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Setting the pace or keeping up – are FinTech boards future-fit?

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Foreword

When people talk about FinTechs, they mostly talk about bold innovations, visionary founders and dramatic growth trajectories. For promising start-ups, the conversation is often about how to scale quickly and smoothly.

The topic of boards is, at best, an afterthought. However, in researching the role of FinTech boards in the UK, we found ample evidence of their vital importance. Why do boards matter? Because having the right board members with the right skills and experience at the right time is critical for FinTechs seeking to reach the next level of growth, profitability and societal impact.

Yet, many high-potential FinTechs struggle to establish a strong board as they begin to grow. The transition from an exclusive focus on investment and financial matters to one that incorporates broader concerns (e.g., purpose, governance) and more stakeholders can be particularly difficult. And because discussion of leading practices for boards is rare, FinTechs haven't learned from each other about finding the right advisors or setting the right priorities.

This research was born of a belief that with the right frameworks, coaching and knowledge sharing, we can, as an industry, improve the performance of FinTech boards and enable FinTech businesses to achieve scalable growth. Specifically, we wanted to identify best practices for building and managing boards across the typical phases of growth (e.g., seed, series A and B funding, C+ and initial public offerings). And we wanted to share examples of the successful outcomes that can happen when boards work well.

The data we collected, the conversations we had and our own industry experience confirmed our view that effective FinTech boards are a prerequisite for success. During our interviews, workshops and data gathering and analysis, we saw time and again that an effective board makes the difference between sustainable growth and frustrated potential, between market leadership and performance, and between a profitable and high-impact purpose and a narrow focus on the bottom line. Optimising the performance of FinTech boards is a timely – even urgent – concern with the industry poised to enter its next phase of evolution and growth in tough economic circumstances.

Thank you to the industry experts and analysts who participated in our roundtable events and interviews or otherwise shared their insightful perspectives. And thanks, in particular, to the amazing panel of experts who were generous with their advice and guidance throughout our research. Collectively, we believe that the continuing strength of UK FinTechs bodes well for a more innovative and inclusive financial services environment and stronger economic growth. The benefits will accrue to many individual firms and their founders and investors, consumers who profit from better experiences and easier access to vital services and the overall UK economy.

EY (Ernst & Young LLP) and Innovate Finance are proud of our track record in collaborating in support of a thriving FinTech sector in the UK. We would be delighted to hear your reactions to the recommendations in this paper, as well as any questions and insights about directors' roles in the future of FinTech. Please reach out to us or the other contacts listed on page 35.

Anita Kimber
Partner, FinTech Policy and Ecosystem Leader,
Ernst & Young LLP

Janine Hirt
CEO, Innovate Finance

Our research advisory panel

As we embarked on our research, it became clear that a panel of experts and thought leaders to guide and challenge our thinking would ultimately yield more substantive and valuable insights. We didn't know at the outset, however, how much fun we would have together along the way. We are grateful for their generosity and valuable perspectives.

Gillian Camm, NED, Author, Advisor

On the importance of FinTech boards:

"We have invested in regulatory traceability by integrating data and analytics, making regulatory management more prominent than before.

Vision for the future:

"The FinTech boards of the future will have an eclectic membership focused on growing the organisation whilst nurturing its resilience. Boards will pay close attention as to whether they are having the right conversations, about the right issues at the right time and in the right way.

Reflections on this research:

"By revealing FinTechs' many creative approaches to governance, this research illustrates why the FinTech sector should lead the governance debate. Strategic embedded governance needs to become available to boards everywhere.

Tony Fish, Author, Board Advisor

On the importance of FinTech boards:

"For good board work, the important remit is to not assume, but ask better questions and understand what is right for tomorrow, while leaving biases, prejudices and preferences behind.

Vision for the future:

"The future demands that we, as board members and industry stakeholders, remain curious, appreciate our limitations and continually refine our vision of what better looks like. We must reflect on our goals, objectives and incentives to see if they align with the past, present, or future.

Reflections on this research:

"When presented with research about something so precious as board membership, we should treat it with respect and see what we can learn about discharging our fiduciary duties more responsibly. This is an important document that should be read widely.

Alison Conway, NED, Associate Partner, The Fintech and Payments Advisory Network

On the importance of FinTech boards:

"

A good board — one with a diverse range of active, engaged members and external perspectives — plays a pivotal role when change is constant. It can serve as the voice of reason and experience, but only if members know the right questions to ask and there is an open, trusting relationship with the CEO.

Vision for the future:

"

I'd like to see FinTech leadership and boards resemble the wider population they serve. For the UK to remain a global FinTech leader, we need to evolve common perceptions of what it means to be a productive board, what the board's role is and who makes a good board member.

Reflections on this research:

"

Historically, there has been no guidebook for startup boards and no generally accepted approach. This research brings much needed data to bear on ongoing conversations about board roles and responsibilities and is a must-read for anyone interested in the future of FinTech.

Joanne Dewar, NED, Diversity Champion, Ambassador, Mentor

On the importance of FinTech boards:

"

I know from personal experience that an effective board is critical to the success of a growing FinTech and the relationship between CEO and chair is the real secret sauce. The clearer the CEO can articulate the vision and values, the more aligned and supportive a board will be.

Vision for the future:

"

I would love to see FinTech boards recognise their power to do good, including an increased focus on disability. There are so many people excluded from mainstream financial services. FinTech boards are in the right position to drive the change we need to see.

Reflections on this research:

"

As the UK FinTech industry grows, our approach to boards needs to grow, too. Though the major step changes in governance that we need have not yet been widely discussed, I am delighted the conversation is starting here. Thanks to EY and Innovate Finance for driving the agenda.

To get in touch with our advisory group, please contact Tom Hill (thill@uk.ey.com)

Introduction: Why FinTech boards matter

Within the dynamic UK FinTech market, a wide range of firms — business-to-business (B2B), business-to-consumer (B2C) or B2B2C — have produced breakthrough innovations and achieved breakout results. Though FinTech success stories have different purposes, products and value propositions, they have one critical attribute in common: effective board leadership.

Indeed, there is increased recognition among FinTech stakeholders of the value of having a strong board, with skilled and experienced leaders able to serve as advisors, counsellors and connectors. Why the growing emphasis on FinTech boards and why now? The focus is largely a function of the sector's success in drawing substantial investment, attracting talent and driving innovation that can be exported to other markets. In an increasingly tough funding and economic environment, a high-functioning board is critical for the industry to unlock its full growth potential.

In our work with many of the leading FinTechs, we have seen the powerful positive impact that engaged directors can have. Experience also shows that the opposite is true: FinTechs without a thoughtfully constructed, well-managed board often put themselves at a disadvantage, especially as they confront common challenges associated with growing and scaling a promising new business at pace.

How boards add value

As you'll see in our research, FinTech boards can act as enablers of strategic growth and strong governance. Much more than a series of meetings, boards can function as a guiding and governing force for the business. Discussions among directors outside of formal meetings can be as important as those that take place within the boardroom itself.

Boards can establish the building blocks for long-term success. Having the right individuals on the board can lead to more innovative ideas, more refined go-to-market strategies, higher levels of operational performance and healthier and more collaborative cultures — all of which are attractive to investors.

