through digital payments and technology will need to be addressed across businesses in the fintech industry. In doing so, we've addressed five key trends which answer how COVID-19 has sparked a further movement towards a cashless economy.

The team at Capital on Tap also spoke to over 30 finance experts across the finance industry who will provide insight into the report to help fintech business owners plan for their future.

We hope you find the report useful and can take away practical financial tips to implement for your business now and in the future.

**David Luck,**

CEO of Capital on Tap

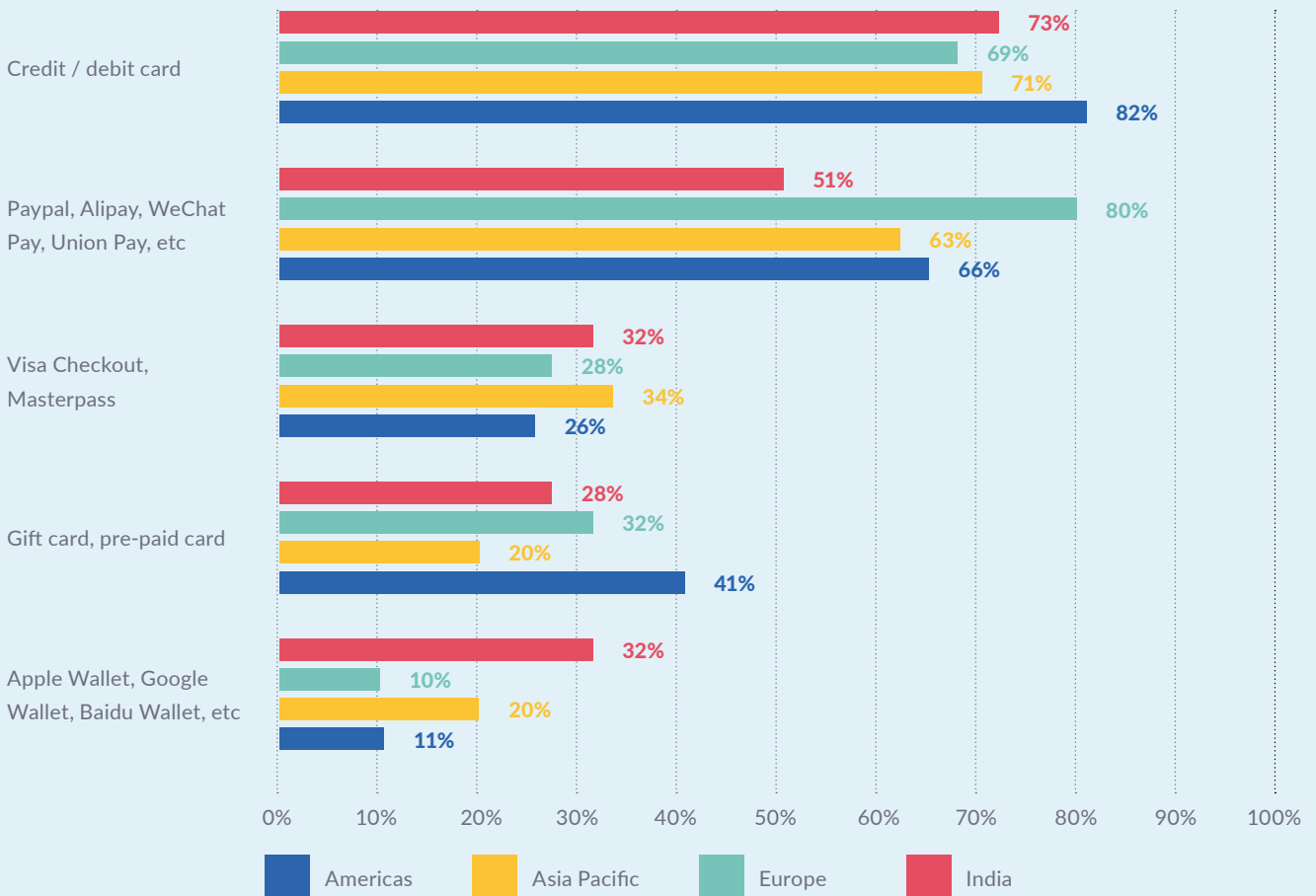


# Contents

How will COVID-19 have an impact on the future of digital finance for businesses? .....	5
The increasing adoption of a cashless economy post COVID-19 .....	12
Moving digital: How businesses are adapting to financial management .....	21
The growing consumer appetite for FinTech startups and space for new business in 2021 and beyond .....	25
Guide: How to integrate digital finance solutions for your business .....	30

**How will COVID-19  
have an impact  
on the future of  
digital finance for  
businesses?**

The future of digital finance is being accelerated due to COVID-19. With its speed and efficiency being a clear desire for billions of consumers, businesses must begin to turn to platforms which provide the ultimate digital finance solutions.

