POLITICAL INTELLIGENCE

FinTech as a Force for Good

Event Summary by Catherine Fredette

Introduction

On Oct. 11, Innovate Finance hosted an industry event in London titled "The power of FinTech: Creating a more sustainable and inclusive world for all", its second annual forum from its 'FinTech as a Force for Good' series. The in-person event was billed an opportunity for representatives of FinTech and other financial services firms, policymakers, investors, and other stakeholders to discuss how the sector could support the creation of a fairer, greener, and more sustainable society. The forum took place against the backdrop of an increasingly uncertain and challenging economic outlook in the UK and abroad, with energy prices and the fallout from the Covid crisis driving inflation and borrowing costs higher.

Catherine Fredette, Dods Political Intelligence financial services consultant, provided a summary of the event for our clients, including the keynote speeches and panel discussions involving key policymakers and industry figures. This report provides an example of summaries of two of the panels she covered.

Panel Discussion: The State of ESG – A Global Outlook

Environment, Social and Governance (ESG) is an increasingly important concern for companies and their strategies for attracting investment and providing additional transparency on their impact on society and the environment. This panel discussion explored the state of play and where the industry needs to be going, discussing topics including greenwashing and global variation.

Panellists:

- Lord Christopher Holmes of Richmond –Committee on Science and Technology Committee (Lords)
- Shanika Amarasekara, Chief Impact Officer, British Business Bank
- Jeff Scott, Chairman, Rewired.earth
- Stephen Dury, Vice President, Capgemini Invent

Shanika Amarasekara, Chief Impact Officer at the British Business Bank, began by saying consumers and investors now accepted more than just commercial return was important. She asserted that there was true value in positioning oneself as a sustainable product or company, as long as there was the data to back it.

On the topic of greenwashing, Amarasekara noted there was a significant awareness gap. However, consumers had begun to increasingly educate themselves, which made greenwashing a harmful and risky strategy for companies. She also warned of leaving certain communities behind in terms of awareness.

Jeff Scott, Chairman at Rewired.earth, asserted that there was a systematic problem of metrics for ESG reporting, and universally agreed measures were required. While regulation was important, it took too long and they needed to take action on it now, he said. Metrics would help people discern what to prioritize and figure out what people care about, which would allow them to create a framework. Scott emphasized that it was important to not let the perfect ruin the good.

Stephen Dury, Vice President at Capgemini Invent, believed that there was a reason to be cheerful: "the biggest impact we can have as individuals is what we do with our finances", and he thought that fintech needed to be at the center of ESG solutions. Dury agreed with Scott that reporting and measurements were the way forward because it allowed one to find a baseline and make appropriate changes, which would make supervision easier and more effective.

Amarasekara believed fintechs were uniquely placed to break down barriers of access to finance, while Dury said fintechs needed to be at the centre of solutions. Dury added that one of the responsibilities for fintech was to help to make sustainable choices easier, reduce the friction, and make the ESG journey seamless. For example, putting solar panels on a roof should be an easy part of house financing.

Lord Christopher Holmes, a member of the Lords Science and Technology Committee, said there were legislative opportunities, and that the UK had a strong history and future opportunity in standards. He said risk needed to reimagined, adding that the Financial Services and Markets Bill and Data Bill were opportunities. He added they needed to be careful not to preach to the global south what they should and shouldn't do.

On the government's Fintech Strategy, Dury said he noticed that most of the input came from established players in the sector. He said it was necessary to look in other directions, such as those being paved by original and disrupter companies.

Panel Discussion: Financial Inclusion – A Financial Services System That Caters to All

The cost-of-living crisis has drawn into focus the need for financial systems to manage the increasingly challenging outlook for debt, late payments, and household budgets. This session heard industry experts' opinions on how financial services firms could safeguard more financially vulnerable customers and better equip them for future crisis.

Panellists:

- Chris Pond, Chair, Financial Inclusion Commission
- Faith Reynolds, Independent Consumer Finance Expert, Fair4All Finance
- Kate Cunninghan, Director, Financial Services, MHP
- Louise Hill, Co-Founder & COO, GoHenry
- Neil Allen, Head of Strategy, Credit Risk UK&I, LexisNexis Risk Solutions Summary

The panellists agreed that the financial services industry could do more to support vulnerable customers. Faith Reynolds, an independent consumer finance expert from Fair4All Finance, said 17.5 million people in the UK were in the spectrum of vulnerability towards exclusion and that one in five people had less than £100 in savings. She said a question they should all contemplate was how financial services could work more collaboratively to increase their provision and scope in society.

Neil Allen, from the Credit Risk UK&I team at LexisNexis Risk Solutions, highlighted that financial inclusion/exclusion was a regional phenomenon. According to their studies, people in Northeast and Northwest England were more likely to rely on short term loans or sub-prime lending, fall into default, and enter a harmful cycle of debt. Furthermore, 1.7 million people had no credit activity in the last two years. He added that they needed to look at alternative data sources for a more up-to-date view of consumers, especially as debt was increasing and they needed to better understand why.

Chris Pond, Chair of the Financial Inclusion Committee, said inflation, as a report from the Resolution Foundation revealed, was going to continue to be higher for the poorest 10 percent of the population. He echoed Reynolds, asserting that the financial exclusion problem was best characterized by the growing proportion of vulnerability. Pond said that the huge amounts of risk were transferred from the state to the individual, and that while financial services provided a safety net, many people still didn't have access to it. He said financial services needed to work more for the needs of individuals, and that financial technology in particular had a huge opportunity to fulfil those needs.

Louise Hill, COO at GoHenry, asserted that language was a key opportunity to open up financial inclusion. She noted that while they created GoHenry with the goal of helping kids learn about money in a practical and fun way, they discovered quickly that adults loved the financial education games just as much. She said fewer people understood savings, interest rates, and other simple concepts than many had assumed. Hill said it was crucial to find ways to talk to both kids and adults in a way which was accessible so that they could set themselves up for a positive financial future. She stressed the importance of educating kids from a young age, as financial habits begin to be formed at the age of seven.

Reynolds highlighted that marginalized people were more likely to be denied a loan and not have savings. They not only needed to better understand the financial lives and needs of different communities, but also the people who were not even creating data or included within it, such as Ukrainian refugees. Using the example of Ukrainian refugees, he highlighted how their lack of access to credit prevented them from taking next steps in their lives or integrating independently into their UK communities. Reynolds said the mainstream financial services sector needed to get involved in affordable credit provision, and that they could integrate or take a page out of the book of small disruptive fintechs. Going forward, she said that banks could be more communicative and transparent about their decision-making processes for loans, for example by explaining how people could improve their credit scores, and also having more diverse representation in customer-facing roles.

Pond believed it was now right to consider inclusion and exclusion in a holistic sense across companies' activities. He added that the Treasury Select Committee was supportive of this. Hill believed it was everyone's job to work to promote inclusivity – the financial services sector, schools, governments, and families all had a role to play.

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