In essence, the role of a FinTech board is to provide founders and their teams with:

- Strategic advice and guidance (including investment strategies)
- Operational oversight and support (providing guidance but not second-guessing the role of the executives)
- Governance and regulatory oversight
- Personal networks that open doors to investors, partners and customers

FinTech boards need members who can:

- Define an appropriate risk appetite and support the right growth, innovation and product strategies reflecting that risk appetite
- Guide executive teams in striking a workable balance between different perspectives and priorities that emerge within the board and across the business
- Help executive teams understand how best to adapt and refine business strategies on their scaling journey
- Understand the guardrails and engage with the regulators across current and future risk, regulatory and compliance matters
- Support the organisation to consider the regulatory and compliance obligations ahead of time so that these considerations are not 'retrofitted' at a later date
- Lean into the appropriate subcommittees for their expertise and time
- Back the big decisions with a cabinet-like mentality

The FinTech sector continues to be one of the UK's strongest for start-ups. The work that has been undertaken since *The Kalifa Review of UK FinTech — GOV.UK (www.gov.uk),* along with initiatives such as the Centre for Finance, *Innovation and Technology (CFIT)* and the launch of its first coalition on open finance and investment initiatives such as the FinTech Growth Fund (FGF), have put UK FinTech on the cusp of a new phase of maturity.

The important work of FGF, CFIT and a range of notable others gives us confidence that the outlook is promising. We expect the tough funding environment of the last 12 months to ease, with deal flow expected to increase this year.

This is why board effectiveness is more important than ever. Whilst it may be tempting for early-stage firms to think board matters can be delayed, there is a clear upside for those that act with urgency and begin assembling advisors sooner.

About this report

Our aim is to help founders, entrepreneurs, FinTech leaders, advisors and current and prospective FinTech board members understand why boards matter, how they can add value and what types of skills and experience are most useful to have on the board. We also highlight how the role of the board and its composition change at different phases of the frequently turbulent growth lifecycle. Specifically, we highlight the leading practices that differentiate successful FinTech boards (e.g., a willingness to call for external advisers and a focus on purpose and strategy).

The insights and recommendations on the following pages are based on in-depth conversations with more than 40 FinTech CEOs and board members, a series of in-depth workshops and extensive market research. Whilst every firm will have unique needs for its board, we believe these leading practices are widely applicable and will prevent each firm from having to reinvent the wheel or learning hard but avoidable lessons about building and managing effective boards.

It's worth noting what our report doesn't cover. Whilst we recognise board members' legal obligations, we do not explicitly address those topics in this report. The additional resources we highlight in the last section address these and other areas.

Although our research focuses on UK FinTechs and their boards, we know there is much to learn from other jurisdictions. In fact, our plans for future research include other global markets.

Defining our terms: growth versus scale

In the world of FinTechs, few topics are discussed as frequently as scaling. But it's important to understand what scaling means and how it differs from growth. Generally speaking, growth refers to increasing topline revenue whilst simultaneously adding costs and employees. Scaling is often associated with platform businesses that increase topline revenue with economies of scale so that customer acquisition costs fall as the business gets bigger. But, through common usage, scaling now also applies to companies that expand their operations and grow their business smoothly and in line with their strategic objective and purpose.

Chapter 1: Key findings – a snapshot of UK FinTech boards today

A tough funding and operating environment, fast-moving markets and constant technological disruption expand the traditional purview of the board and reinforce the need for a strong CEO board relationship. We know from our EY board referral engagements in 2023, the EY Financial Services Executive and the EY Board Network that boards are shifting their composition and succession strategies to prepare for the future and enhance strategic value.

Enhancing the composition of the board and rethinking committee structure are important ways to address proliferating risks and seize opportunities. Our research can help CEOs and chairs evaluate their board composition, committee structures and leadership succession plans.

Our research consisted of:

- A detailed review of the boards of 50 top FinTechs through publicly available sources (e.g., LinkedIn, company websites, annual reports and Companies House data)
- Interviews and roundtables with more than 40 CEOs, board chairs, board members and advisers from a broad range of UK FinTechs
- A snapshot survey, conducted in January 2024, with both executive and Non-Executive Directors (NEDs) from 35 UK FinTechs

We also drew on findings from the *EY European Financial Services Boardroom Monitor,* which charts the profile, experience, training and skillsets of board directors across the MSCI European Financials Index.

Board composition

Of the top 50 UK FinTechs researched, most board members have backgrounds in accounting and finance (75%) and technology innovation (74%) and half of board members have risk and compliance experience. It's worth noting that financial services firms are actively looking to grow technology experience on their boards. Half of board members have risk and compliance experience. In fact, according to the *EY European Financial Services Boardroom Monitor*, 30% of new appointees to UK boards of financial services firms have professional experience in tech, up from 22% in 2022. For board directors across Europe, that number is 27% (up from 22% in 2022).

A large majority of respondents (83%) agreed that their boards had a diversity of skills and experience. But there is a clear lack of other forms of diversity. More than half (53%) of survey respondents did not believe that their board had gender diversity, and 37% cited no women representation on the board.[1] Only 3% of survey respondents say their boards have at least as many women as men as board members. From other research, we estimate that women represent only 22% of FinTech board members, far below the FCA's target of 40% women on boards.

Notably, 21% of UK-listed financial firms still report under 40% of women on their boards. Among European firms, 31% still report under 40% representation of women on their boards.

75% of FinTech board members have backgrounds in accounting and finance

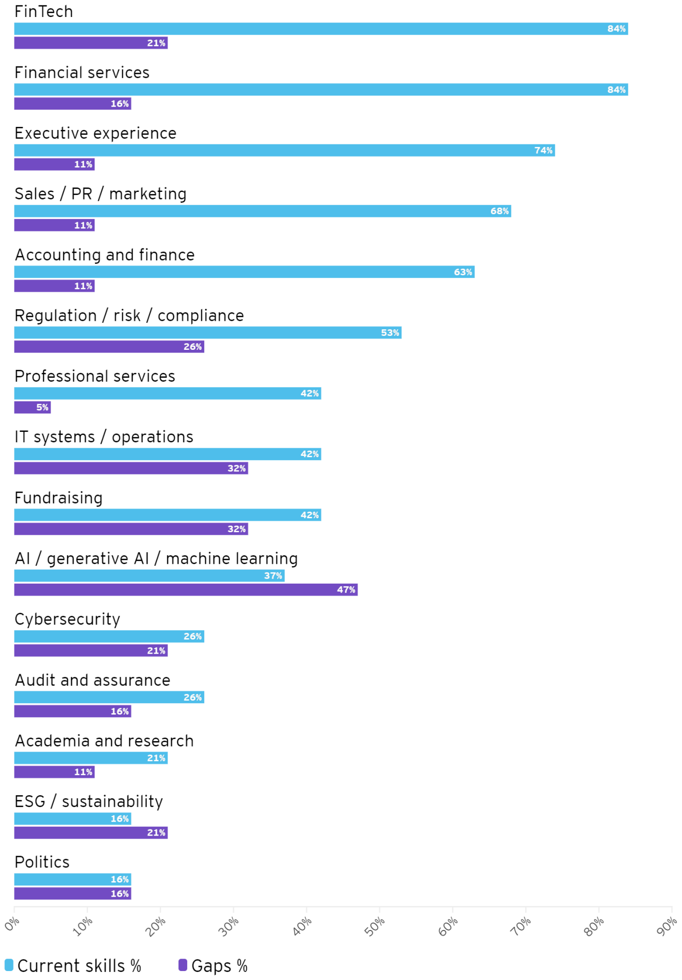
74% have backgrounds in technology and innovation