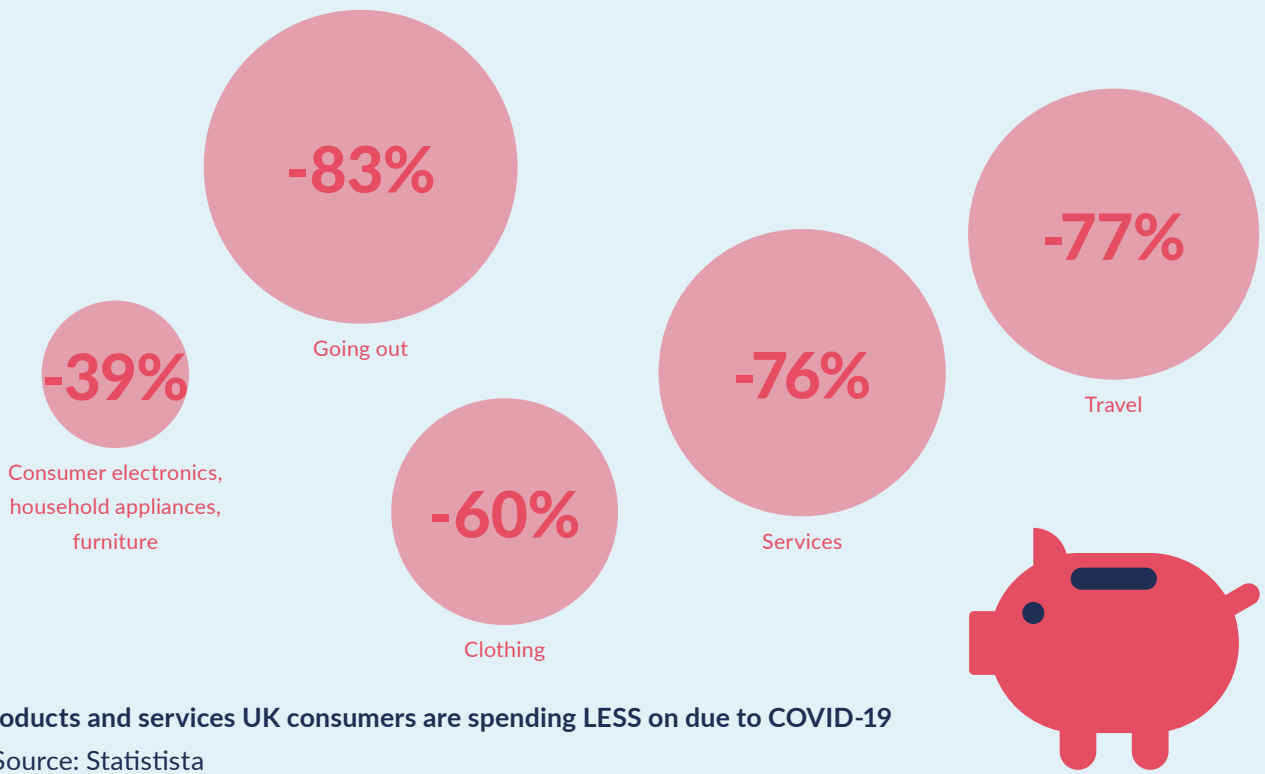
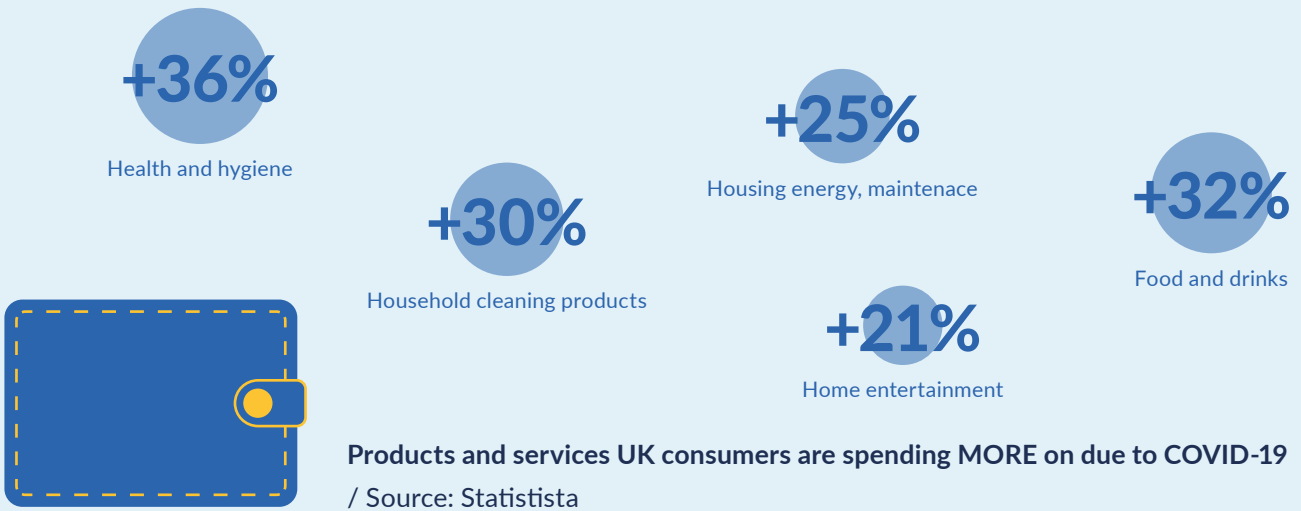


