

London fintechs weather the storm as digital adoption accelerates

As coronavirus drives accelerated adoption of fintech products and services, London's fintech sector has attracted \$3.6B in VC investment between January and September 2020. This puts London in second place globally, behind San Francisco with \$5.1B and ahead of New York's \$2.2B.

Temps de lecture : minute

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Investors are continuing to pump money into London's fintech companies despite the pandemic, according to latest data from London & Partners and Dealroom.co today. The UK capital takes the top spot for deal count with 169 deals so far this year, demonstrating confidence in the fintech sector from investors. San Francisco follows with 107 deals and Paris comes in second in Europe, with 40 deals.

While businesses around the world continue to tackle the impacts of coronavirus, London's fintech sector appears to be weathering the storm. In fact, recent data from Beauhurst suggests that 95% of UK fintechs have avoided the worst of the pandemic.

Although global investment flows around the world are below last year's levels, London's fintechs have already topped 2018 VC investment total of \$2.3B. What's more, in the first half of 2020, London fintechs claimed 57% of European VC capital into fintech companies.

Fintech remains one of London's largest and best performing sectors,

accounting for 44% of all VC investment into London's tech companies so far this year.

“World-leading fintech scaleups were born in London out of the 2008 financial crisis and today London's fintech companies are innovating to respond to changing demands caused by the pandemic. These new investment figures show London is a well-established global fintech capital and I am confident we will continue to see growth in the city's biggest tech sector. The UK capital is a natural home for fintech because it combines the power of global financial markets with a deep tech talent pool, supportive regulation and an early-adopting customer base.” - Laura Citron, CEO, London & Partners

The UK has long offered fintech companies a captive audience of fintech savvy customers and recent data from Mastercard reveals rapid accelerated adoption of fintech products over the last six months.

Data from the global payments company shows that 66% of all their transactions in the UK now take place via contactless, while retail sales growth in ecommerce grew by 64% in the UK in April 2020. According to London fintech firm Nucoro, 6M UK adults downloaded a banking app for the first time during the coronavirus crisis (12% of adults). This gives fintechs in the UK and London an increased opportunity to tap into a growing customer base.

Home to 2,183 fintech companies, more than any other global city, London's fintechs are innovating to respond to these changing demands, enabling them to take advantage of new opportunities at speed and scale.

One fintech company which has experienced exceptional growth during the pandemic is London-headquartered Checkout.com, a graduate of the Mayor's International Business Programme. Named one of the world's most valuable fintechs following a \$150M Series B fundraise in June, Checkout.com has experienced a 250% boom in online transactions between May 2019 and May 2020.



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This week, Checkout.com, Cazoo and others raise over £190M

As fintech adoption accelerates, the payment solution provider has added 500+ merchants to its books in the last 12 months, including Swedish fintech Klarna, one of the biggest disrupters in the fintech sector right

now.

Counting Checkout.com amongst its fintech unicorns, London also remains a top city for creating high growth fintech businesses, with 17 of the UK's 23 fintech unicorns based in the UK capital.

“Checkout.com has thrived globally from London, a city with all the right ingredients from which to grow and scale internationally. Over the last eight years, we’ve maintained consistent profitability and organically grown to a team of 750 people across 14 offices worldwide. We are ambitious about powering even more businesses around the world as the pandemic accelerates existing trends to online and London is the ideal hub to bring connected payments and local expertise to global merchants.” - Bradley Riss, CCO, Checkout.com

Major funding rounds for London fintech companies involving US investors in 2020 include a \$500M Series D funding round for London fintech unicorn, Revolut, involving US investment firms Technology Crossover Ventures and Ribbit Capital and a \$150M Series B funding round for Checkout.com, led by New York headquartered firm Coatue.

Despite the global slowdown of foreign direct investment over recent months, fintechs are continuing to look both ways across the Atlantic. Last week, some of London's fastest-growing fintech companies took part in a virtual trade mission to North America, hosted by the Mayor of London's International Business Programme.

London-based scaleups 11:FS, iProov, Tyk, ABAKA, SteadyPay, ClauseMatch, EmpowerRD, Paid, Recordsure, Suade Labs, Fiskl and Ten10 Group spent four days visiting six US states, pitching to a number of banks and investors across North America.

While London fintechs are exploring the US for international expansion, over the last few months notable US and Canadian fintech companies have also confirmed their commitments to the UK.

US fintech firm Plaid recently opened a London office in Shoreditch, opting for the UK capital as their new home outside of the US and Canada.

Last week, the world's largest eCommerce investor, Canada's Clearbanc also launched in the UK and committed to investing £500M in UK-based eCommerce businesses. Their first expansion outside of North America, the announcement shows confidence in the UK as a ripe ecosystem for fintech companies.

"When we were looking to expand outside of North America, the UK was an obvious choice. We opened our first international office in London's Shoreditch as we knew there was a thriving and supportive ecosystem in the UK capital, home to like-minded fintechs. As a fintech company based in London you have access to investors, clients, world-class talent and savvy customers all in one city, making it a unique place to be." - Keith Grose, Head of International at Plaid

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