50% have risk and compliance experience

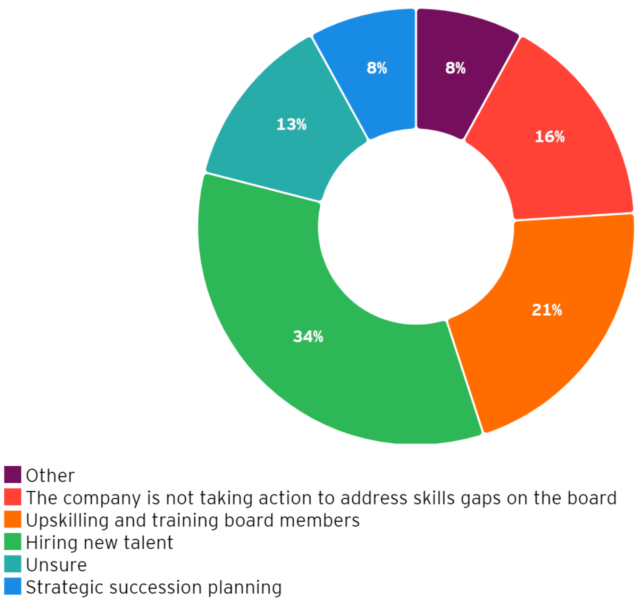
[1]This research only addressed gender diversity. EY and IF plan to examine other forms of diversity in future research.

Board skills and experience

Our survey respondents were asked about the types of skills that their boards have, what is missing and what they think needs to be done to address gaps. Most FinTech boards have plenty of financial services and FinTech experience (e.g., experience working for a FinTech). In contrast, the *EY European Financial Services Boardroom Monitor* found that in 2023, just 6% of directors on UK financial services boards and 4% on European financial services boards had FinTech expertise.



During our roundtable discussions, there was consensus that these baseline skills are required for effective boards. The key skills gaps on boards today include operational expertise (which is critical for productive scaling), generative AI (GenAI), cyber and fundraising. To address their skills board gaps, 34% of respondents say they are hiring new talent, and 21% are upskilling and training board members. Only 8% of respondents are focused on conducting strategic succession planning, a concerningly low figure and one that boards will have to act upon to address in the future.



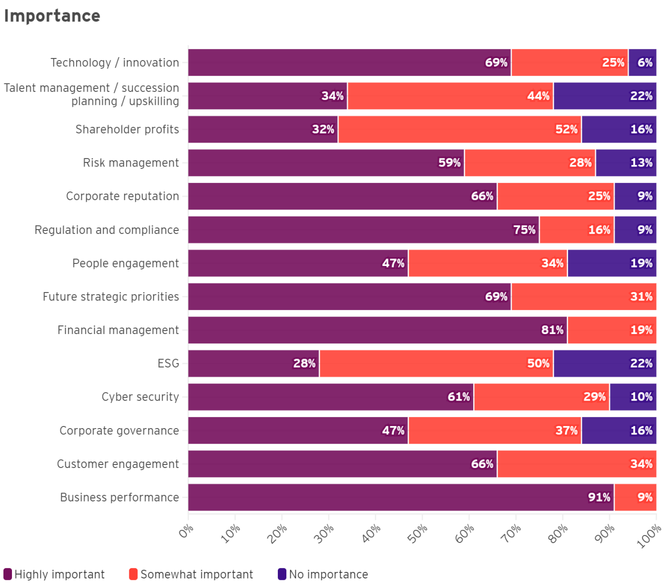
Board priorities and effectiveness

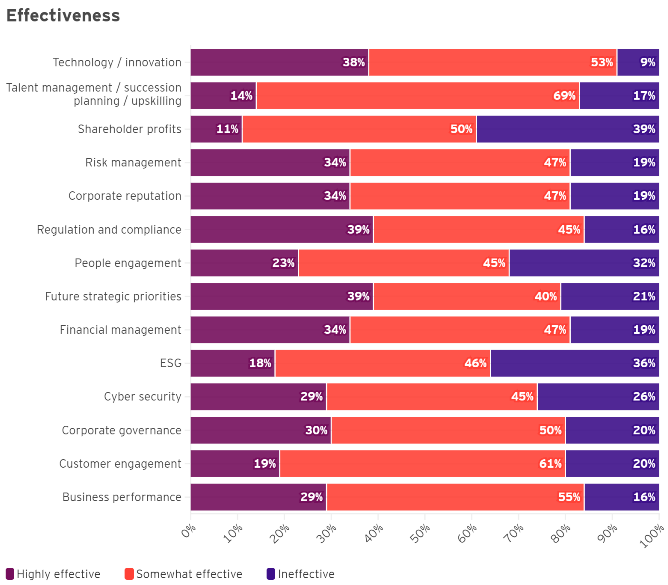
Nearly all (91%) of our survey respondents cited business performance as the board's top priority, followed by financial management (81%) and regulation and compliance (75%). Our interviews with CEOs, chairs and NEDs corroborated these priorities. FinTech board members believe comprehensive oversight over financial, risk and regulatory matters is imperative.

Our findings suggest a mismatch between board priorities and effectiveness in delivering against them, with the biggest gaps in business performance, customer engagement, financial management, shareholder profits and talent management.

More than three-quarters (78%) of our survey respondents said that environmental, social and governance (ESG) was an important priority for their business. However, only 64% felt they had addressed ESG effectively. Only 19% felt they had been highly effective in delivering against customer priorities at a board level, even though 66% said customer matters were highly important.

These findings demonstrate that most boards have much of the core expertise required for effectiveness. However, there is clearly work to do if boards are to reflect the markets and customers they serve and add more diversity in pursuit of higher performance.





Chapter 2: Directors' domains – where and how boards can apply their expertise

In our structured conversations with founders, we heard time and time again that successful FinTech boards are notable for having three core domains of expertise:

1. **Customers and markets** – ensuring products and services are competitive in the market and compelling to target customers
2. **Purpose and social impact** – solving for 'why' and the impact on consumers, small businesses, staff and wider stakeholders
3. **Risk, regulatory and compliance** – understanding the guardrails and engaging with regulators

These domains aren't the only focal points for boards. They will naturally focus on financial and investment matters (e.g., funding, progression toward IPOs, exit strategies) and regular assessments of market valuations of the business.

2.1 Customers, markets and products – focusing on the fundamentals

FinTechs that achieve the greatest reach and generate the strongest financial returns typically address a distinct market need or customer problem and excel at execution. Those attributes are present from their inception and for B2C, B2B or B2B2C plays.

> Having entrepreneurial knowledge on the board is crucial as members can raise ideas the founder hasn't thought about in order to make the product more robust.
>
> FinTech founder

> Many FinTechs start with an idea. But the real question is whether the idea will fly as a commercial proposition.
>
> FinTech advisor

> For FinTechs who deliver software as a service (SAAS), it's critical not just to get, but to retain your customers.
>
> FinTech CEO

Successful FinTechs are also notable for their ability to stay close to their customers over time. As FinTechs grow, it's important that boards ensure that customers' voices continue to be heard. The Consumer Duty from the Financial Conduct Authority (FCA), which was implemented in 2023, requires considerable focus from boards of B2C firms and holds them responsible (under Principle 12) for ensuring FinTechs deliver good outcomes for customers and attest to the organisation's commitment to delivering value. B2B FinTechs where 'delight your customer' and 'follow your customer' are truisms for successful businesses.