Share of online shoppers / Source: Statistista

The graphic above shows the methods consumers around the world are using to pay for items during 2019. As the graph shows, credit and debit cards along with PayPal are the most used payment choices for people.

However for many businesses, the pandemic has made a massive impact on which industries need to accelerate adaptation in order to keep up with sector shifts in consumer spending power. COVID-19 has meant there has been a vast increase in the number of online orders and with shops wanting consumers to pay contactlessly where possible, businesses without digital finance set up could be in trouble in the near future.





The above graphs show the spending habits of consumers prior to COVID-19 and during the pandemic. Graph one illustrates what consumers are spending more on and it comes to no surprise that health and hygiene is ranked number one. Graph number two shows what consumers are spending less on, with going out and travel ranking as the top two.



“

**Everything you thought couldn't change, has or is changing.**

*Julian Fisher, CEO of JISP*

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Despite high street and independent stores having to close down during the height of COVID-19, the use of digital finance is only on the rise, especially given that online ordering is primarily done through digital transactions.

We asked experts to share their thoughts on how COVID-19 has impacted the future of businesses using digital finance.

Matt Hicks, the Commercial Director at [Codat](#), shares his thoughts.

“Lockdown has totally transformed the way individuals interact with businesses. From the more obvious cases such as online shopping to the more groundbreaking changes such as healthcare, like a GP consultation, or education, such as a university lecture, becoming virtual and perhaps remaining virtual for years to come.

“The digitization and personalisation of the application process and the free flow of relevant data from customer to bank can lead to far better customer service/ relationship management.

Alastair Thomson, Finance Director at [FD Centre](#) comments, “COVID-19 has given an insight into how businesses and individuals can manage their financial affairs differently. In itself, it’s not brought new ideas to the fore, but it has accelerated the adoption of ideas which were already in place, if little used, pre-COVID-19.

“When was the last time you used cash to pay for anything, or didn’t pay via Contactless or an app like Apple Pay, for example? They existed before, but the uptake has been greatly accelerated due to COVID-19.”

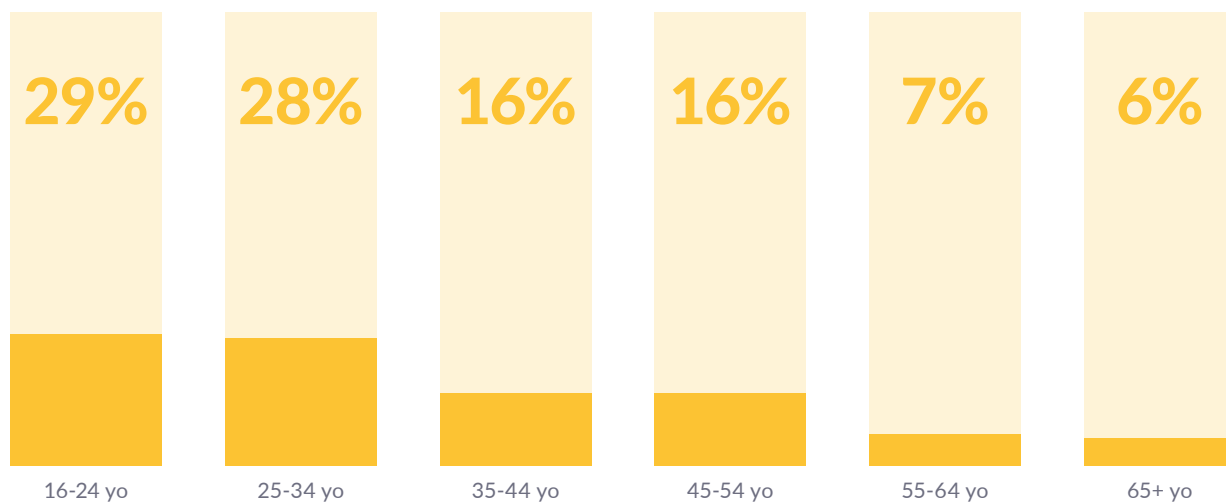
As Matt and Alastair both mention, the way COVID-19 has had an impact on the future of digital finance for businesses is through interaction and acceleration. In a world that is constantly moving forward with advancements in technology, digital finance has only followed suit and therefore has meant that businesses need to adapt and take on the technology to keep up with COVID-19’s impact for the future of finance.