A FinTech board with a deep understanding of customer experience (from financial services or other industries) can help CEOs and founders infuse customer-centric thinking into the business. They can help devise strategies to drive growth through improved customer satisfaction and loyalty, product differentiation and greater brand awareness.

Checklist for FinTech boards:

- Invest time in understanding customer needs and market demands and factor these inputs into all decisions
- Promote a customer-centric culture, with internal communications that emphasise customers' needs and wants and how the organisation benefits customers
- Ensure that appropriate metrics are in place for monitoring customer satisfaction, engagement and loyalty (e.g., net promoter scores)
- Capture information to efficiently fulfil reporting obligations and – more importantly for the business – confirm that customers are receiving good outcomes
- Validate that remediation plans are in place to address gaps or sub-par aspects of the employee experience
- Allocate time during board meetings to review customer and product stories (e.g., positive feedback and ratings, top complaints and pain points)
- Appoint a dedicated Consumer Duty board champion who understands Consumer Duty and is qualified to raise questions from the customer perspective

2.2 Purpose and social impact – solving for 'why'

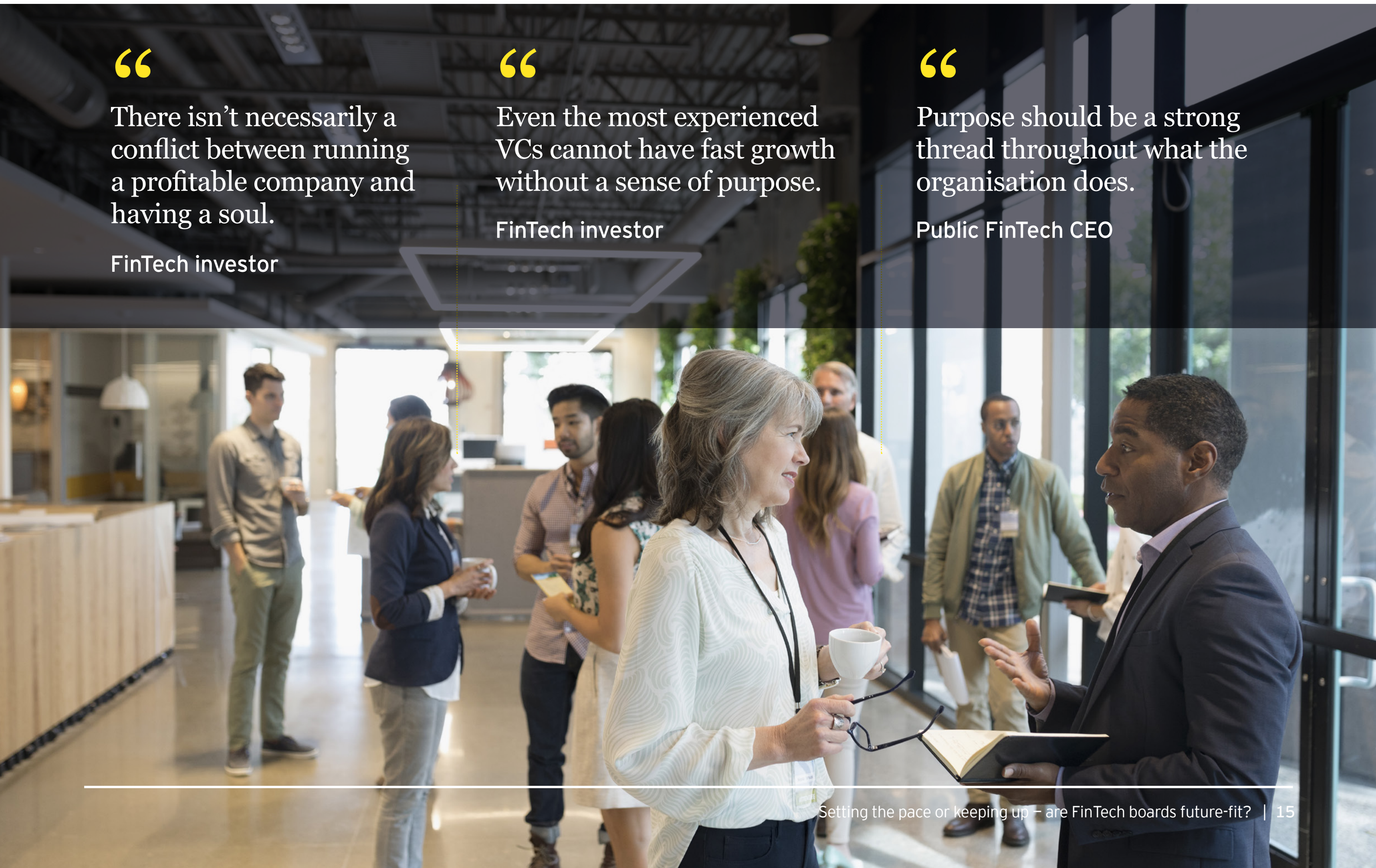
The impressive growth of many UK FinTechs has been powered by an ambition to create a more equitable and inclusive financial services sector. Many FinTech investors view a clear and compelling purpose as a powerful driver of sustainable growth. Purpose can provide an anchor, particularly when multiple investors seek to influence senior leaders and the board. We predict purpose will remain a critical focus and, indeed, differentiation for FinTech boards as the organisational mission evolves. Boards will play an essential role in balancing the need to deliver profitable returns for investors and produce clear value for other stakeholders.

Defining the values associated with the purpose can be an area where boards can add enormous value. The combination of purpose and values establishes the 'why' and 'how' for the company and provides clear red lines to facilitate decision-making for the board.

Embedding purpose

66% of FinTech board members say the firm's purpose has been embedded into their organisation

Purpose can positively influence strategy (e.g., by differentiating the brand) when it is communicated effectively to key stakeholders, including customers and investors. Purpose can also strengthen the culture, provided it is clearly articulated to employees.



> "There isn't necessarily a conflict between running a profitable company and having a soul.
>
> **FinTech investor**

> "Even the most experienced VCs cannot have fast growth without a sense of purpose.
>
> **FinTech investor**

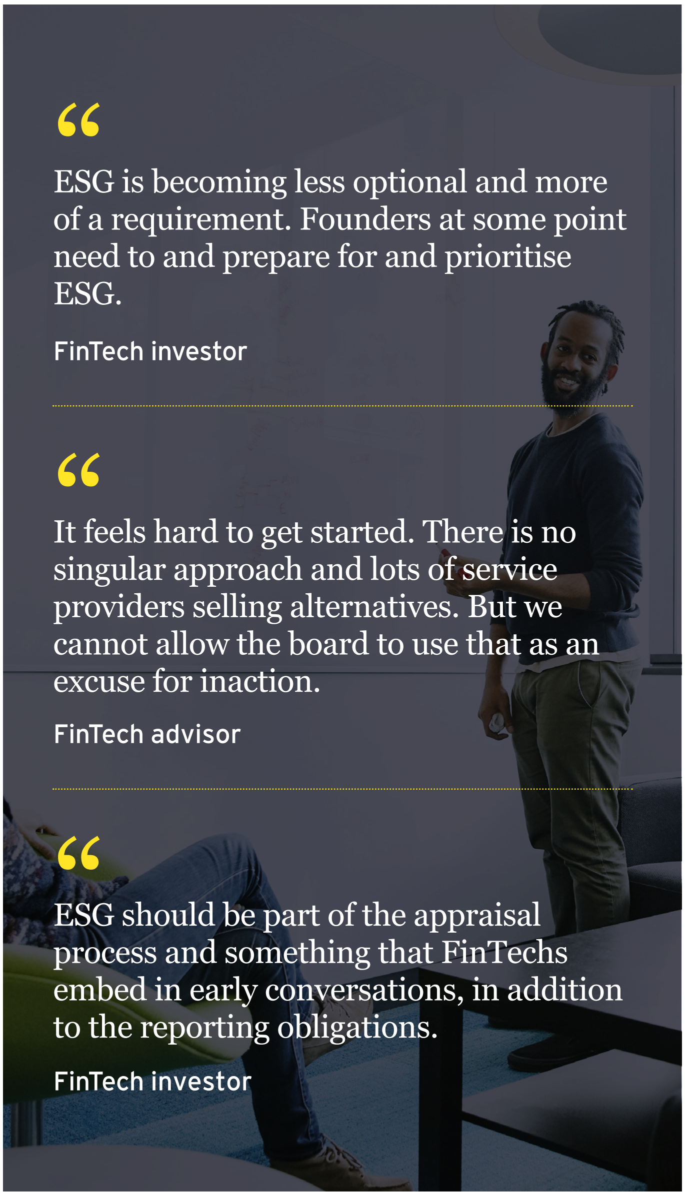
> "Purpose should be a strong thread throughout what the organisation does.
>
> **Public FinTech CEO**