Matthieu Barral, SVP of [Checkout.com](#) says, “COVID-19 has served as a reminder for business owners that technology and customer experience can help them grow and be profitable. Greater control over payments and cash flow at all times enable you to make better business decisions, informed by data.”



# **The increasing adoption of a cashless economy post COVID-19**

With COVID-19 seemingly speeding up the transition from cash to cashless, it's clear to see that the future of our economy lives via phone and contactless payments. But just how quickly can we expect the adoption of a cashless society across the UK?



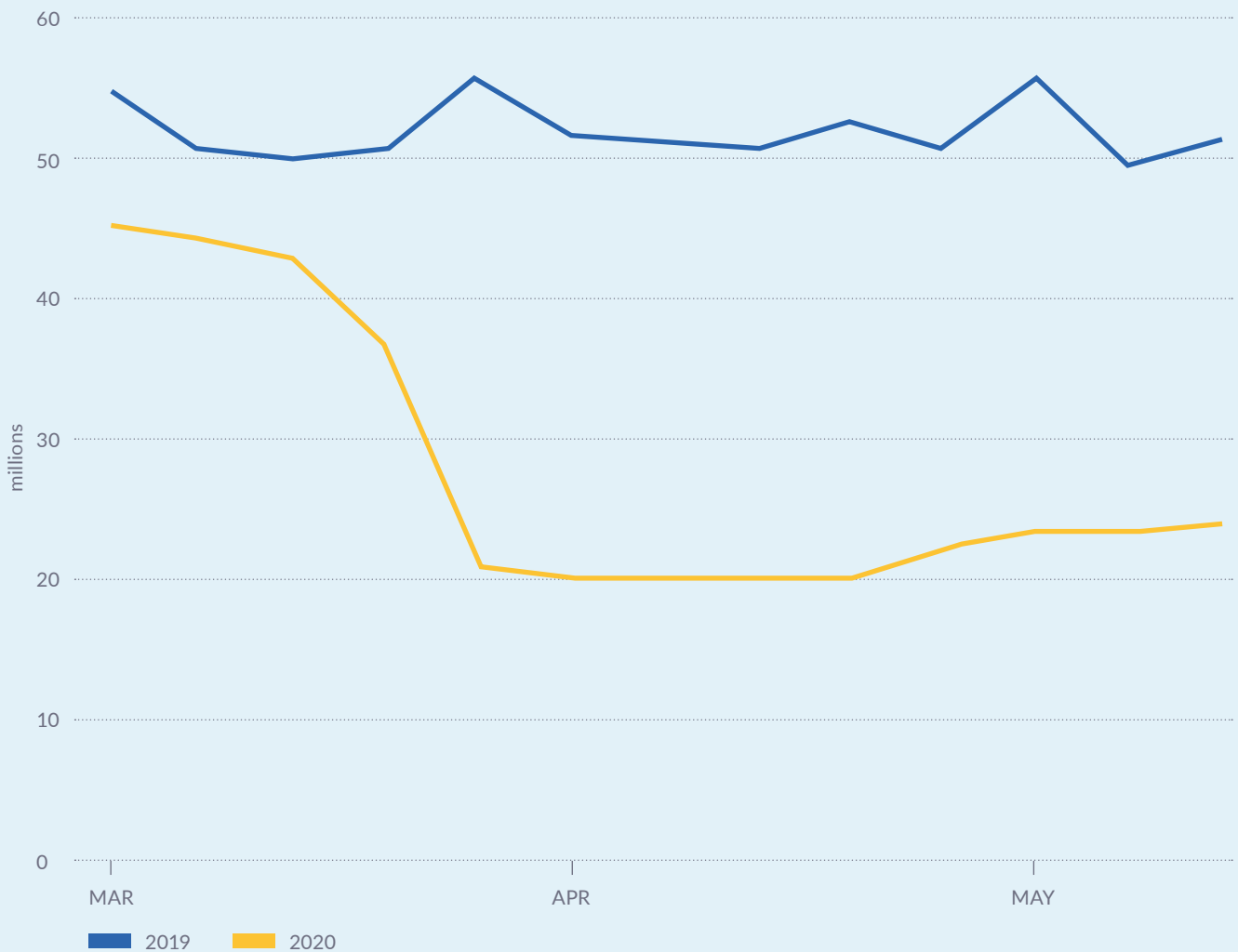
Percentage of each age group registered for mobile payments / Source: Statistista

The graph above shows the percentage of each age group who have registered for mobile payments.

Data collected by Merchant Savvy looked into the percentage of each age group registered for mobile payments in the UK. Unsurprisingly, Gen Z and millennials dominate the figures with 28% and 29% respectively having registered for mobile payments. Perhaps the figures that come as a surprise are those aged 55-64 and 65+. With 7% and 8% being registered, these figures are seemingly low despite the upward trend in mobile payment purchases.