Linking purpose and ESG

When it comes to purpose generally and ESG specifically, boards set the tone from the top. In many of the conversations we had, founders and their boards talked passionately about societal impact. A number of FinTech CEOs told us that it is their belief that the more emphasis they put on ESG, the greater their likelihood of attracting customers and investors. Whilst 78% of survey respondents rated ESG as an important priority, the emphasis appears to decline as FinTechs mature (beyond Series B fundraising rounds).

ESG, including DE&I, should not be viewed as a nice-to-have programme. Rather, it should be ingrained into everyday operations and the organisational culture from day one. EY research demonstrates that investors, regulators and stakeholders across society are demanding greater transparency on ESG to help assess long-term value. Thus, FinTechs are motivated to broaden the scope of their reporting and communicate the strategic importance and performance of the FinTech industry with respect to ESG. More emphasis on B-Corp certification might prove to be an effective way to do this.

We are clear that diverse boards will be best positioned to demonstrate why ESG is important and how it can advance the business.



> "ESG is becoming less optional and more of a requirement. Founders at some point need to and prepare for and prioritise ESG.
>
> **FinTech investor**

> "It feels hard to get started. There is no singular approach and lots of service providers selling alternatives. But we cannot allow the board to use that as an excuse for inaction.
>
> **FinTech advisor**

> "ESG should be part of the appraisal process and something that FinTechs embed in early conversations, in addition to the reporting obligations.
>
> **FinTech investor**

Checklist for FinTech boards

- Evaluate how strategic priorities are tied to purpose and continually challenge senior leaders to strengthen the linkage
- Check how ESG and DE&I are embedded in the strategy
- Assess cultural metrics (e.g., employee survey results) and how these link to profit, growth and other measures of success, as well as to purpose and value
- Evaluate how staff are aligned to purpose (e.g., giving employees a stake in the company)
- Support public commitments on DE&I and hold the firm accountable to them
- Determine when the time is right to establish dedicated committees to oversee key ESG principles

2.3 Risk, regulation and compliance — understanding the guardrails and engaging with regulators

Successful FinTech boards recognise that regulatory rules and guidelines serve a useful purpose, like brakes on vehicles and can offer value to the business. Consider the Consumer Duty and how it is designed to prompt firms to develop customer-centric products and experiences. For some FinTechs, the implementation of the Consumer Duty has created a strategic opportunity to pivot their business model in ways that drive stronger customer outcomes. Regulators have expressed clear support for growth in the FinTech sector and see regulation as the means to ensure that growth benefits consumers and strengthens the industry as a whole.

Risk and regulation in financial services are extensive and complex. Risk management includes risk taxonomy, controls, indicators, thresholds, reporting and actions across strategic, financial, operational and regulatory risk as a minimum. Regulation covers all aspects of how firms operate, including products and services, market conduct, data privacy and security, reporting, operational resilience and staff training and compensation. That's why fundamental capabilities for compliance should be established in the company's earliest days. Relevant rules and principles should be applied as initial products and services are developed. High-profile FinTechs have learned expensive lessons in attempting to retrofit appropriate controls and risk management practices after going to market.

Regulators in the UK have a mandate to support growth. FinTech leaders can be experienced in creating sophisticated and innovative products but may sometimes lack a complete understanding of the different regulatory frameworks in place. FinTech board members must set a tone from the top that strong foundations for risk and compliance make it easier to scale safely and successfully. And our expert panel was clear: FinTech boards must encourage their management teams to develop close working relationships with regulators.

Boards are essential for determining the right balance of compliance and growth. That balance comes through risk-reward evaluations of investments and opportunities and a working knowledge of current regulatory guidelines and likely future developments. The board also shapes the organisational mindset regarding risk and compliance. Ideally, risk-informed thinking among senior leaders and boards shall be instilled into the culture and decision-making processes at every level of the organisation.

> It's challenging when board members prioritise growth and don't value compliance to the same extent.
>
> Regulatory board representative

> Many investors and CEOs are more interested in making money rather than compliance
>
> Regulatory board representative

> When you get bigger, you spend more time thinking about regulation and compliance.
>
> FinTech CEO

Checklist for FinTech boards

- Mandate that the executive team establish a regulatory roadmap from the start, regardless of regulatory standard or authority
- Monitor regulatory trends to gain insight into likely future requirements
- Set specific compliance objectives, keep track of early warning indicators and establish escalation processes if issues arise
- Promote a compliance mindset – that it's not just something that has to be done but rather the right thing to do
- Identify individuals in the business whom the board can trust to set strong foundations for compliance (e.g., risk practitioners, data protection officers, money-laundering compliance officers)

Chapter 3: Spotlight on board diversity – a range of backgrounds, perspectives and skills

Being appointed to any board, particularly in a regulated environment, is a serious undertaking. Our expert panel and the board members we interviewed all acknowledged this. The commitment to driving success for their FinTech was clear. Many talked about the delight in being close to the business whilst maintaining a distance from the day-to-day running of the business.

Skills diversity

The good news is that FinTech board members have diverse skills to draw on across traditional areas of finance, accounting, risk and compliance, coupled with a large focus on innovation and technology. The latter is far more evident on FinTech boards than on those of 'traditional' financial services firms.

The issue that appears to arise from our research is how this experience is being used. Many board members didn't feel their experience was being valued to help drive their FinTech forward; they felt caught up in administrative and bureaucratic tramlines.

“

There is a pivot in behaviour occurring in FinTech boards. You can't wait to be called upon to speak; you need to be an active director with the CEO's support.

Board member, Top 10 FinTech

Gender diversity

In our conversations, many of the FinTech CEOs and board members demonstrated admirable passion and leadership in their commitments to diversity, equity and inclusion (DE&I). It's imperative for the sector's future success that they continue to seek diversity in all its forms, including diverse leadership teams and board members.

Our previous research shows that many of the DE&I gaps in the broader financial services and technology sectors are also present in FinTechs. But in some cases, FinTech leaders appear to have blind spots relative to DE&I. In our *2022 research*, 70% of senior FinTech leaders said they had a positive view of the FinTech industry's diversity and inclusion performance, whilst only 30% of women shared the same sentiment. We see this as a topic where FinTech boards can make a real difference.[2]

According to the European Boardroom Monitor, just 33% of 2023 appointments to UK financial services boards were women, down from 61% in 2022. In Europe, just 44% of appointments to financial services boards were women, down from 51% in 2022.

Like their peers at traditional financial services firms, FinTech boards can do more to promote diversity. To set the tone, members should be hands-on in demanding diversity, in all its forms, across the entire organisation. When boards themselves are diverse, members will have an easier time promoting diversity throughout the firm.

The good news is that everyone we spoke to in our research understands the need to address diversity gaps. But boards need to do more. Right now, only one in three are hiring new talent in these areas and only one in five are upskilling and training board members.

“

If you want a diverse board, you need to look for people with a diverse network and diverse contacts.

FinTech NED

The good news:

63% of FinTechs have at least one woman on the board

The not-so-good news:

Overall, women represent only **22%** of FinTech board members,

despite the FCA call for **40%** representation.

[2] Why gender diversity and equality matter to UK FinTechs | EY UK, June 2022

The value of diversity in all its forms

A diverse board avoids 'groupthink', invites broader perspectives and enables better decisions. Ideally, FinTech boards will be diverse in many forms, including:

- **Experience and background:** covering all major parts of the business, from overall business strategy and product design to marketing sales and service to all aspects of back-office operations
- **Gender:** improving on today's status quo where boards are roughly 80/20 men
- **Disability:** this has been overlooked on many boards and is an area of potential differentiation for FinTechs
- **Racial/cultural:** creating boards that look like the customer base FinTechs are seeking to engage
- **Modes of thinking:** minimising the risk of groupthink and ensuring that consensus-building and conflict avoidance don't trump difficult decision-making
- **Geographic:** knowledge of markets and jurisdictions that are growth targets (e.g., the US) or deliver important innovations (e.g., Germany, China)
- **Generational:** gaining fresh perspectives from younger members and advisors, though they can be difficult to identify and recruit

"

Big-picture thinkers can often take a step back and provide external strategic challenge.

FinTech NED

"

Board members that can go deep into certain topics can be the voice of reason and bring insights.

FinTech CEO

We recognise that achieving board diversity is challenging for startups with limited resources to attract or compensate the right individuals. However, our research has shown that successful FinTech founders have been deliberate in identifying NEDs from a different background to their own, looking outside of their own networks and placing diversity at the forefront of their conversations with headhunters.

"

You do want a board that challenges you to generate new ideas and perspectives, but fundamentally be aligned in your values.

FinTech founder

"

It is helpful for executives to sit on other boards as it helps to see the other side of the equation and focus on questions that need to be asked.

FinTech CEO

Profile of an ideal board member

Although no one board member will have all 'ideal' characteristics, an ideal FinTech board will include members who:

- Sit on multiple boards (but not too many as to be stretched thin)
- Serve or have served as a CEO to bring operational expertise
- Have first-hand experience with a FinTech, scaling a company and managing through the transition points of the business
- Have an entrepreneurial mindset
- Contribute deep expertise in at least one key domain (e.g., strategy, marketing, geographic markets, customer, regulation, risk, HR)
- Have a fundamental understanding of or core competence in technology
- Are comfortable acting within a dynamic, fast-moving environment
- Are strong relationship-builders with good networking and communications skills
- Have an ability to build trust and are eminently approachable
- Demonstrate a willingness to ask tough questions, challenge the status quo and hold difficult conversations
- Are driven by a passion for the FinTech's purpose and value proposition and can articulate it clearly (e.g., to investors)
- Will commit sufficient time to make a meaningful contribution

In order to increase the appeal of FinTech board positions to a wider and more diverse cohort, we believe an industry-wide training programme could be established for NEDs.

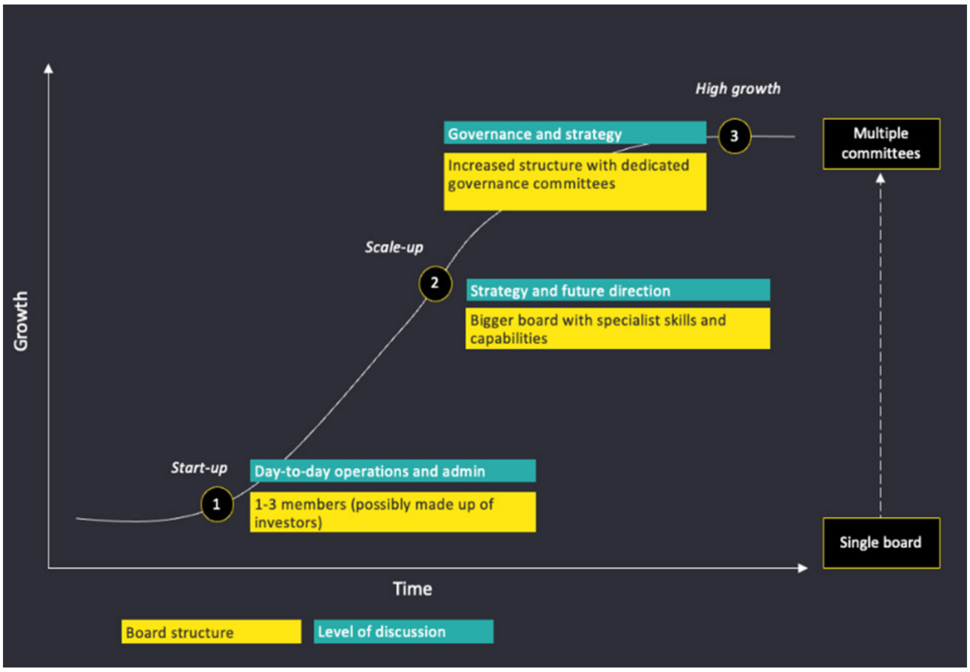
Chapter 4: How boards change over time

The nature and role of boards evolve over the life cycle of a FinTech. Typically, early-stage FinTechs have one or two board members, potentially including investors. As the business expands, new members (e.g., NEDs) are brought in to provide additional skills. New members may also be required by regulators once the business meets certain thresholds.

What we heard from founders was that for FinTechs in high-growth phases, the board can serve as a forum where executives can ask questions and find answers as they face unfamiliar challenges related to scaling. Board members can also support the engagement with external stakeholders (regulators, investors and the broader FinTech ecosystem).

There are a number of specific milestones that are critical for boards to manage during the scaling journey.

> Board members should be people who have had experience with what the business wants to be in five or 10 years' time.
>
> **Senior board member**



Founder status – to go, or not to go, that is the question

One of the almost unique characteristics of the FinTech industry is the number of businesses within a single sector with founders who have become household names (at least across the industry).

As the business matures, the question, therefore, arises for boards – when is the right time for the founder to move on? The NEDs we spoke to wrestled with this issue. The skills that brought the FinTech into being and drove initial growth are not necessarily the ones to drive operational efficiency and regulatory compliance for a scaling entity. The first step is recognising the issue and the importance of the role of the chair in driving succession planning.

“

Knowing when to step back is not something that comes instinctively. A strong chair can help make the transition happen for the best of all parties.

FinTech CEO

“

When FinTechs experience growth, you have to reinvent the company and yourself multiple times and founders are not always the right fit throughout these growth evolutions.