However, even with these figures seeming low, it still shows there is a demand for cash within our economy. It makes perfect sense that our millennial and Gen Z generation are using mobile devices to pay for their goods and services as it is something they've grown up with. But for those who either receive wages through cash or prefer to pay with cash, it doesn't look like we'll see a cashless economy any time soon. However, as data shows, it could be quicker than we think.

# How COVID-19 has changed the way we pay for items



ATM transactions in the UK / Source: Financial Times

The graph above shows the number of ATM transactions year on year for 2019 and 2020. From the months of March to May, we can see how COVID-19 has impacted the number of cash withdrawals and payments from ATMs.

***Digital Banking provides individuals and businesses with so much more convenience at a time when movements are restricted and people are worried about making unnecessary journeys.***

Glen Morgan, CEO of [Credebt](#)



According to data from Link, which operates the biggest network of cash machines in the UK, ATM transactions reduced by 62% year on year at the start of the UK's lockdown. Volume has begun to pick up due to businesses reopening, but there will not be a big bounce back according to Link's Chief Executive John Howells.

Link's data report showed the reduction of ATM transactions as COVID-19 swept across the UK. With this significant drop in the number of cash withdrawals over the first two months, it paints the picture of how cashless payments are the future.

John Natalizia, CEO at [Snoop](#) shares his views on the topic of a cashless country and explains how there will always be a need for cash.

"We've seen cash withdrawals crash 92% year-on-year, but we've also seen signs of tentative bounce back from all-time low, and that's before lockdown has been properly lifted."

"In the context of this pandemic there are of course clear advantages of being able to make payments without the need to hand over hard cash. Of course we've seen card transactions overtake cash over the past couple of years as the way we shop and pay for services has changed.

The pandemic is likely to accelerate this but the important thing for me is that, while people still need cash, it's essential they are still able to access it so no one is excluded from participating in the economy."

Ian Johnson, Managing Director at [Marqeta](#) also supports John's point of view, but also backs the claim that COVID-19 has accelerated the move to cashless payments.

"During the UK lockdown, the contactless limit was raised to £45, cash usage halved and many retailers moved to cashless payments. This indicates that we're seeing a significant change in behaviour, so banks will need to be ready to manage the move away from cash and ensure their infrastructure can cope with the rise in mobile, contactless and card payments.

However, while COVID-19 accelerated our move away from cash, it is unclear exactly when the UK will go completely cashless. It's important to remember that digital banking apps and cashless payments aren't an option for everyone."



“Many people are still reliant on cash and their local bank branches. To go cashless, we must educate society to show everyone how to live in a world without cash. Until this has been addressed, going cashless risks leaving the most vulnerable in our society behind.”

Despite seeing the graph steady off, the UK has seen almost a 50% drop in the number of transactions from May 2019 to 2020. This therefore gives reason to draw conclusions that within the next 10 years, following this downward trend, we could become a cashless country with the need of ATMs becoming very low.

But as Ian comments, with this movement towards a cashless economy looking strong, it carries risks and for those who are vulnerable and do not have any form of digital payments set up, there must be education in place.



***COVID-19 represents a tipping point that will alter our relationship with cash forever.***

*Ian Johnson, Managing Director at [Marqeta](#)*



# A cashless future

As data and trends show, the movement towards a cashless economy is edging one step closer every day. ATM transactions have fallen dramatically due to COVID-19 with users now turning to online and digital payment systems.

So what does the trend look like for mobile and digital commerce payments in the future?

According to data from Statista which has been adjusted for the impact of COVID-19, by 2024 we're projected to see 4.6 million users of mobile POS payments, a jump of nearly double that from 2017. For digital commerce users the 2017 figure showed 294,000 users, with 2024 projecting 1.7 million users.

***“Getting to a fully cashless economy will require us to tackle some difficult questions about financial inclusion.”***

*Pranav Snood, Head of SMEs at [GoCardless](#)*

With the figures on the number of mobile payments showing a steep increase whilst accounting for a global pandemic, it appears that we're only heading in one direction for the future of our economy.

As new technology allows us to pay for goods with our mobile devices and the increasing demand of paying with contactless cards, which has now increased further due to COVID-19, there simply isn't a high enough demand for cash within our society.

Felicia Hjertman, CEO of [VINCO](#) comments:

“Finance has become increasingly digital over the last decade, but COVID-19 is likely to accelerate this transition. It is no longer just an option to have a digital solution, it's a core requirement.”

Stuart Lawson, Chief Revenue Officer of [Funding Options](#) supports Felicia and says, “Add Covid to the factors already driving down the use of cash; the rise of debit cards and contactless payments, the ubiquity of smartphones, loss of ATMs - it can only accelerate the process.”