FinTech founder

Moving from start-up to scale-up

In all phases of growth, board members must ensure the interests of all stakeholders are represented and that decision-making mechanisms are clear. Striking a balance between the needs of investors and other stakeholders is important for any FinTech, no matter its size or growth stage. Regulated FinTechs (e.g., neobanks) must also be conscious of the role and remit of investors on the board, including their influence on day-to-day oversight.

The right committee structure can help ensure strong governance and keep overall board discussions focused on strategy. Creating committees, such as audit, risk and compensation, is an important milestone for boards, promoting detailed discussions, timely decision-making and appropriate actions on key issues. Experienced directors, including an experienced and supportive chair, can help the CEO determine the right time to establish such committees. As FinTechs scale (regardless of public or private ownership), they will need people with the skills and experience to run these committees.

Planning for the future

Although building the right board and operating it effectively are time-consuming commitments, FinTech leaders must prepare to regularly welcome new members, who bring different perspectives and necessary skills. As the company evolves, so too must the board, as our research participants reminded us.

“

When you’re starting as a new business, board strength is about making connections and sharing war stories. We found it helpful having a mixture of operators and investors.

FinTech investor

“

“When going to the IPO, the key thing was to bring in people with experience in public markets and financial services and who could chair different board committees.

FinTech NED

Chapter 5: Tactics for board effectiveness

> Boards cost money and so, the investment in the board needs to demonstrate a return on investment.
>
> **FinTech chair**

There are many books and research papers written on board effectiveness, some of which are highlighted in the appendix. The following best practices and recommendations are not meant to be comprehensive but were highlighted by our research participants and panellists.

1. Make sure you engage your board members:

High-performing boards ensure that everyone is heard and encouraged to contribute, avoiding the risk that valuable insights go untapped. Experienced FinTech directors describe board meetings as 'a safe space' but also recognise that unspoken assumptions about power dynamics may lead some directors to feel reluctant to share their thoughts.

> Often, diverse boards don't get the most out of their diversity.
>
> **FinTech adviser**

2. Don't spend too much time looking backwards

In our interviews and roundtables, we sensed real frustration from all stakeholders regarding the amount of time that FinTech boards spend thinking about what has happened as opposed to what needs to happen in the future. Whilst the emphasis will vary based on a company's maturity levels and objectives, most stakeholders agree that the focus should be on strategic and forward-looking matters. One director spoke of "the need to lift the conversation up a level from operational towards strategic and to focus on growth".

"

You want to see the KPIs and know that someone has their arms around them. But most of the meeting time should be spent discussing the future.

FinTech investor

"

I wish we could spend 20% time looking backwards and 80% on forward plans; that's what they do in Singapore.

FinTech board member

3. Make the most of your NEDs

The addition of NEDs can provide what the business needs at different points in time. Skills-based appointments at specific times are key. The most effective NEDs have a coaching mindset and are committed to developing others and make them better at their roles. But they are also effective in raising challenges and providing constructive criticism.

"

The board should be run as a continuous activity. The board you start with shouldn't necessarily be the one you end with.

FinTech adviser

"

When external stakeholders are involved, boards need to have more rigour and structure.

FinTech advisor

4. Think about an independent board effectiveness review

A number of CEOs and chairs talked about the value of an independent board effectiveness review that included a focus on return on investment from the board itself. Most felt that productivity and effectiveness improved as a result.

> As a result of our board effectiveness review, we changed how we spend our time, increased the amount of time on strategy and reduced the size of the PowerPoint decks. While these changes are small, they have made a material difference to our last few meetings.
>
> **FinTech adviser**

5. Don't under-estimate the importance of the relationship between the chair and the CEO

Having the right chair is crucial, especially in the early stages of FinTech development. In our stakeholder interviews, trust and alignment were key themes that emerged consistently. "Having a chair that you, as the CEO, can confide in is important," said one research participant. Another explained, "Together, CEOs and chairs should be laser focused and in full agreement on what you are trying to achieve."

> The role of the chair is very important. The board is going to evolve and it's the chair's responsibility to evolve it.
>
> **FinTech adviser**

6. Flex your board agenda to your growth stage

Throughout the course of our interviews, a frequent topic of conversation was the recognition that all FinTechs are unique, with each one at a different stage of growth. Where they are on this journey will influence the degree of focus required and the mechanisms in place to facilitate board discussions. With this in mind, we have curated a checklist of factors for FinTechs to consider, depending on where they are on their growth journey, aligned with the topics covered in this report. This will allow FinTechs to better consider their board structure and meeting proceedings:

	Start-up: Early-stage (pre-seed, seed) companies with revenues and funding under £2mn	**Scale-up:** Mid-stage (seed to Series A+) companies with revenues and funding under £10mn	**High-growth:** Late-stage (Series B) companies with revenues and funding above £10mn
Customer and markets	▸ Challenge the core value proposition for clearer differentiation ▸ Be mindful of regulatory requirements ▸ Ensure strong product market fit. Ask for evidence that the product continues to solve a problem that customers care	▸ Set up mechanisms to bring the customer voice into the boardroom ▸ Understand what data is being collected in relation to customer outcomes	▸ Assess how expanding governance models and practices impact customer-related performance ▸ Challenge business priorities to ensure they reflect customer needs and preferences
Purpose and social impact	▸ Articulate a clear purpose ▸ Be clear with investors how the delivery of the purpose will also deliver clear commercial returns	▸ Assess the organisational impact on wider society ▸ Evaluate whether the purpose has changed or should change ▸ Determine whether existing metrics sufficiently track the purpose and if additional governance is necessary	▸ Continually assess the alignment of company culture to the purpose ▸ Promote transparency in reporting on purpose-related outcomes ▸ Encourage open communications by senior leaders about purpose

	Start-up: Early-stage (pre-seed, seed) companies with revenues and funding under £2mn	**Scale-up:** Mid-stage (seed to Series A+) companies with revenues and funding under £10mn	**High growth:** Late-stage (Series B) companies with revenues and funding above £10mn
Risk and regulatory compliance	‣ Create open lines of communication between the board, leadership teams and regulators ‣ Consider long-term regulatory shifts and map them to product development	‣ Establish tools to track risk and regulatory impacts ‣ Assess the culture relative to risk and compliance across the organisation ‣ Look for opportunities to engage proactively with regulators	‣ Work to optimise committee structures and board conversations to address the right issues with the right level of detail ‣ Mature and expand relationships with regulators
Composition and diversity	‣ Envision the board of the future, including new perspectives, skillsets and types of advisors ‣ Determine a clear path to board diversity	‣ Challenge how the board is bringing diversity of thought into meetings ‣ Determine what additional skills and capabilities can be brought in as the business model evolves	‣ Continually assess the skills and experience profiles of board members and identify gaps or areas to improve ‣ Actively recruit and maintain a pipeline of diverse candidates for future board membership

Key questions to ask:

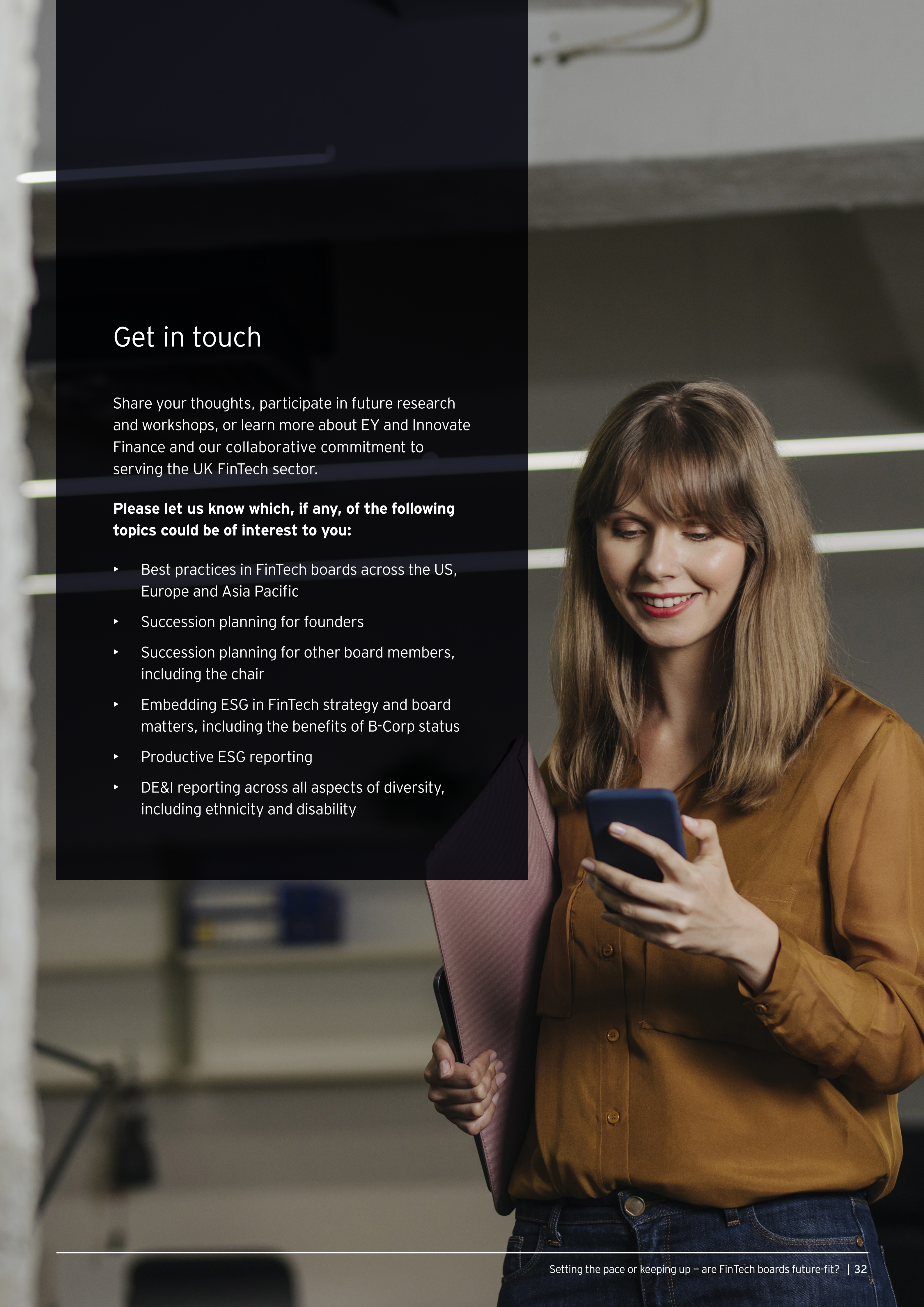
- What are the crucial strategic issues the board will face over varying time horizons? How will we plan to engage the boards on these topics?
- Does the board agenda match the company's growth phase?
- How much time should be allocated to governance versus strategic conversations?
- How effective is the board and how is its effectiveness measured?
- What needs to be done inside the boardroom and what needs to happen outside it?
- What additional education might the board need on certain issues? What is the best approach to educating the board?
- How often should the board meet and for how long?
- How should the sessions be structured?
- Who sets the agenda?

Chapter 6: In closing – the many causes for optimism

Our research has shown that, in many ways, FinTech boards are showing their peers at traditional financial services firms the way forward in key aspects of board effectiveness, including:

- Embracing agility in board tenures, planning for turnover and proactively identifying future skills that they will need as market conditions change and their products evolve
- Being willing to take advice and often seek it actively, rather than thinking that all of the knowledge and expertise they need is already sitting around the table
- Viewing regulation as a competitive advantage and a way to embed customer-centricity and set strong foundations for scalable growth

These are just a few of the inspirational practices we have encountered in our research and our engagement with the industry. And they are just a few of the many reasons we are bullish on the future of the UK FinTech sector as a source of ongoing economic growth, purposeful profitability and a more inclusive, responsive and stable financial system.



Get in touch

Share your thoughts, participate in future research and workshops, or learn more about EY and Innovate Finance and our collaborative commitment to serving the UK FinTech sector.

Please let us know which, if any, of the following topics could be of interest to you:

- Best practices in FinTech boards across the US, Europe and Asia Pacific
- Succession planning for founders
- Succession planning for other board members, including the chair
- Embedding ESG in FinTech strategy and board matters, including the benefits of B-Corp status
- Productive ESG reporting
- DE&I reporting across all aspects of diversity, including ethnicity and disability

About us

EY teams work with FinTechs to drive robust and sustainable growth, setting strategy, building new propositions and supporting FinTechs with a wide range of business challenges.

We are committed to the growth of the FinTech market globally, with FinTech leaders active across all our geographic regions.

Within the UK, our FinTech team offers a wider range of support to FinTechs in their scaling journeys, from tax and compliance services to operational resilience and customer growth services.

Specific services for FinTech boards include, but are not limited to:

- Board effectiveness reviews
- Leadership coaching
- ESG reporting and effectiveness
- Technology transformation training (incl. GenAI)
- Risk, regulation and compliance (incl. Consumer Duty)
- Customer experience and strategy

Innovate Finance

Innovate Finance is the independent industry body for UK FinTech.

Its mission is to accelerate the UK's leading role in the financial services sector by directly supporting the next generation of technology-led innovators to create a more inclusive, more democratic and more effective financial services sector that works better for everyone.

Innovate Finance's membership and partnership community ranges from seed-stage startups to scale-ups and high-growth FinTechs; from multinational financial institutions to big tech firms; and from investors to global FinTech hubs. Innovate Finance supports our members and the wider financial innovation ecosystem by promoting policy and regulation that allows innovation to thrive, encouraging talent, diversity and skills into the sector, facilitating the scaling journey, fostering business opportunity, partnerships and domestic and international growth, and driving capital into UK FinTech.

By bringing together and connecting the most forward-thinking participants in financial services, Innovate Finance is helping create a financial services sector that is more transparent, more sustainable and more inclusive.

For more information, please visit
www.innovatefinance.com

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  - Sophie Bernheim, Consultant, Ernst & Young LLP
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Further reading and resources

UK Corporate Governance Code 2024 (frc.org.uk)

Whilst this does not apply in its entirety to privately owned FinTechs, the content provides a clear definition of what good looks like for boards across all industries.

Ethnic diversity of UK boards: the Parker Review– GOV. UK (www.gov.uk)

Clear and useful recommendations on improving the ethnic diversity of boards

EY Centre for Board Matters–Our latest thinking | EY– UK

A series of research and prompts on areas for board consideration

Harvard Business Review and EY - The Business Case of Purpose

EY FinTech scale-up handbook

A FinTech scale-up handbook that provides practical advice and guidance.

The EY FinTech Lab

Board Talk, Gillian Camm and Kathryn Bishop, Practical Inspiration Publishing

Decision Making in Uncertain Times, Tony Fish

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