5G

MACHINE LEARNING

3.208

AI

CYBERSECURITY

7.248

STREAMING

SELF DRIVING

BLOCKCHAIN

# **Moving digital: How businesses are adapting to financial management**

COVID-19 has produced uncertainty within the financial sector for both businesses making money and individuals taking care of their money. Financial management now seems to be as important than ever.

We took a look into keyword data to show how COVID-19 has affected consumer behaviour towards financial management and whether there has been an increase in search volume for the key term.

As keyword data shows, from the month of April to June, there was a 125% increase in the number of search results for 'business finance management'. COVID-19 has certainly proven to be a scary situation for many business owners but it also means a time for adaptation and change.

Capital on Tap asked experts to share their thoughts on what they expect financial management to look like by 2030.

Alastair Thomson, Finance Director at [FD Centre](#) said, "The main learning for the financial sector from COVID-19 is that risk management should be taken more seriously than a tick-box exercise people pay lip service to.

"As business improvement practices mean there's less and less slack in the system, it also means the risks to organisations are correspondingly greater when something happens."

CCO of [CountingUp](#) Andrew Garvey commented, "Very automated. Banking and accounting data will have fully converged by then. The challenge then will be interpreting data and using it to inform decisions rather than collating good quality data. That's where humans will play a key role.

"Financial services have changed irrevocably as a result of the pandemic. Face-to-face interactions and transactions are becoming a thing of the past."

Sam Short, CEO of [Moneyed](#) also mentions, "Given that Millennials don't want in-person solutions, personal finance by 2030 will be driven by tech, big data, and applied AI. The advice gap, currently impacting 19.8 million people in the UK, will be reduced by tech and the need for financial advisors will be reserved only for complicated issues."

"In the future, consumers can expect to manage their entire financial lives online - you'll no longer need to visit a bank to open an account or apply for a loan" - Emma Mayer, Head of Marketing at [TrueLayer](#).

***“Flexibility equals success. Being able to quickly adapt to the needs of customers, and staying relevant to them, allows a business to succeed.”***

*Starling Bank spokesperson*

Furthermore to the expert comments above, the way businesses are adapting to financial management is through the advancement in technology. Using AI to provide automated data as well as apps for consumers to organise their finances online means businesses are reducing the number of employees they have and replacing them with digital solutions.

A negative impact in many people’s eyes as technology is looking to replace human interaction, but one that we simply cannot avoid seeing happen in the near future.







# **The growing consumer appetite for FinTech startups and space for new business in 2021 and beyond**

With the increase in demand for cashless transactions and businesses as a whole, is there room in the FinTech space for new startups?

Partnerships Manager at [Xero](#), Ben Johnson shares his thoughts; “There is always space for new products that help businesses. There is a challenge for new banks, as there is only so much in transactional balances to go around in the UK economy, and those with the balances have the advantage in issuing competitive loans. However more generally, what I’m really excited about is less the new fintech businesses coming to market, but more the connectivity of financial services into business applications.”

Interestingly, Richard Wagstaff CEO of [Degree 53](#) mentions how there are still lots of gaps to fill when it comes to the finance business world. He mentions that “even established fintechs like Monzo or Revolut still don’t offer as many services as a traditional bank.”

He later goes on to talk about there being room for further fintech development whereby mortgage applicants, savings, loans and international payments are all seeking a demand for new startups.

“What we’re seeing now is even though established banks continue to provide larger financial services, like mortgages, customers are opening new main bank accounts with digital banks for ease of use and a great user experience of their products”.

Richard argues the case that although digital financial services may be the future, we’re still currently a long way off from making the full switch. Yes there may be room for new FinTech companies to put their stamp on the industry, but while consumers still need to visit banks and have in-person conversations, FinTech’s aren’t a necessity.

Charlotte Croswell, CEO of [Innovate Finance](#) says, “COVID-19 has changed consumer behaviour, potentially for the longer term, so there is an opportunity for new startups to emerge and offer services to help customers operate in the ‘new normal.’”

# FinTech from a data perspective



## Almost half the registered companies.

Research has shown that globally, the number of financial service start-ups reached almost 6,500 as of early July 2020. Of those 6,500, 2,953 were FinTech start-ups.

## Worth \$187 billion

The FinTech market share across 48 FinTech unicorns is now worth over \$187 billion (as of the first half of 2019). That is slightly over 1% of the global financial industry.



## Digital payment holds 1/4 of the market

One of the biggest FinTech products is digital payment, which holds 25% of the FinTech market.

## Up to 30% growth

FinTech has a compound annual growth rate of 25-30% in the forecast period of 2019 to 2025.





***I can see COVID-19 catalysing uptake of fintech apps.***

Nick Williams, Co-Founder of [Wealth Provision](#)



As the data shows, the annual growth rate of FinTech startups is huge and will continue to grow beyond 2025. Does this mean that the room for new companies decreases? Potentially. The market can soon become incredibly saturated with companies all trying to offer new and better solutions to a problem that is already finding solutions.

However, what FinTech companies should be doing is looking to see how they can work with traditional banks to better their offerings - this also applies the other way around.

Traditional banks need to take notes and work with digital finance companies in order to help them move towards the digital world.

Simon Taylor - Co-founder and head of Ventures at [11:FS](#) comments:

“As we move to an API first world, it’s likely businesses will start to adopt tools that help them solve their business challenges, without realising the bank is in the background. Whether it’s Stripe, Shopify, Paypal or Intuit, many of these businesses are already integrated to banks behind the scenes.

There is an opportunity for banks to be proactive in understanding how these solutions come together for their clients, and for fintech’s there are more APIs and data opportunities than ever before.”

The combining of both traditional banks customer service and customer base and FinTech’s API and data technology is vital for the future of our financial services.



# **Guide: How to integrate digital finance solutions for your business**

Making the big leap from moving your finances to digital format can be a scary one for many business owners. Although it seems digital is the future, it still takes time and consideration to ensure you make the correct decisions for your company.

For many new business owners, understanding information from a range of sources sometimes brings about confusion. It's no secret that the future lies with digital when it comes to handling your finances, but what should you be aware of when beginning to research?

We asked experts to share some of their advice on what you should look out for and how you can make the change as streamlined as possible.

Sarah Young, VP of Member Engagement Marketing at [TIDE](#) comments, "Think about your finances and admin as one homogenous task, rather than many small tasks and look at banking providers that can take care of as much of it as possible.

Digital banking providers are able to take care of admin such as invoicing, expenses and payroll, as well as basic banking services."

Richard Wagstaff, CEO of [Degree 53](#), says, "Research the best provider for your needs and the types of services your business might require. Business owners often have issues with banks flagging up fraudulent transactions from their cards, so resolving these issues and activating the card or issuing a new one quickly is key for maintaining a good relationship with the customer.

"Customer experience is key. Just having a digital product won't mean an upturn in business. Today's users are looking for a frictionless experience at all times."

"Take the leap! Transaction fees are off putting to some traditional businesses, however in reality, people are likely to spend more digitally than with cash, so the benefit far outweighs the transaction fees."

Capital on Tap CRO Tim Traylor shares his advice - "The main one I'd have is to shop around - understand the pricing of various accounts, but also the services they offer (a good integration into your accounting software may save you hours in the long-run!)"





## Expert comment bios



Alastair Thomson, Finance Director at [FD Centre](#): Alastair Thomson is Finance Director who works with a portfolio of SMEs to help their owners grow their business, manage their finances and build their income. He's the author of Cash Flow Surge, packed with 101 fast-action strategies to help business owners boost their cash flow.



Andrew Garvey, CCO at [CountingUp](#): Andrew is Chief Commercial Officer at Countingup.com; a venture-capital backed FinTech startup that's transforming banking and accounting for thousands of small businesses.



Ben Johnson, Partnerships Manager at [Xero](#): Ben joined Xero in 2014 and has previously worked across it's Australia and UK business. Today Ben is responsible for leading Xero's engagement with global financial partners to build products that help businesses get paid, make payments and access working capital.



Charlotte Crosswell, CEO of [Innovate Finance](#): Charlotte Crosswell is the CEO of Innovate Finance, the industry body representing the UK FinTech sector. Prior to joining Innovate Finance, she spent the majority of her financial services career in market infrastructure roles.



Emma Mayer, Head of Marketing at [TrueLayer](#): Emma Mayer is Head of Marketing at TrueLayer, the leading open banking platform that makes financial infrastructure accessible to any business, anywhere in the world. Emma has global experience building and leading high-performing marketing teams in the B2B SaaS space.



Felicia Hjertman, CEO of [VINCO](#): Felicia Hjertman is the Founder & CEO of VINCO, a next generation DIY investment platform for retail investors. Felicia has spent the last eight years in asset management as a Fund Manager and Analyst with Baillie Gifford. She founded VINCO to make DIY investing more accessible and help retail investors make better and more informed investment decisions.



Glen Morgan, CEO of [Credebt](#): Glen set up Credebt Ltd in 2009 and has developed the business into one of the leading providers of Receivables Management services in the UK. Credebt work exclusively for Insolvency Practitioners, Invoice Finance companies/Other Charge holders and their clients. Glen has worked in the Collections industry for 25 years and for the last 17 of those operated at Director level.



Ian Johnson, Managing Director at [Marqeta](#): Ian Johnson is the Managing Director at Marqeta, where he leads a rapidly growing team based out of London, bringing the company's Digital Banking Solution and modern card issuing platform to the next generation of payments innovators. Prior to joining Marqeta, Ian was European Commercial Director at WEX.



John Natalizia, CEO of [Snoop](#): John Natalizia is the Co-Founder and CEO of Snoop, a new FinTech which aims to help people spend, save and live smarter. Prior to setting up Snoop, John was on the Executive Team of Virgin Money PLC as the MD for the Digital Bank build and during his time at Virgin Money also held various leadership roles in the Virgin Credit Card Business as well as in the Strategy Group.



Julian Fisher, CEO of [JISP](#): Julian Fisher is the founder and CEO of Jisp, a lifestyle app that digitises products and experiences to bring the best of online into physical spaces. Julian has enjoyed a varied background in technology, payments and new media that saw him launching the UK's first internet exhibition in 1994.



Matthieu Barral, SVP Sales Europe at [Checkout.com](#): Matthieu Barral is the Senior Vice President of Commercial for the leading payment processor, Checkout.com. He works with some of Europe's fastest-growing start-ups, to streamline their payments as they scale and expand internationally. Matthieu holds a degree in International Relations and a Masters in the Political Economy of Europe.



Matt Hicks, Commercial Director at [Codat](#): Matt Hicks is the commercial director at Codat. Codat provides a universal API for integrating with small business accounting platforms. Leading financial services companies like Paypal, Natwest, Clearbanc and Experian have integrated with Codat's API helping them to digitise their small business customers' experience using Codat's open data technology platform.



Nick Williams, Co-Founder of [Wealth Provision](#): Nick is a stockbroker, investment manager and financial planner by experience, with a keen interest in fintech that serves the retail investor.



Pranav Sood, Head of SMEs at [GoCardless](#): Pranav Sood is VP Small Business at GoCardless, leading a global team responsible for winning new business and supporting the 50,000+ clients already using its platform. Pranav joined GoCardless in 2017 and has previously led the International Expansion team, overseeing the company's growth across ANZ, Europe and the US.



Richard Wagstaff, CEO of [Degree 53](#): Richard Wagstaff is the Managing Director at Degree 53, a UX, design and software development company, working with a number of industries, such as finance, online gambling and wellbeing. Richard previously worked as the Operations Director at Degree 53, supporting the project team. He has also worked as a project manager at Betfred, Amaze and IGT. He has been specialising in digital projects for close to 10 years. As Managing Director, Richard is responsible for leading the Degree 53 team and managing client relationships.



Sam Short, CEO of [Moneyed](#): Sam Short is the CEO and one of the co-founders of Moneyed. Moneyed is an app that empowers people to take control of their financial future. Users can build a holistic financial plan to meet important life goals (buying a house, planning a wedding, starting a family, round-the-world trips, retiring) and easily track progress, by aggregating all finances in one place (current accounts, savings, pensions, investments, property, mortgages).



Sarah Young, VP of Member Engagement Marketing at [TIDE](#): Tide is the leading provider of UK SME business accounts and one of the fastest growing FinTechs in the UK, with almost 200,000 members (business). The platform not only offers business accounts and related banking services, but also a comprehensive set of highly connected admin tools for businesses, such as full integration with accounting systems.



Simon Taylor, Co-Founder / Head of Ventures at [11:FS](#): Previously at Barclays, he established the bank as one of the leaders in blockchain and set up the Barclays Techstars accelerator. For 11:FS Simon leads multiple client engagements and deliveries, recruiting world class teams to build products and services for financial services clients using a startup approach.



[Starling Bank](#): Starling Bank is a digital bank based in the UK. Its banking app offers personal, business, joint and euro current accounts on Android and iOS. The Starling Marketplace offers customers in-app access to a selection of third-party financial services. Starling also offers B2B banking and payments services. Headquartered in London, with offices in Southampton and Cardiff, Starling is a fully licensed and regulated bank which was founded in 2014.



Stuart Lawson, CRO at [Funding Options](#): Stuart is an experienced Commercial Banker with many years of experience helping SMEs grow and succeed. Stuart joined Funding Options from Esme Loans in February 2020 and has previously held senior positions at Barclays, Standard Chartered and RBS.



Tim Traylor, CRO at [Capital on Tap](#): Tim has recently joined Capital on Tap as the Chief Risk Officer. Tim has nearly 20 years of lending experience having worked in both high street lenders such as CapitalOne, Barclays and Lloyds Banking Group and digital lenders such as Klarna and most recently leading the lending business at Monzo. During that time Tim built up extensive experience across a wide range of products, channels and parts of the customer lifecycle.

# Why we produced this report

Here at Capital on Tap, we know how important it is for businesses to take care of their financial management. We want to provide business owners with transparent information about business loans as well as helping to provide expert advice on any questions consumers may have. We hope the information presented here can provide insight into how COVID-19 has impacted the future of finance and how as a business owner you can be prepared for any challenges.

To find out more about this report, or about Capital on Tap, visit <https://www.capitalontap.com/>

